WAJAX Corporation ESTABLISHED 1858

4 POINTS OF GROWTH:

EXECUTING OUR STRATEGY

Wajax Corporation 2015 Annual Report

Our goal is to be Canada's leading industrial products and services provider, distinguished through:

- The excellence of our sales force;
- The breadth and efficiency of our repair and maintenance operations; and
- Our ability to work closely with existing and new vendor partners to constantly expand our product offering to customers.

Contents

Forward-Looking Statements and Information

This Annual Report, including the accompanying Management's Discussion and Analysis, includes forward-looking statements and information that is based on Wajax's current beliefs, expectations, estimates and assumptions in light of information currently available. Actual results, performance and achievements may differ materially from those anticipated or implied in such forward-looking statements or information. Please see page 17 for a discussion of the risks and uncertainties related to such statements and information.

FINANCIAL HIGHLIGHTS

2015 Revenue Distribution

EQUIPMENT 47%

The largest multi-line distributor of mobile equipment in Canada.

West **53%** Central **26%** East **21%**

POWER SYSTEMS 22%

One of the largest distributors of diesel engines and transmissions in Canada.

West **39%** Central **32%** East **29%**

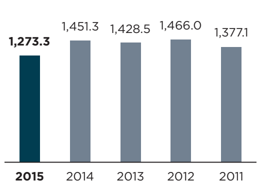
INDUSTRIAL COMPONENTS 31%

A leading distributor of industrial products and services in Canada.

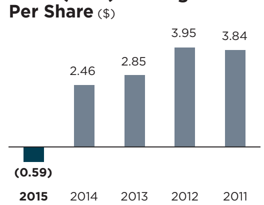
West **33%** Central **21%** East **46%**

For the years ended December 31 (in millions of Canadian dollars, except per share data)	**2015**	2014	2013
Revenue	**$ 1,273.3**	$ 1,451.3	$ 1,428.5
Net (loss) earnings	**(11.0)**	41.2	47.7
Adjusted net earnings(2)	**27.8**	43.3	47.7
Cash flows from operating activities	**9.6**	52.9	24.1
Funded net debt(1)(2)	**149.0**	201.0	205.0
Shareholders' equity	**288.5**	248.5	247.2
Basic (loss) earnings per share	**(0.59)**	2.46	2.85
Adjusted basic earnings per share(2)	**1.50**	2.58	2.85
Cash dividends declared	**1.23**	2.40	2.68
Leverage ratio(2)	**1.98**	2.12	2.15
Weighted average number of shares outstanding	**18,559,558**	16,772,769	16,737,086

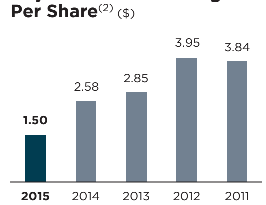
Revenue ($ millions)



Basic (Loss) Earnings Per Share ($)



Adjusted Basic Earnings Per Share(2) ($)



(1) Funded net debt includes bank debt, senior unsecured notes, bank indebtedness and obligations under finance leases, net of cash.

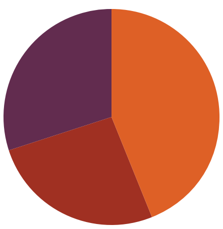
(2) These amounts do not have standardized meaning prescribed by GAAP, see Management's Discussion and Analysis, page 32.

OUR PRODUCTS AND SERVICES

Wajax operates 123 branches across Canada and represents a wide range of leading world-wide manufacturers.

Our customer base is diversified, spanning construction, industrial/commercial, transportation, the oil sands, forestry, oil and gas, metal processing and mining.

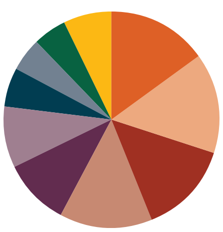
2015 Revenue by Geographic Region



	2015	2014
Western Canada	**44%**	52%
Central Canada	**26%**	21%
Eastern Canada*	**30%**	27%

*Includes Quebec and the Atlantic provinces.

2015 Revenue by Market(2)



	2015	2014
Construction	**15%**	17%
Transportation	**15%**	13%
Forestry	**14%**	11%
Industrial/Commercial	**14%**	14%
Oil Sands	**10%**	13%
Mining	**9%**	8%
Metal Processing	**6%**	5%
Oil and Gas	**5%**	7%
Government and Utilities	**5%**	4%
Other	**7%**	8%

EQUIPMENT

- The largest multi-line distributor of mobile equipment in Canada.
- 33 branches.
- 875 employees.
- 47% of total revenue and 62% of total earnings before goodwill and intangible assets impairment, restructuring costs, finance costs and income taxes.(1)(3)

Business

Distribution, rental, modification and servicing of mobile equipment from leading manufacturers.

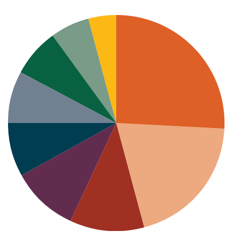
Products

Excavators, articulated dump trucks, lift trucks, mining trucks and shovels, forest harvesting equipment, utility equipment, loader backhoes, container handlers, cranes (including crawler and rough terrain cranes), skid steer loaders and wheel loaders, road paving equipment, milling machines, crushing and screening equipment.

Major Vendors

Hitachi, Hyster, Yale, Tigercat, JCB, Telelect/Terex, Palfinger, Bell and the Wirtgen Group.

2015 Revenue by Market(2)

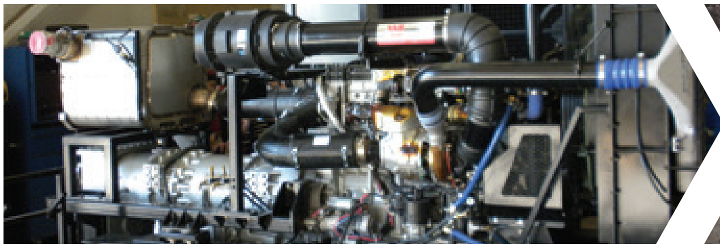


	2015	2014
Construction	**26%**	29%
Forestry	**20%**	14%
Oil Sands	**11%**	16%
Transportation	**10%**	7%
Industrial/Commercial	**8%**	8%
Metal Processing	**8%**	7%
Government and Utilities	**7%**	6%
Mining, Oil and Gas (excluding Oil Sands)	**6%**	7%
Other	**4%**	6%

(1) Total revenue and total earnings before goodwill and intangible assets impairment, finance costs and income taxes exclude segment eliminations.

(2) Certain 2014 revenues have been reclassified to conform with current year classifications

(3) These amounts do not have standardized meaning prescribed by GAAP. See Management's Discussion and Analysis, page 32.



POWER SYSTEMS

- One of the largest distributors of diesel engines and transmissions in Canada.
- 30 branches.
- 904 employees.
- 22% of total revenue and 13% of total earnings before goodwill and intangible assets impairment, restructuring costs, finance costs and income taxes.(1)(3)

Business

Distribution, sales and service of heavy-duty engines and transmissions across a wide range of markets and power generation product sales, service and rentals across Canada.

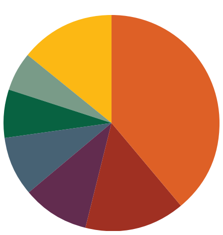
Products

Heavy-duty diesel and natural gas engines, transmissions and power generation equipment supported by a national parts and service network.

Major Vendors

MTU, Detroit, Allison, Volvo and Deutz.

2015 Revenue by Market(2)



	2015	2014
On-Highway Transportation	**39%**	37%
Industrial/Commercial	**15%**	16%
Oil and Gas	**10%**	15%
Oil Sands	**9%**	12%
Mining	**7%**	6%
Construction	**6%**	3%
Other	**14%**	11%

INDUSTRIAL COMPONENTS

- A leading distributor of industrial products and services in Canada.
- 60 branches.
- 774 employees.
- 31% of total revenue and 25% of total earnings before goodwill and intangible assets impairment, restructuring costs, finance costs and income taxes.(1)(3)

Business

Distribution, servicing, engineering, custom design and assembly of industrial components for in-plant customers and original equipment manufacturers.

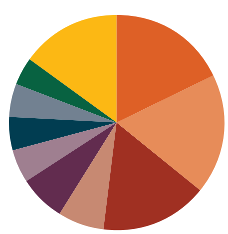
Products

Bearings, power transmission, hydraulics, pneumatics, pumps, filtration, instrumentation, process bulk material handling, fluid handling, safety and mill supplies, engineering and repair services.

Major Vendors

SKF, Eaton, Timken, Schaeffler, Moyno, ITT and 3M.

2015 Revenue by Market(2)



	2015	2014
Industrial/Manufacturing	**18%**	18%
Mining	**18%**	17%
Forestry	**16%**	13%
Oil Sands	**7%**	8%
Metal Processing	**7%**	7%
Oil and Gas	**5%**	9%
Construction	**5%**	5%
Food and Beverage	**5%**	4%
Transportation	**4%**	4%
Other	**15%**	15%

TO OUR SHAREHOLDERS

In March 2015, we introduced our *4 Points of Growth* strategy.

In doing so, we established our goal of being Canada's leading industrial products and services provider, distinguished through:

- The excellence of our sales force;
- The breadth and efficiency of our repair and maintenance operations; and
- Our ability to work closely with existing and new vendor partners to constantly expand our product offering to customers.

The strategy builds on Wajax's historic strengths – our broad range of products and services, a national footprint, diverse end market experience, world-class vendors and the strength of our team.

We are confident our plan will deliver improved growth and value creation.

Our management team is energized by our direction and eager to push forward.

While 2015 was a strong internal ramp-up year for our strategy, it was clearly a difficult year financially. Consolidated revenue declined 12% to $1.27 billion and, excluding an impairment charge of $41.2 million and restructuring costs, adjusted net earnings declined 36% to $27.8 million.(1) The year-over-year decline was primarily attributable to challenging market conditions in western Canada where revenue declined 26%, materially affecting our results. In the more stable markets of central and eastern Canada, revenue increased 3% year-over-year.

Market conditions are expected to remain very challenging in 2016, particularly in western Canada.

Our agenda focuses on executing our strategic initiatives and on additional actions that improve our resiliency in an environment where growth is difficult to achieve.

One of our major objectives in 2016 will be the reorganization of our company.

We will be transitioning from independent product divisions to integrated sales, operations and vendor development groups. The new structure will improve our cross-company customer focus, closely aligns our resources to the ***4 Points of Growth*** strategy, improves operational leverage and lowers our costs by approximately $15 million annually. Not considering a $12 million re-structuring provision, we estimate that a net benefit of approximately $4 million will occur in 2016 with the full annual benefits flowing into earnings in 2017. While ongoing cost reduction is necessary due to market conditions, it is a by-product of our primary objective to re-align our team to improve the execution of our strategy. We appreciate the many hours spent by our management teams to participate in the design of the new organization and to their dedication to a successful implementation.

In addition to the reorganization, our team is continuing to execute the programs that advance each of the components of the ***4 Points of Growth*** strategy:

- **We made significant progress during 2015 to drive our core capabilities and we have a similarly aggressive plan in 2016.** Core capabilities are the distinguishing features of our organization viewed from the perspective of our customers – the excellence of our sales force, the breadth and efficiency of our repair and maintenance operations and the development of our new products and services pipeline.
- **Organic growth programs are our most significant long-term growth opportunities.** When the strategy was launched, we built our roster of growth programs primarily based on the needs of customers in the core resource markets of mining, oil and gas and the oil sands. While low oil prices have reduced our expectations of customer demand from conventional oil and gas customers, we remain bullish on our opportunities in the mining

(1) This amount does not have a standardized meaning prescribed by GAAP. See Management's Discussion and Analysis, page 32.

and oil sands markets. This optimism is due to the significance of service opportunities and the potential to expand our overall business with major customers. Beyond mining and the oil sands, we have increased our emphasis on growth from less cyclical markets (such as construction), on markets that have excellent long-term growth opportunity (such as commercial and defense marine) and we continue to drive our business in forestry.

- **Our acquisition pipeline has grown significantly.** We continue to work with potential targets to enhance our engineered repair services capabilities in regions most relevant to our major customers. We look forward to announcing additional acquisitions as our outlook period progresses.
- **Investment in systems remains an important aspect of our strategy.** We continue to invest in systems to help us support our major customers and our sales force as well as in tactical systems to support our upcoming reorganization. Major ERP systems investments have been deferred and will be considered in our planning for 2017.

Additional information regarding each of our major programs can be found on the following pages.

As stated, our outlook for 2016 is that market conditions will remain very challenging. We expect that earnings will be under significant pressure due to ongoing market conditions in western Canada, resource customer capital and operating expenditure reductions and a weak Canadian dollar. Excluding the impact of the $12 million re-structuring provision, we expect lower year-over-year earnings in the first half of 2016. During the second half of 2016, earnings are expected to improve slightly, driven by customer equipment deliveries and cost reductions. We will continue to manage our balance sheet carefully throughout 2016 and expect our leverage ratio to be within a reasonable tolerance of our target range of 1.5 – 2.0X.[1] With respect to our dividend, the current quarterly amount of $0.25 per share was established in March 2015 at a level that we believe is sustainable through our expectations of a negative cycle. We will continue to consider the amount of the dividend quarterly, taking into account the Corporation's forecasted earnings, leverage and other investment opportunities.

While conditions remain challenging, we have a strong strategy and are confident in our growth prospects. Our confidence is strengthened by the enhanced earnings potential of a reorganized Corporation and by the relationships we have with our customers and vendors.

Finally, we would like to thank our employees for their hard work throughout 2015. Under tough conditions, our team continued to demonstrate excellent customer focus, resiliency and commitment. Among their many achievements was a 23% reduction in recordable workplace injuries – an important step toward our goal of ensuring that everyone on our team goes home safe at the end of every shift.

We appreciate everything that our team does on behalf of our company and with their help, we look forward to pushing ahead.

Mark Foote
Chief Executive Officer

TRANSFORMING WAJAX

Where we've been

Three Product Divisions

Division-specific teams for sales, operations, vendor management, business development, supply chain and finance. Divisions have market, major customer and operational similarities.

Centralized Functions

Human Resources, Information Systems, Environmental, Health and Safety (EH&S) and Corporate Finance.

What's driving change

Customers

Major customers are an important growth factor. They require that Wajax provide a higher degree of commercial, sales and service integration across divisions. In addition, Wajax requires improved visibility to our share-of-wallet and service levels with all customers in order to gain growth leverage from our full range of products and services.

4 Points of Growth

Tough market conditions require that we accelerate the execution of each of the initiatives within the strategy to deliver on our growth targets. In particular, we need to focus on the development of our core capabilities.

Cost Reduction and Operational Leverage

Fixed costs need to be reduced to enhance earnings durability during negative cycles and to improve earnings leverage when conditions recover. Business processes need to be grouped more efficiently to improve organizational effectiveness and to gain additional future cost productivity.

Where we're going

We are transitioning to a leaner and more integrated organization that is based on three main functional groups.(1)

Business Development

The "front-end" of our business. This group is the primary relationship owner with customers, represents our products and services, provides solutions and assists in the development of the market and customer knowledge necessary to drive our new product and service pipeline. The group includes regional and category inside and outside sales teams, specialized end market and major customer teams. Business Development is accountable for our core capability of sales force excellence.

Service Operations

The parts and service operation for our main on and off-highway product categories. The group includes service branch operations and the majority of our technicians and parts and service personnel for both shop and field services. Service Operations is accountable for our core capability of maintenance and repair operations.

Vendor Development

Vendor development creates a world-class interface between our vendor partners and our main sales and service functions. The group includes specialized category teams who plan and measure our performance in partnership with major vendors and who provide integral commercial support to our sales teams. Working with internal groups and partners, Vendor Development is the backbone of our new product development pipeline and is accountable for our core capability to constantly expand our offering to our customers.

These groups are supported by centralized functions including Supply Chain, Human Resources, Information Systems, Environmental, Health and Safety (EH&S) and Finance.

Benefits of change

Improved Customer Focus

Enabled by a realigned organization and new technology, we expect to improve our service levels and growth with major customers, the overall visibility to our share of wallet with all customers and the allocation of our resources to markets, categories and customers with the highest growth potential.

More Effective Execution of Our Strategy

The new organization provides a stronger organizational platform for our strategy. It significantly improves the development of our core capabilities, provides valuable support for our organic growth programs and is a simpler organization for future implementation of new systems.

Lower Costs and Improved Operational Leverage

We estimate that we will reduce costs by approximately $15 million annually due to productivity gains and the elimination of redundancy inherent in the current structure. In addition, the new organization is expected to be capable of higher future productivity gains due to improved process standardization.

(1) Certain teams, such as Engineered Repair Services and Power Generation, have been generally maintained as specialized teams in the new organization.

CORE CAPABILITIES

Sales Force Excellence

Progress with our sales force initiatives has been excellent, and we achieved the main objectives we established for 2015. We have:

- Completed the design of our standard sales process that focuses sales professionals on building a stronger future sales pipeline and improving close rates.
- Trained almost 500 sales professionals on the sales process, including approximately 10,000 hours of training using our new digital learning platform.
- Completed the design of our CRM system, including the merging of customer information from our divisional systems allowing sales professionals to have full visibility to customer activity regardless of the selling division or product category. Deployment of the CRM system to nearly 500 sales professionals is scheduled for March 2016.
- Developed the Key Account Program based on the needs and expectations of our major customers. The program will initially be introduced to a limited number of large mining and oil sands customers representing approximately 10% of 2015 consolidated revenue and with whom we have significant growth potential.

Repair and Maintenance Operations

Our goal is to achieve significant improvement, and ultimately leadership, in repair operations in terms of safety, customer service, breadth of repair services and profitability. We have:

- Built a national Service Advisory Committee comprised of senior service operations leaders from our divisions. This group designs standard service operations processes and measurement systems for application at the 69 branches that support our core on and off-highway categories.
- Built new training programs for our branch service leaders. The training programs cover safety, customer service, operational processes, financial results and measures and leadership expectations. Using the same new digital learning platform we use for sales force training, the service operations course will roll out to approximately 200 leaders in 2016.
- Continued to improve the safety environment in our service operations. Approximately 80% of recordable injuries involve high-risk roles such as field and shop technicians, welders and millwrights. Using tools such as Job Hazard Assessments in the shop and Field Level Hazard Assessments when on site, our goal is to ensure that every member of our service team goes home safely at the end of every shift.

Product and Vendor Development

Our goal is to be the industry leader in the development of new products and services that constantly expands our offering to customers. Our focus is primarily on our core markets and filling a broader range of the needs of our major customers. We focus on products with high aftermarket opportunities and services. We have:

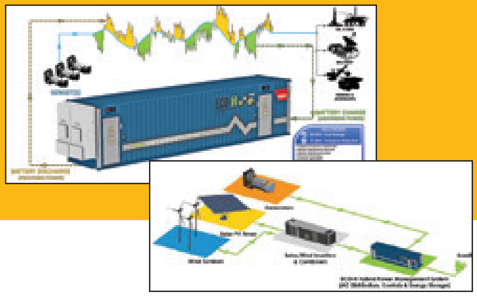
- Built a new product and service development process that includes steps to identify market and customer needs, develop necessary vendor relationships (where required), verify market opportunities through testing and measure the results of new products and services.
- Implemented this new process in our Industrial Components division where over $50 million in future opportunities are at various stages of development.
- Aggressively sought out and secured new product and service distribution opportunities for Power Systems to partially offset the effect of negative market conditions in western Canada. This includes a continuation of our efforts to diversify our oil and gas portfolio with aftermarket-oriented products and new additions aimed at growth businesses such as power generation and marine.

HUG Engineering

With over 30 years of experience in stationary, mobile and marine applications, HUG Engineering has a unique level of know-how in the reduction of emissions. Their scope of supply ranges from standardized modules to customized systems, based on a customer's specifications and applicable legislation.

Donaldson Gas Turbine Systems

Donaldson Company, Inc. Gas Turbine Systems supply products and services to support the power generation and oil and gas Industries. Donaldson, in partnership with Wajax, provides comprehensive filtration solutions to increase energy efficiency and generate more megawatts to meet the world's ever-growing energy needs.



ECO-H Hybrid Power Management System

The Eco-H system monitors power demand and reacts instantly to transient loads by either providing or absorbing power. The Eco-Logic technology allows a genset to operate at a higher load efficiency while dampening its response. The patented power management system is capable of steering energy generated by devices such as generators, wind turbines or solar arrays.

ORGANIC GROWTH

Our organic growth programs are our most significant long-term growth opportunities. We did not achieve our expected growth in 2015 due primarily to weak market conditions in western Canada which negatively affected each of our initiatives.

We remain committed to these initiatives despite current market conditions for two reasons. First, they offer improved earnings durability in the future due to their significant aftermarket and services potential. Second, a number of these programs offer a national growth opportunity, reducing Wajax's exposure to western Canada (without sacrificing our growth opportunities there).

In addition to these programs, we continue to focus on improving market share in our construction equipment and forestry businesses and taking advantage of growth opportunities in the commercial and defense marine markets.

Oil Sands Apron Feeder Re-Build
Apron feeder re-builds are one of the services provided by Wajax's Fort McMurray ERS team. A 20-person team working in two shifts over a 24-hour period can complete a typical re-build in 12-24 days, depending on customer requirements. Apron feeders are common at oil sands mine sites and require re-building about once every three years. Using knowledge gained from eastern Canada iron ore processing, Wajax engineers and field teams provide oil sands customers with a safe and cost effective re-build option.

Engineered Repair Services (ERS)

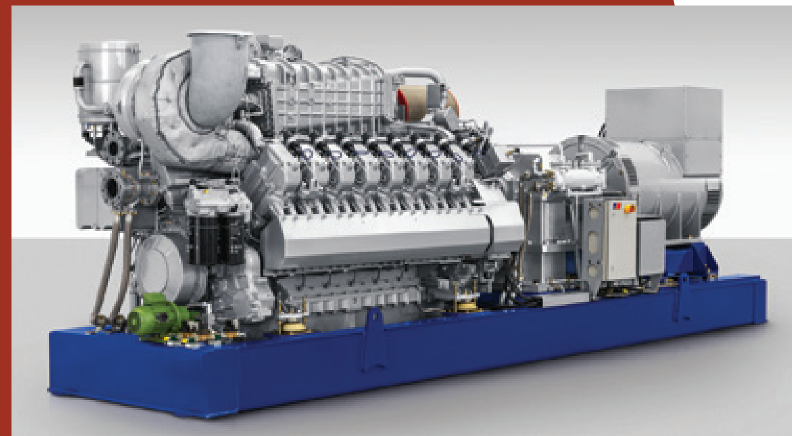
The objective of our ERS business is to provide an extensive range of services focusing primarily on the needs of our mining and energy customers. Our services include design and assembly, technical support, service and repair and engineering assessments of installed systems. Our engineers located in 15 branch locations provide services relating to rotating equipment, bearing and power transmission, fluid handling and hydraulics. We estimate that the Canadian ERS market is in excess of $2 billion.

ERS sales were $61 million in 2015, down 11% primarily due to a 20% decline in western Canada. The ERS business in the balance of Canada grew 10%.

Power Generation (PG)

The objective of our PG business is to grow our market share to a leadership position in Canada. In partnership with MTU On-Site Energy, we offer a broad range of generator products and services for diesel and natural gas systems. Our national footprint, product range, engineering, field service and 68,000 square foot Drummondville integration center allow us to provide customers with solutions from low power range standby gensets to the largest prime power projects. Growth in PG can be achieved with continued focus on resource market opportunities and by gaining market share in commercial applications such as public transportation, utilities, health care, telecom and data centers.

PG sales were $82 million in 2015, down 6% due in part to a 15% decline in western Canada.



Metrolinx PG/CHP Project

Wajax is working with its partners to supply a 2.1 MWe natural gas combined heat and power (CHP) generation system to the East Rail Maintenance Facility (ERMF). The ERMF is approximately 500,000 square feet and is being built to support GO Transit's service expansion, including the introduction of Regional Express Rail service under the Government of Ontario's Moving Ontario Forward plan. This project uses an MTU 20V4000 engine (pictured above) as the basis of the CHP system that will efficiently generate electricity and heat from a single natural gas fuel source.

Ontario Power Generation (OPG) Beyond Design Basis Event (BDBE) Project

Wajax is working with its partners to supply OPG's Pickering and Darlington nuclear generating stations with portable standby systems. Each package consists of MTU emergency power gensets, integrated at Wajax's Drummondville PG center, in walk-in trailer mounted enclosures. The systems are designed to power essential emergency loads after a Beyond Design Basis Event.

Marine Search and Rescue (SAR)

Wajax is supplying the MTU propulsion systems for the Canadian Coast Guard's new fleet of self-righting SAR vessels. Wajax's marine engineering expertise, together with the MTU engine's power-to-weight ratio and ability to run while inverted, were important factors in the Coast Guard's selection decision.

Marine Rolls Royce Power Systems/MTU Award

In January 2016, Wajax was named MTU's North American Marine Distributor of the Year. Wajax and Rolls Royce Power Systems continue to work closely with a growing list of new partners to expand the group's collective opportunities in the commercial and defense marine markets.

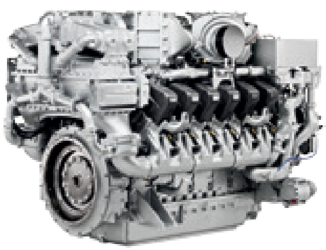
Mining Equipment

Our strategy is to work in partnership with Hitachi to continue to be a leader in the sales and service of the world's leading hydraulic mining shovels and to become a new force in the large (>140 MT) rigid-frame mining truck market. Trucks and shovels are major purchasing decisions for mining customers due to their integral role in production costs. Wajax is one of the market share leaders in the Canadian shovel market and we see significant long term growth potential in the truck market. We estimate that mining trucks and shovels generate twice their original cost in parts and service over their lifetime.

Equipment segment mining sales were $86 million in 2015, down 35% due to declines in western Canada. We expect revenue improvements in 2016 due to the delivery of 3 large mining shovels to customers in eastern and western Canada.

Hitachi EX8000 Mining Shovel/EH5000AC3 Haul Truck

Hitachi is a world leader in hydraulic mining shovels. As one of Hitachi's largest distributors, Wajax expects to deliver 3 large shovels to customers in eastern and western Canada during 2016. In 2015, Wajax, Hitachi and a major oil sands customer completed a 4 unit 2-year trial of the EH5000AC3 320 MT electric drive truck. The trucks were used in overburden, waste and ore processing. The results are being used by Hitachi to design a version of the EH5000 specifically for oil sands operations.



MTU Series 4000 T94 Engine

Purpose built for frac customers with improved low-end torque and a superior power curve. Tier 4 emission compliance is achieved without after-treatment lowering life cycle costs.

Oil and Gas Diversification

Our strategy is to build on our strong market share and expertise in core oil and gas equipment components (engines, transmissions and hydraulics), extending into new systems and services that are more durable through industry cycles. We continue to focus on new emissions technology, higher horsepower systems, repair and refurbishment services, aftermarket systems to lower customer operating costs and design and fabrication of products for producing well and downstream operations.

The decline in oil prices had a material effect on our revenue in 2015 which totaled $64 million, a reduction of 41%. We will continue to manage our plans, programs and inventory prudently given our expectation that weak market conditions will continue.

Construction Equipment

Working with Hitachi, JCB and Bell Trucks, Wajax has significant room to grow in construction equipment, parts and service. The most significant market share opportunities exist in central and eastern Canada. Shown here, a fleet of Hitachi excavators work in a "stacked" configuration to clear a site for a new office building in Calgary in 2015.

ACQUISITIONS

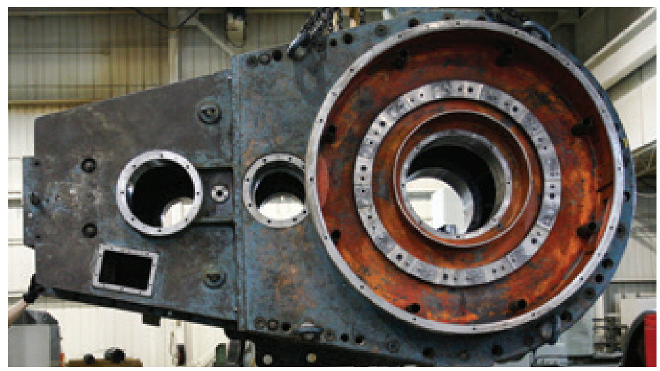
Expanding our Engineered Repair Services (ERS) business is an important growth program and acquisitions are integral to our plan. Based on our current view of the Canadian marketplace, we anticipate that Wajax will allocate up to $100 million in capital for the acquisition of ERS businesses over the 5-year timeframe of 2015 – 2019. We have:

- Strengthened our pipeline of potential targets by completing a regional assessment in consultation with our selected major customers.
- Our ideal targets are service focused and have technical, engineering and repair capabilities that can be expanded via Wajax's sales force and customer relations. Targets are normally focused on markets with high repair and maintenance needs such as mining.

Wilson Machine Co. Ltd.

On February 12, 2016, Wajax entered into an agreement to acquire the assets of Montreal-based Wilson Machine Co. Ltd. Wilson is a North American leader in the manufacturing and repair of precision rotating machinery and gearboxes. The company is ISO 9001 certified and is a qualified supplier to the defense industry. In operation for over 100 years, Wilson operates a 45,000 square foot facility, servicing a number of Wajax's major mining customers.

Working together, Wajax and Wilson expect to build Wilson's existing business and to develop additional ERS opportunities including pump remanufacturing, large bearing and power transmission services and welding and fabrication of large mechanical systems.

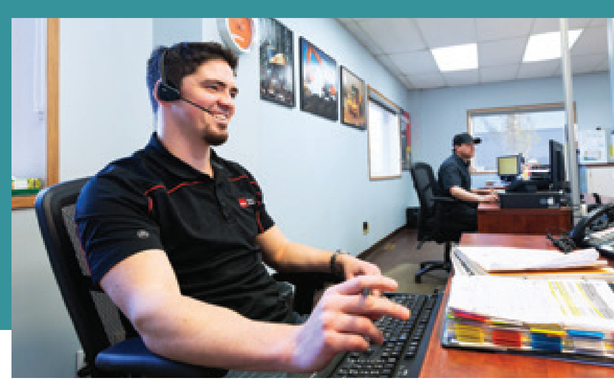


SYSTEMS

We plan to increase our investment in systems over the 5-year timeframe to improve operational efficiencies and the level of support we provide to our sales and service teams. We have:

- Completed the design and implementation of a new digital and social media learning platform that is the foundation of our new training systems for the sales and service teams.
- Implemented new systems for health and safety and human resources management.
- Begun deployment of our cloud-based CRM system to approximately 500 sales professionals.
- Begun the design of tactical systems to support Wajax's reorganization.

We plan to invest up to an incremental $30 million in systems during the 5-year outlook period, the majority of which investment will be directed towards a common ERP platform. To allow us to focus on the systems to support our reorganization, we have deferred the start-up of our ERP investment until 2017.



HEALTH AND SAFETY

Our health and safety goal is simple – everyone goes home safe at the end of every shift. Our core value of safety and our dedication to an injury free workplace is a constant focus in how we work, manage and demonstrate care for each other.

For 2015, we experienced a 23% reduction in total recordable injuries and 90% of our branches had zero lost time injuries. Our health and safety programs continue to focus on achieving an injury count of zero. We have:

- Implemented 15-minute "Safety Stop" conference calls that stand-down all local and senior management on the occurrence of any serious injury or near miss. There were seven such incidents in 2015. A "Safety Stop" call notifies all managers of the root cause of the incident and provides important information to senior and local leaders to cascade to their teams to prevent similar future incidents.
- Changed our Branch Evaluation program to a risk based system that ensures we provide support to branches with the highest risk of injury. We are pleased to report that our branches achieved an average score of 92% during evaluations in 2015.
- Implemented new safety systems that improve visibility to important information including branch evaluations, injury reports and safety improvement action items.

Field level hazard assessments conducted.

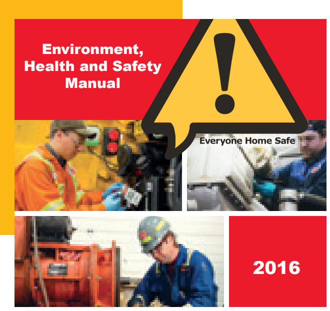
21,279

- Designed and piloted new safety leadership training and support materials. These new programs will roll out in 2016 and are designed to provide significantly better support for local managers on how to ensure workplace safety. New tools include Behaviour Based Observation systems that make it the responsibility of one team member to observe the safety practices of another and provide praise and feedback.
- Focused our safety support on the high risk roles of heavy duty technicians, apprentices, welders, machinists and millwrights. Approximately 80% of our recordable injuries involve team members in high risk jobs. Specific tools for these roles are designed to ensure that the hazards of every work order are assessed before work begins. The most common root cause of injuries is failure to recognize a documented risk and failure to follow safe work procedures. By improving the pre-job hazard assessment, we can better ensure the safety of our team.

Total Recordable Incident Frequency Rate (TRIF) down.

↓19%

From Jan. to Dec. 2015.



MESSAGE FROM THE CHAIRMAN

Since the introduction of Wajax's *4 Points of Growth* strategy in March 2015, the board has worked to support senior management as it ramps-up its execution of the strategy. Major steps were taken during the year to ensure that Wajax is well positioned to move towards its goal of being Canada's leading industrial products and services provider.

2015 marked another year of challenging end market conditions, particularly in western Canada. Through these conditions, Mark and his team continued their focus on executing the corporation's ***4 Points of Growth*** strategy, making significant progress, and the board devoted the majority of its energy towards supporting these efforts. During the year, after meaningful consideration, the board approved a change to the corporation's dividend policy and a reduction in the dividend amount, as well as the completion of an equity offering.

Each of these steps has provided additional financial flexibility to invest in the corporation's growth strategy.

The planned reorganization of the corporation, discussed in Mark's letter to shareholders in this Annual Report, will be an essential contributor to Wajax's ability to realize its strategic goals by enhancing customer focus, better allocating and aligning resources, and reducing costs.

The board continues to believe very strongly that the *4 Points of Growth* strategy will result in a more resilient and agile Wajax, with improved performance through the business cycle.

Strong governance practices remain of significant concern to public company shareholders. In 2015, the board adopted a formal policy regarding board and executive officer diversity, and continued to monitor and assess best practices. We held our third say-on-pay advisory vote, again achieving positive results, and further refined our enhanced director site visit program, now in its second year, by significantly increasing the time devoted to meeting with promising operational leaders.

Board renewal was another area of continued focus during 2015, as was ensuring that we retain the appropriate mix of skills and experience on the board to meet the needs of the corporation over the long term. We were pleased to welcome Sylvia Chrominska, who was elected a director in May 2015. Sylvia brings extensive experience in human resources, corporate communications, government relations, public policy and corporate social responsibility, gained from over 30 years as a senior executive in the banking industry. We look forward to Sylvia's contributions as a director,

Market conditions were increasingly difficult in 2015, and our resilient team of employees and managers continued to meet to these market challenges while making commendable progress on the implementation of our growth strategy. On behalf of the Board, I thank them for their hard work and perseverance. Thank you as well to our loyal customers and suppliers, and to my fellow directors for their support and guidance throughout the year.

Paul E. Gagné
Chairman of the Board

BOARD OF DIRECTORS

Thomas M. Alford ▲■
Director since 2014
Mr. Alford is a corporate director.

Edward M. Barrett ●▲
Director since 2006
Mr. Barrett is Chairman and Co-Chief Executive Officer of Barrett Corporation.

Ian A. Bourne ●
Director since 2006
Mr. Bourne is a corporate director.

Douglas A. Carty ●■
Director since 2009
Mr. Carty is a corporate director and the Chairman and Co-Founder of Switzer-Carty Transportation Inc.

Sylvia D. Chrominska ●▲
Director since 2015
Ms. Chrominska is a corporate director.

Robert P. Dexter ▲■
Director since 1988
Mr. Dexter is Chairman and Chief Executive Officer of Maritime Travel Inc.

John C. Eby ●■
Director since 2006
Mr. Eby is a corporate director and a Founder and the President of Developing Scholars.

A. Mark Foote
Director since 2012
Mr. Foote is President and Chief Executive Officer of the Corporation.

Paul E. Gagné
Director since 1996
Mr. Gagné is a corporate director and the Chairman of the Board of Directors of the Corporation.

Alexander S. Taylor ▲■
Director since 2009
Mr. Taylor is President, Power Group of SNC-Lavalin Group Inc.

● Audit Committee
▲ Human Resources and Compensation Committee
■ Governance Committee

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") discusses the consolidated financial condition and results of operations of Wajax Corporation ("Wajax" or the "Corporation") for the year ended December 31, 2015. This MD&A should be read in conjunction with the information contained in the Corporation's Consolidated Financial Statements and accompanying notes for the year ended December 31, 2015. Information contained in this MD&A is based on information available to management as of March 1, 2016.

Unless otherwise indicated, all financial information within this MD&A is in millions of Canadian dollars, except ratio calculations, share, share rights and per share data. Additional information, including Wajax's Annual Report and Annual Information Form, are available on SEDAR at www.sedar.com.

Responsibility of Management and the Board of Directors

Management is responsible for the information disclosed in this MD&A and the Consolidated Financial Statements and accompanying notes, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. Wajax's Board of Directors has approved this MD&A and the Consolidated Financial Statements and accompanying notes. In addition, Wajax's Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by Wajax and has reviewed this MD&A and the Consolidated Financial Statements and accompanying notes.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

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

As at December 31, 2015, Wajax's management, under the supervision of its CEO and CFO, had designed DC&P to provide reasonable assurance that information required to be disclosed by Wajax in annual filings, interim filings or other reports filed or submitted under applicable securities legislation is recorded, processed, summarized and reported within the time periods specified in such securities legislation. DC&P are designed to ensure that information required to be disclosed by Wajax in annual filings, interim filings or other reports filed or submitted under applicable securities legislation is accumulated and communicated to Wajax's management, including its CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

As at December 31, 2015, Wajax's management, under the supervision of its CEO and CFO, had designed internal control 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 International Financial Reporting Standards ("IFRS"). In completing the design, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in its 2013 version of Internal Control – Integrated Framework. With regard to general controls over information technology, management also used the set of practices of Control Objectives for Information and related Technology ("COBIT") created by the IT Governance Institute.

During the year, Wajax's management, under the supervision of its CEO and CFO, evaluated the effectiveness and operation of its DC&P and ICFR. This evaluation included a risk evaluation, documentation of key processes and tests of effectiveness conducted on a sample basis throughout the year. Due to the inherent limitations in all control systems, an evaluation of the DC&P and ICFR can only provide reasonable assurance over the effectiveness of the controls. As a result, DC&P and ICFR are not expected to prevent and detect all misstatements due to error or fraud. The CEO and CFO have concluded that Wajax's DC&P and ICFR were effective as at December 31, 2015.

There was no change in Wajax's ICFR that occurred during the three months ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, Wajax's ICFR.

Cautionary Statement Regarding Forward-Looking Information

This Annual Report and MD&A contains certain forward-looking statements and forward-looking information, as defined in applicable securities laws (collectively, "forward-looking statements"). These forward-looking statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward looking statements can be identified by the use of words such as "plans", "anticipates", "intends", "predicts", "expects", "is expected", "scheduled", "believes", "estimates", "projects" or "forecasts", or variations of, or the negatives of, such words and phrases or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward looking statements involve known and unknown risks, uncertainties and other factors beyond the Corporation's ability to predict or control which may cause actual results, performance and achievements to differ materially from those anticipated or implied in such forward looking statements. There can be no assurance that any forward looking statement will materialize. Accordingly, readers should not place undue reliance on forward looking statements. The forward looking statements in this Annual Report and MD&A are made as of the date of this MD&A, reflect management's current beliefs and are based on information currently available to management. Although management believes that the expectations represented in such forward-looking statements are reasonable, there is no assurance that such expectations will prove to be correct. Specifically, this Annual Report and MD&A includes forward looking statements regarding, among other things, our 4 Points of Growth Strategy and the goals for such strategy, including our goal of becoming Canada's leading industrial products and services provider; our "4 Points of Growth" framework to grow the corporation; our target leverage ratio range of 1.5 – 2.0 times; our continued focus on investments and strategies with respect to our core capabilities, organic growth programs, acquisitions and information systems/technology, as well as the expected benefits therefrom and our plans to manage these plans and programs, and our inventory, prudently given our expectation of continued weak market conditions; our planned strategic reorganization and the benefits we expect to achieve therefrom, including, without limitation, improved operational leverage, cost savings of $5 million in 2016 and $15 million in 2017, and the enhanced ability to execute our growth strategy; the completion of the restructuring of our Power Systems segment which began in Q2 2015 and the cost savings we expect will result therefrom; our financing, working and maintenance capital requirements, as well as our capital structure and leverage ratio; our foreign exchange risks and exposures, including the impact of fluctuations in foreign currency values; our obligation to fund pension benefits; the adequacy of our debt capacity; our intention and ability to access debt and equity markets should additional capital be required; our expected completion of the Wilson acquisition and our belief that we can leverage our sales force and geographic footprint to significantly grow the Wilson business; our outlook for 2016, including the expected effect of market conditions in western Canada, reduced resource customer expenditures and a weak Canadian dollar on our earnings; our expectation for year-over-year earnings in the first and the second halves of 2016; our expected leverage range for 2016; the current amount of our dividend being sustainable throughout our expectations of a negative cycle; and our confidence in our 4 Points of Growth strategy. These statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions regarding general business and economic conditions; the supply and demand for, and the level and volatility of prices for, oil and other commodities; financial market conditions, including interest rates; our ability to execute our 4 Points of Growth strategy, including our ability to develop our core capabilities, execute on our organic growth priorities, complete and effectively integrate acquisitions and to successfully implement new information technology platforms, systems and software; the future financial performance of the Corporation; our costs; market competition; our ability to attract and retain skilled staff; our ability to procure quality products and inventory; and our ongoing relations with suppliers, employees and customers. The foregoing list of assumptions is not exhaustive. Factors that may cause actual results to vary materially include, but are not limited to, a deterioration in general business and economic conditions; volatility in the supply and demand for, and the level of prices for, oil and other commodities; a continued or prolonged decrease in the price of oil; fluctuations in financial market conditions, including interest rates; the level of demand for, and prices of, the products and services we offer; levels of customer confidence and spending; market acceptance of the products we offer; termination of distribution or original equipment manufacturer agreements; unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalation, our inability to reduce costs in response to slow-downs in market activity, unavailability of quality products or inventory, supply disruptions, job action and unanticipated events related to health, safety and environmental matters); our ability to attract and retain skilled staff and our ability to maintain our relationships with suppliers, employees and customers. The foregoing list of factors is not exhaustive. Further information concerning the risks and uncertainties associated with these forward looking statements and the Corporation's business may be found in this MD&A under the heading "Risk Management and Uncertainties" and in our Annual Information Form for the year ended December 31, 2015, filed on SEDAR. The forward-looking statements contained in this Annual Report and MD&A are expressly qualified in their entirety by this cautionary statement. The Corporation does not undertake any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws. Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgements 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.

Non-GAAP and Additional GAAP Measures

This Annual Report and MD&A contains both non-GAAP and additional GAAP measures that do not have a standardized meaning prescribed by GAAP. These measures are defined and reconciled to the most comparable GAAP measure in the Non-GAAP and Additional GAAP Measures section.

Wajax Corporation Overview

Wajax is a leading Canadian distributor engaged in the sale and service support of mobile equipment, power systems and industrial components through a network of 123 branches across Canada. Reflecting a diversified exposure to the Canadian economy, Wajax's customer base covers core sectors of the Canadian economy, including construction, industrial and commercial, transportation, the oil sands, forestry, oil and gas, metal processing and mining.

On March 1, 2016, Wajax announced that it will be transitioning from its current three independent product divisions to a leaner and more integrated organization. The new organization will be based on three main functional groups: business development, service operations and vendor development. These groups will be supported by centralized functions including supply chain, information systems, human resources, environmental, health and safety and finance. The new structure is intended to improve Wajax's cross-company customer focus, closely align resources to the 4 Points of Growth strategy, improve operational leverage, and lower costs through productivity gains and the elimination of redundancy inherent in the current structure. See the Reorganization section below.

Strategy

On March 3, 2015, the Corporation introduced the 4 Points of Growth long-term strategy. The Corporation's goal is to be Canada's leading industrial products and services provider, distinguished through: sales force excellence, breadth and efficiency of repair and maintenance operations and an ability to work closely with existing and new vendor partners to constantly expand its product offering to customers.

As one of Canada's most diversified industrial distributors, the strategy builds upon the Corporation's dedicated team, national branch network, diverse end market expertise, world-class vendor base and strong customer relationships. These existing strengths will be leveraged through the following "4 Points of Growth":

(1) Development of Core Capabilities including *Sales Force Excellence, Repair and Maintenance Operations* and *Product and Vendor Development;*

(2) Clear organic growth priorities;

(3) Building the Corporation's capacity to complete and integrate Engineered Repair Services ("ERS") acquisitions; and

(4) Investment in systems that will improve operational efficiencies and customer service.

As part of its long-term strategy, the Corporation established financial targets for the 5-year timeframe from 2015 – 2019. Goals over that period were to grow net earnings at a minimum compounded annual growth rate ("CAGR") of 7.5% and to target a leverage ratio range of 1.5 – 2.0 times.

As a result of the greater than expected decline in the western Canada economy and the difficulty in predicting the duration of this decline, the Corporation will no longer provide a net earnings CAGR target for the 2015 – 2019 outlook period. While conditions remain challenging, management is very confident in the growth activities outlined in the 4 Points of Growth strategy. Their confidence is strengthened by the enhanced earnings potential of a reorganized Corporation and its relationships with customers and vendors. See the Reorganization and Non-GAAP and Additional GAAP Measures sections.

The Corporation has made progress moving forward on its strategy in 2015 and will continue to execute the initiatives that advance each of the components of the 4 Points of Growth Strategy as follows:

- **Core Capabilities:** Significant progress is being made to drive core capabilities:

  Sales Force Excellence: Wajax designed and trained almost 500 of its sales professionals on a new standard sales process which focuses on building a stronger future sales pipeline and improving close rates. A CRM system was designed and is scheduled for deployment in March 2016. In addition, a Key Account Program was developed based on the needs and expectations of major customers and will be introduced in 2016 to a limited number of large mining and oil sands customers.

  Repair and Maintenance Operations: A national Service Advisory Committee was created in 2015 to design standard service operations processes and measurement systems for application at branches with core on-highway and off-highway businesses. New training programs will be rolled out to service leaders in 2016 covering safety, customer service, operational processes and financial results and measures. *Product and Vendor Development:* A new product and service development process to identify market and customer needs, including vendor relationships, was implemented in the Industrial Components segment where over $50 million of future opportunities are at various stages of development. In addition, in the Power Systems segment, new product and service opportunities have been secured to diversify into aftermarket-oriented products and growth businesses such as power generation and marine.

- **Organic Growth:** Organic growth programs hold the most significant long-term growth opportunities for Wajax, although expected growth in 2015 was not achieved due primarily to weak market conditions in western Canada. In particular, ***ERS*** sales were $61 million in 2015, down 11% due to a 20% decline in western Canada. The ERS business in the rest of Canada, however, grew 10%. Power Generation sales were $82 million in 2015, down 6% due in part to a 15% decline in western Canada. ***Mining*** sales in the Equipment segment were $86 million in 2015, down 35% due to declines in western Canada, although revenue improvements are expected in 2016 due to the delivery of 3 large mining shovels to customers in eastern and western Canada. ***Oil & Gas Diversification*** was impacted by the decline in oil prices which had a material effect on Wajax revenue in 2015 which totaled $64 million, a reduction of 41%. As such, Wajax will continue to manage its plans, programs and inventory prudently given our expectation that weak market conditions will continue.

  Wajax remains committed to these initiatives despite current market conditions, as they offer improved earnings durability in the future, due to their significant aftermarket or services potential. Further, a number of these programs offer growth opportunity nationally, mitigating Wajax's exposure to the western Canadian economy.

  In addition to these programs, Wajax will continue to focus in 2016 on improving market share in its construction equipment and forestry businesses and taking advantage of growth opportunities in the commercial and defense marine market.

- **Acquisitions:** As noted above, expanding Wajax's ERS business is an important growth program and acquisitions are integral to the strategic plan. Based on management's current view of the Canadian marketplace, it is anticipated that Wajax will allocate up to $100 million in capital for the acquisition of ERS businesses over the 5-year timeframe of 2015 – 2019. The acquisition pipeline of potential targets was strengthened in 2015 via the completion of a regional assessment in consultation with selected major customers. In furtherance of its ERS acquisition strategy, Wajax entered into an agreement on February 12, 2016 to acquire the assets of Montreal-based Wilson Machine Co. Ltd. ("Wilson") for approximately $5 million subject to the satisfaction of customary closing conditions. Wilson is a North American leader in the manufacturing and repair of precision rotating machinery and gearboxes with annual sales of approximately $6 million.

- **Systems:** Investment in systems remains an important aspect of Wajax's strategy. In 2015, a new digital learning platform was implemented for sales force and service operations training, as were new systems for health and safety and human resources management. Deployment of a CRM system commenced in 2016. Wajax plans to invest up to an incremental $30 million in systems during the 5 year outlook period, the majority of which will be directed towards a common ERP platform. The start-up of the ERP investment has been deferred until 2017 in order to allow the systems team to support the upcoming reorganization of Wajax. See the Reorganization section.

Reorganization

In addition to the 4 Four Points of Growth strategic initiatives, one of the Corporation's major objectives in 2016 will be the reorganization of the Corporation. The Corporation's business will now be based around the following three main functional groups:

- **Business Development** is the "front-end" of the business. The group will have the primary relationship with customers, represent products and services, provide solutions and will assist in the development of the market and customer knowledge necessary to drive the Corporation's new product and service pipeline. The group will include regional and category inside and outside sales teams along with specialized end market and major customer teams. Business Development will be accountable for the Core Capability of *Sales Force Excellence*.

- **Service Operations** will be the parts and service operation for the Corporation's main on-highway and off-highway product categories. The group will include service branch operations and the majority of technicians and parts and service personnel for both shop and field services. Service Operations will be accountable for the Core Capability of *Repair and Maintenance Operations*.

- **Vendor Development** will create a world-class interface between the Corporation's vendor partners and its main sales and service functions. Working with internal groups and partners, Vendor Development will be the backbone of a new product development pipeline and will be accountable for the Core Capability of *Product and Vendor Development* to constantly expand our offering to customers.

These groups will be supported by centralized functions including supply chain, information systems, human resources, environmental, health and safety and finance.

The new structure is intended to improve the Corporation's cross-company customer focus, closely align resources to the 4 Points of Growth strategy, improve operational leverage, and lower costs through productivity gains and the elimination of redundancy inherent in the current structure. The Corporation will transition into the new structure throughout 2016. Excluding an estimated $12 million restructuring provision in the first quarter of 2016, an estimated net benefit of approximately $4 million is expected to occur in 2016, with anticipated annual cost savings of approximately $15 million flowing into 2017 earnings. While ongoing cost reduction is necessary due to market conditions, it is a by-product of the Corporation's primary objective to re-align its organization structure to enhance the execution of its strategy. Upon successful completion of the restructuring, the Corporation will have reduced headcount across its Canada-wide organization by approximately 10% since the beginning of 2015. See the Strategy section.

Annual Consolidated Results

		2015		2014
Revenue	**$**	**1,273.3**	$	1,451.3
Gross profit	**$**	**253.9**	$	289.3
Selling and administrative expenses	**$**	**203.1**	$	216.9
Goodwill and intangible assets impairment	**$**	**41.2**	$	–
Restructuring costs	**$**	**2.1**	$	2.8
Earnings before finance costs and income taxes(1)	**$**	**7.5**	$	69.6
Finance costs	**$**	**12.2**	$	13.0
(Loss) earnings before income taxes(1)	**$**	**(4.7)**	$	56.6
Income tax expense	**$**	**6.3**	$	15.3
Net (loss) earnings	**$**	**(11.0)**	$	41.2
Basic (loss) earnings per share(2)	**$**	**(0.59)**	$	2.46
Diluted (loss) earnings per share(3)	**$**	**(0.58)**	$	2.42
Adjusted net earnings(1)(4)	**$**	**27.8**	$	43.3
Adjusted basic earnings per share(1)(2)(4)	**$**	**1.50**	$	2.58
Adjusted diluted earnings per share(1)(3)(4)	**$**	**1.47**	$	2.54

(1) These amounts do not have a standardized meaning prescribed by generally accepted accounting principles ("GAAP"). See the Non-GAAP and Additional GAAP Measures section.

(2) Weighted average shares for calculation of basic (loss) earnings per share 18,559,558 (2014 – 16,772,769)

(3) Weighted average shares for calculation of diluted (loss) earnings per share 18,863,423 (2014 – 17,037,382)

(4) Net (loss) earnings excluding after-tax goodwill and intangible assets impairment of $37.3 million or $2.01 per share basic (2014 – $nil) and after-tax restructuring costs of $1.5 million or $0.08 per share (2014 – $2.1 million or $0.12 per share basic).

Overall, 2015 revenue decreased $178.0 million due primarily to ongoing weakness in the construction, oil and gas and oil sands markets in western Canada.

The impact was most significant in the Equipment segment, which experienced a 20% decline in equipment revenue due to lower demand and competitive market pressures, plus a 10% reduction in parts and service revenues as oil sands operators and mining customers continued to idle portions of their equipment fleets and defer maintenance spending. The Power Systems segment experienced a decline in both off-highway and on-highway equipment and parts and service volumes due to the lower oil and gas activity in western Canada. The Industrial Components segment's western Canada operation was also negatively impacted by the decline in oil and gas and oil sands activity. Partly offsetting these conditions, the Equipment and Industrial Components segments benefited from strength in the forestry sector across Canada.

Revenue

Revenue in 2015 of $1,273.3 million decreased 12%, or $178.0 million, from $1,451.3 million in 2014. Equipment segment revenue decreased 16%, or $117.9 million, primarily due to lower volumes in the construction and mining sectors in western Canada. Power Systems segment revenue decreased 12%, or $40.6 million, driven by a reduction in oil and gas related revenues in western Canada. Industrial Components segment revenue decreased 5%, or $22.4 million, as lower sales to oil and gas and oil sands customers in western Canada were offset partially by increased sales in central and eastern Canada.

Gross profit

The decrease in revenue was the primary contributor to the $35.4 million, or 12%, decrease in gross profit in 2015 compared to last year. The gross profit margin percentage of 19.9% remained unchanged from 2014 as the negative impact of lower parts and service margins was offset by a lower proportion of equipment volumes compared to last year.

Selling and administrative expenses

Selling and administrative expenses decreased $13.8 million in the year. The decrease was due mainly to lower incentive accruals, sales related expenses and workforce reductions. Selling and administrative expenses as a percentage of revenue increased to 15.9% in 2015 from 14.9% in 2014.

Goodwill and intangible assets impairment

Goodwill and intangible assets impairment of $41.2 million ($37.3 million after-tax) was recorded in 2015, comprised of $13.7 million related to the Power Systems segment and $27.5 million related to the Industrial Components segment. As a result, the carrying value of goodwill and intangible assets of each segment approximates their recoverable amounts as at December 31, 2015 of $nil in the Power Systems segment and $18.3 million in the Industrial Components segment. The recoverable amounts assumed that weakness in oil and gas activity in western Canada continues. See the Critical Accounting Estimates section.

Restructuring costs

Restructuring costs of $2.1 million, consisting of severance costs, were recorded in the second quarter of 2015 in the Power Systems segment. The Power Systems' restructuring plan is anticipated to be completed by the first quarter of 2016 and is expected to result in annualized savings of approximately $7.4 million. In 2014, the Industrial Components segment recorded restructuring costs of $2.8 million as part of its plan to simplify and improve the effectiveness of the sales force and branch management organization.

Finance costs

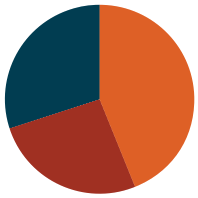
Finance costs of $12.2 million decreased $0.8 million compared to 2014 due to lower funded net debt levels mainly as a result of the $71.4 million in proceeds from the issuance of share capital in the second quarter of 2015. See the Liquidity and Capital Resources section.

Income tax expense

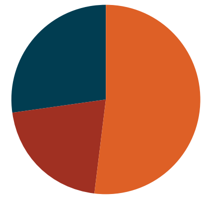
The Corporation's effective income tax rate was negative 134% (2014 – 27.1%) compared to the Corporation's statutory income tax rate of 26.5% (2014 – 26.1%). The negative effective income tax rate in 2015 is due to expenses not deductible for income tax purposes, including $26.5 million of goodwill and intangible assets impairment. The effective income tax rate of 27.1% in 2014 was higher compared to the statutory rate of 26.1% attributable to expenses not deductible for income tax purposes. The statutory income tax rate of 26.5% increased compared to 2014 resulting from the increase in the Alberta provincial income tax rate.

Revenue by Geographic Region

2015



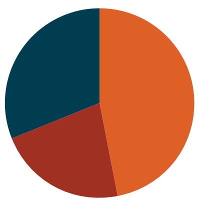
2014



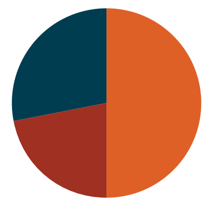
* Includes Quebec and the Atlantic provinces.

Revenue by Segment

2015

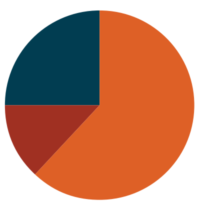


2014

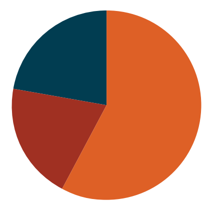


EBIT by Segment(1)

2015

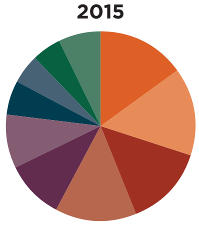


2014

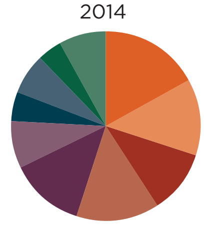


Revenue by Market(2)

2015



2014



(1) Calculated based on segment earnings before goodwill and intangible assets impairment and restructuring costs. See the Non-GAAP and Additional GAAP Measures section.
(2) Certain 2014 amounts have been reclassified to conform with current year classifications.

Net (loss) earnings

In 2015, the Corporation incurred a net loss of $11.0 million, or $0.59 per share, compared to net earnings of $41.2 million, or $2.46 per share, in 2014. The $52.2 million decrease in net earnings resulted from goodwill and intangible assets impairment of $37.3 million after-tax, or $2.01 per share, and lower volumes offset partially by a reduction in selling and administrative expenses and finance costs. The $3.05 per share decrease in basic earnings per share reflects the decrease in net earnings, as described above, combined with the impact of the equity offering completed in the second quarter of 2015, which reduced the basic loss per share by $0.06, or 10%.

Adjusted net earnings (See the Non-GAAP and Additional GAAP Measures section)

Adjusted net earnings excludes goodwill and intangible assets impairment of $37.3 million after-tax, or $2.01 per share, and restructuring costs of $1.5 million after-tax, or $0.08 per share (2014 – $2.1 million or $0.12 per share).

As such, adjusted net earnings decreased $15.5 million to $27.8 million, or $1.50 per share, in 2015 from $43.3 million, or $2.58 per share, in 2014. The $15.5 million decrease in adjusted net earnings resulted primarily from lower volumes offset by a reduction in selling and administrative expenses and finance costs. The $1.08 per share decrease in adjusted basic earnings per share reflects the decrease in net earnings, as described above, combined with the impact of the equity offering completed in the second quarter of 2015, which reduced the adjusted basic earnings per share by $0.16, or 10%.

Issuance of share capital

On June 12, 2015, Wajax completed a "bought deal" offering of 3,197,000 common shares for total gross proceeds of $74.8 million. This included 417,000 common shares issued pursuant to the exercise in full of an over-allotment option granted to the underwriters. Issuance costs relating to the equity offering totaled $3.4 million, $2.5 million after-tax, including the underwriters' fee and other expenses. The $71.4 million in net cash proceeds from the offering were used to reduce outstanding borrowings under the revolving portion of the Corporation's bank credit facility, providing Wajax with additional financial flexibility to execute its long-term growth strategy.

Comprehensive loss

Total comprehensive loss of $10.0 million in 2015 included net loss of $11.0 million offset partially by other comprehensive income of $1.0 million. The other comprehensive income resulted from after-tax actuarial gains on pension plans of $0.8 million and a $0.2 million change in the amount of gains on derivative instruments designated as cash flow hedges recorded in the year.

Funded net debt (See the Non-GAAP and Additional GAAP Measures section)

Funded net debt of $149.0 million at December 31, 2015 decreased $52.0 million compared to $201.0 million at December 31, 2014. The decrease during the year was due to net proceeds from the issuance of share capital of $71.4 million and cash generated from operating activities of $9.6 million, offset somewhat by dividends paid of $21.5 million, investing activities of $4.3 million and finance lease payments of $3.9 million.

Dividends

For the twelve months ended December 31, 2015, dividends declared totaled $1.23 per share. For the twelve months ended December 31, 2014 dividends declared totaled $2.40 per share.

Backlog (See the Non-GAAP and Additional GAAP Measures section)

Consolidated backlog at December 31, 2015 of $169.2 million decreased $8.5 million, or 5%, from $177.7 million at December 31, 2014. The decline was primarily attributable to decreases in the Power Systems segment, driven by lower power generation and off-highway related orders in western Canada, partially offset by higher construction and mining related orders in the Equipment. See the Annual Results of Operations section for further backlog detail by segment.

Director

Effective May 5, 2015, Sylvia Chrominska was elected a director of the Corporation. Ms. Chrominska brings over 30 years of experience as a senior executive in the banking sector, and was previously Group Head, Global Human Resources and Communications at The Bank of Nova Scotia.

Acquisition of Wilson

On February 12, 2016, the Corporation entered into an agreement to acquire the assets of Montreal-based Wilson for approximately $5 million. Subject to the satisfaction of customary closing conditions, the acquisition is expected to be completed within the next 60 days. Wilson is a North American leader in the manufacturing and repair of precision rotating machinery and gearboxes with annual sales of approximately $6 million, and its major customers in eastern Canada align well with Wajax's existing customer base. Wilson's service offerings are an ideal fit for Wajax's 4 Points of Growth strategy and management believes it can leverage the Corporation's sales force and larger geographic footprint to significantly grow the business.

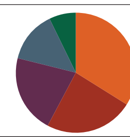
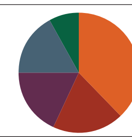
Annual Results of Operations

Equipment

For the year ended December 31		**2015**		2014
Equipment(1)	**$**	**368.9**	$	460.0
Parts and service	**$**	**233.0**	$	259.8
Segment revenue	**$**	**601.9**	$	719.8
Segment earnings(2)	**$**	**38.4**	$	48.9
Segment earnings margin(2)		***6.4%***		*6.8%*

(1) Includes rental and other revenue.
(2) Earnings before finance costs and income taxes.

Revenue by Product Type 2015 versus 2014

Market		**2015**		2014
Construction		**34%**		38%
Forestry		**24%**		19%
Material Handling		**21%**		17%
Mining/Oil sands		**14%**		18%
Crane and Utility		**7%**		8%

Revenue decreased 16%, or $117.9 million, to $601.9 million, from $719.8 million in 2014. Segment earnings decreased 21%, or $10.5 million, to $38.4 million, compared to $48.9 million in 2014. The following factors contributed to the Equipment segment's 2015 results compared to 2014:

- Equipment revenue decreased $91.1 million with specific year-over-year variances as follows:
  - Construction equipment revenue decreased $67.0 million, mainly as a result of decreases in Hitachi excavator, JCB equipment and Bell articulated dump truck sales in western Canada due to lower market demand and competitive market pressures.
  - Forestry equipment revenue increased $5.3 million due to increases in Tigercat equipment in all regions, offset partially by lower Hitachi equipment sales in western Canada due in part to an increase in the number of customers deciding to rent equipment with a purchase option as well as disruptions due to forest fires in British Columbia.
  - Mining equipment sales decreased $19.7 million as a result of lower dollar value Hitachi mining equipment deliveries in western Canada compared to the prior year.
  - Crane and utility equipment revenue decreased $15.1 million, mainly as a result of lower sales in western Canada and lower sales to utility customers in central and eastern Canada.
  - Material handling equipment revenue increased $5.4 million, due to higher sales in western and central Canada offset partially by lower sales in eastern Canada.
- Parts and service revenue decreased $26.8 million compared to last year. The decrease was primarily attributable to lower mining sector volumes in western Canada, including the oil sands, as customers continued to idle portions of their equipment fleet and defer maintenance spending due to weak oil and commodity prices.
- Segment earnings decreased $10.5 million compared to last year mainly attributable to western Canada operations. Overall, the impact of the decline in volumes was partially offset by higher gross profit margins and a $4.9 million reduction in selling and administrative expenses compared to last year. Gross profit margins increased due to a $2.8 million gain on the monetization of six Hitachi mining trucks in the third quarter of 2015, and the positive impact of a higher proportion of parts and service volumes that was somewhat

offset by lower parts and service margins compared to last year. Selling and administrative expenses decreased $4.9 million, attributable to reductions in the workforce, lower annual incentive accruals and lower sales related expenses.

Backlog of $103.6 million at December 31, 2015 increased $9.8 million compared to December 31, 2014, due to increases in construction and mining orders in western Canada.

By the end of the year, headcount in the Equipment segment had been reduced by approximately 6%, primarily in western Canada, in response to market conditions.

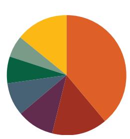
Power Systems

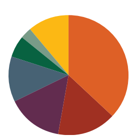
For the year ended December 31		**2015**		2014
Equipment[1]	**$**	**92.1**	$	113.6
Parts and service	**$**	**193.0**	$	212.1
Segment revenue	**$**	**285.1**	$	325.7
Segment earnings before goodwill and intangible assets impairment and restructuring costs[2]		**7.8**		16.5
Goodwill and intangible assets impairment		**(13.7)**		–
Restructuring costs		**(2.1)**		–
Segment (loss) earnings[3]	**$**	**(8.0)**	$	16.5
Segment earnings margin before goodwill and intangible assets impairment and restructuring costs[2]		***2.7%***		*5.1%*
Goodwill and intangible assets impairment		***(4.8%)***		–
Restructuring costs		***(0.7%)***		–
Segment (loss) earnings margin[3]		***(2.8%)***		*5.1%*

(1) Includes rental and other revenue.
(2) Earnings before goodwill and intangible assets impairment, restructuring costs, finance costs and income taxes. See the Non-GAAP and Additional GAAP Measures section.
(3) (Loss) earnings before finance costs and income taxes.

Revenue by Market 2015 versus 2014

Market	**2015**	2014
On-highway Transportation	**39%**	37%
Industrial/Commercial	**15%**	16%
Oil and Gas	**10%**	15%
Oil Sands	**9%**	12%
Mining	**7%**	6%
Construction	**6%**	3%
Other	**14%**	11%





Revenue decreased $40.6 million, or 12%, to $285.1 million compared to $325.7 million in 2014. In 2015, the segment experienced a loss of $8.0 million compared to earnings of $16.5 million in 2014. 2015 segment earnings before goodwill and intangible assets impairment and restructuring costs of $7.8 million decreased $8.7 million compared to 2014 segment earnings of $16.5 million. See the Non-GAAP and Additional GAAP Measures section. The following factors impacted year-over-year revenue and earnings:

- Equipment revenue decreased $21.5 million due to declines in off-highway equipment volumes to oil and gas customers in western Canada and lower power generation volumes. These declines were somewhat offset by increases in off-highway equipment sales to mining customers in central Canada.
- Parts and service revenue decreased $19.1 million, attributable to lower sales to on-highway and off-highway customers in western Canada resulting from the decline in oil and gas activity. These decreases were partially offset by higher sales to off-highway customers in central and eastern Canada.
- Segment earnings decreased $24.5 million to a segment loss of $8.0 million in 2015 compared to segment earnings of $16.5 million last year. Excluding the goodwill and intangible assets impairment of $13.7 million and restructuring costs of $2.1 million, segment earnings decreased $8.7 million due to lower volumes and a reduction in power generation product margins, partially offset by reduced selling and administrative expenses. Selling and administrative expenses decreased $2.3 million due mainly to lower annual incentive accruals, workforce reductions and a reduction in bad debt expense compared to last year. See the Non-GAAP and Additional GAAP Measures section.

Goodwill and intangible assets impairment of $13.7 million was recorded in the Power Systems segment in 2015. As a result, the carrying value of the goodwill and intangible assets of the segment approximates their recoverable amounts as at December 31, 2015 of $nil. The recoverable amounts assumed that weakness in oil and gas activity in western Canada continues.

The Power Systems segment was restructured in the second quarter to realign branch support activities, including the centralization of supply chain management and certain other administrative support functions. The restructuring, combined with other cost reductions realized to date and cost reductions related to reduced economic activity in western Canada, are anticipated to result in annualized savings of approximately $7.4 million.

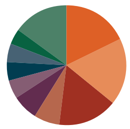
Backlog of $23.6 million as of December 31, 2015 decreased $17.0 million compared to December 31, 2014, due mainly to lower power generation and off-highway orders in western Canada.

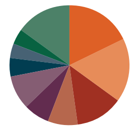
Industrial Components

For the year ended December 31		**2015**		2014
Segment revenue	**$**	**389.6**	$	412.0
Segment earnings before goodwill and intangible assets impairment and restructuring costs[1]	$	**15.3**	$	18.4
Goodwill and intangible assets impairment		**(27.5)**		
Restructuring costs	$	**–**	$	(2.8)
Segment (loss) earnings[2]	$	**(12.2)**	$	15.5
Segment earnings margin before goodwill and intangible assets impairment and restructuring costs[1]		***3.9%***		*4.5%*
Goodwill and intangible assets impairment		***(7.0%)***		–
Restructuring costs		–		*(0.7%)*
Segment (loss) earnings margin[2]		***(3.1%)***		*3.8%*

(1) Earnings before goodwill and intangible assets impairment, restructuring costs, finance costs and income taxes. See the Non-GAAP and Additional GAAP Measures section.
(2) (Loss) earnings before finance costs and income taxes.

Revenue by Market 2015 versus 2014





Market	**2015**	2014
Industrial/ Manufacturing	**18%**	18%
Mining	**18%**	17%
Forestry	**16%**	13%
Oil Sands	**7%**	8%
Metal Processing	**7%**	7%
Oil and Gas	**5%**	9%
Construction	**5%**	5%
Food and Beverage	**5%**	4%
Transportation	**4%**	4%
Other	**15%**	15%

Revenue decreased $22.4 million, or 5%, to $389.6 million in 2015 from $412.0 million in 2014. In 2015 the segment experienced a loss of $12.2 million compared to earnings of $15.5 million in the previous year. The segment earnings before goodwill and intangible assets impairment and restructuring costs of $15.3 million in 2015 was a decrease of $3.1 million compared to $18.4 million in 2014. See the Non-GAAP and Additional GAAP Measures section. The following factors contributed to the segment's year-over-year results:

- Bearings and power transmission parts sales increased $2.5 million, with higher forestry sales across Canada, higher mining sales in central Canada and increases in volumes to food and beverage customers. These increases were offset partially by lower oil and gas sales in western Canada and reduced volumes to metal processing customers in all regions.
- Fluid power and process equipment products and service revenue, including the oil sands services business, decreased $24.9 million, or 13%, compared to last year due mainly to reduced activity in the oil and gas and oil sands sectors in western Canada. The decrease was partially offset by modest increases in central and eastern Canada volumes.
- Segment earnings decreased $27.7 million to a segment loss of $12.2 million in 2015 compared to segment earnings of $15.5 million last year. Excluding the goodwill and intangible assets impairment of $27.5 million in 2015 and restructuring costs of $2.8 million in 2014, segment earnings decreased $3.1 million. This reduction was attributable to the negative impact of lower volumes and slightly lower gross profit margins, due to competitive market pressures, offset partially by a $6.1 million decrease in selling and administrative expenses. The decrease in selling and administrative expenses resulted mainly from lower personnel costs, including annual incentive accruals, and other sales related expenses. See the Non-GAAP and Additional GAAP Measures section.

Goodwill and intangible assets impairment of $27.5 million was recorded in the Industrial Components segment in 2015. As a result, the carrying value of the goodwill and intangible assets of the segment approximates their recoverable amounts as at December 31, 2015 of $18.3 million. The recoverable amounts assumed that weakness in oil and gas activity in western Canada continues.

Backlog of $42.0 million as of December 31, 2015 decreased $1.3 million compared to December 31, 2014.

Selected Annual Information

The following selected annual information is audited and has been prepared on the same basis as the 2015 annual audited Consolidated Financial Statements.

		2015		2014		2013
Revenue	**$**	**1,273.3**	$	1,451.3	$	1,428.5
Net (loss) earnings	**$**	**(11.0)**	$	41.2	$	47.7
Basic (loss) earnings per share	**$**	**(0.59)**	$	2.46	$	2.85
Diluted (loss) earnings per share	**$**	**(0.58)**	$	2.42	$	2.81
Total assets	**$**	**677.5**	$	723.6	$	682.1
Non-current liabilities	**$**	**169.5**	$	202.0	$	214.5
Dividends declared per share	**$**	**1.23**	$	2.40	$	2.68

Revenue in 2015 of $1,273.3 million decreased $178.0 million compared to 2014. The decrease is attributable to a slowdown in western Canada, resulting in lower equipment and parts and service revenue in the Equipment and Power Systems segments and decreased revenue in the Industrial Components segment. Revenue in 2014 of $1,451.3 million increased $22.8 million compared to 2013 as increased equipment and parts and service revenue in the Power Systems segment and increased revenue in the Industrial Components segment more than offset a decrease in equipment and parts and service revenue in the Equipment segment.

The net loss of $11.0 million was a decrease of $58.7 million, or $3.44 per share, from 2013 to 2015. Excluding the after-tax goodwill and intangible assets impairment in 2015 of $37.3 million ($2.01 per share) and after-tax restructuring costs in 2015 of $1.5 million ($0.08 per share), net earnings declined to $27.8 million ($1.50 per share), due principally to lower volumes and higher finance costs offset partially by reduced selling and administrative expenses. Increased finance costs of $3.2 million were driven by higher debt levels and increased costs of borrowing in 2014 resulting from the Corporation's issuance of $125 million in senior notes on October 23, 2013. See the Non-GAAP and Additional GAAP Measures and Liquidity and Capital Resources sections.

The $4.6 million decrease in total assets between December 31, 2013 and December 31, 2015 was mainly attributable to the $41.2 million goodwill and intangible assets impairment writedown in 2015 and lower volume related accounts receivable in all segments, offset partially by higher inventory in the Equipment segment and increased rental equipment in the Equipment and Power Systems segments.

Non-current liabilities at December 31, 2015 of $169.5 million decreased $45.0 million from December 31, 2013 attributable to a $44.3 million decrease in long-term debt. The decrease in long-term debt resulted from $71.4 million in proceeds from the issuance of share capital in the second quarter of 2015, offset in part by cash used in investing and other financing activities.

Selected Quarterly Information

The following table summarizes unaudited quarterly consolidated financial data for the eight most recently completed quarters. This quarterly information is unaudited but has been prepared on the same basis as the 2015 annual audited Consolidated Financial Statements.

	2015				2014			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenue	**$ 324.4**	**$ 290.9**	**$ 340.7**	**$ 317.2**	$ 386.1	$ 359.5	$ 374.4	$ 331.4
Net (loss) earnings	**$ (33.3)**	**$ 7.5**	**$ 9.0**	**$ 5.7**	$ 11.2	$ 11.1	$ 12.3	$ 6.7
Net (loss) earnings per share								
– Basic	**$ (1.66)**	**$ 0.38**	**$ 0.52**	**$ 0.34**	$ 0.67	$ 0.66	$ 0.73	$ 0.40
– Diluted	**$ (1.64)**	**$ 0.37**	**$ 0.51**	**$ 0.34**	$ 0.66	$ 0.65	$ 0.72	$ 0.39

Although quarterly fluctuations in revenue and net earnings are difficult to predict, Wajax has experienced weaker first quarter results in 2015 and 2014 due to various factors including reduced activity in the oil and gas and mining markets. As well, large deliveries of mining trucks and shovels and power generation packages can shift the revenue and net earnings throughout the year.

The fourth quarter 2015 net loss of $33.3 million included after-tax goodwill and intangible assets impairment of $37.3 million. Excluding the goodwill and intangible assets impairment, fourth quarter 2015 adjusted net earnings was $4.0 million. See the Non-GAAP and Additional GAAP Measures section.

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

Consolidated Financial Condition

Capital Structure and Key Financial Condition Measures

	December 31 **2015**	2014
Shareholders' equity	**$ 288.5**	$ 248.5
Funded net debt[1]	**149.0**	201.0
Total capital	**$ 437.5**	$ 449.5
Funded net debt to total capital[1]	**34.1%**	44.7%
Leverage ratio[1]	**1.98**	2.12

(1) See the Non-GAAP and Additional GAAP Measures section.

The Corporation's objective is to maintain a leverage ratio between 1.5 times and 2.0 times. However, there may be instances where the Corporation is willing to maintain a leverage ratio outside this range to either support key growth initiatives or fluctuations in working capital levels during changes in economic cycles. See the Funded Net Debt section below.

Shareholders' Equity

The Corporation's shareholders' equity at December 30, 2015 of $288.5 million increased $40.0 million from December 31, 2014, as the $71.4 million in proceeds from the issuance of share capital in the second quarter of 2015 was partially offset by $23.1 million of dividends declared during the year and a 2015 net loss of $11.0 million that included a $37.3 million after-tax goodwill and intangible assets impairment.

The Corporation's share capital, included in shareholders' equity on the balance sheet, consists of:

Issued and fully paid common shares as at December 31, 2015	**Number**	**Amount**
Balance at the beginning of the year	16,778,883	$ 107.5
Shares issued	3,207,358	72.3
Balance at the end of the year	**19,986,241**	**$ 179.8**

At the date of this MD&A, the Corporation had 19,992,121 common shares issued and outstanding.

At December 31, 2015, Wajax had four share-based compensation plans; the Wajax Share Ownership Plan ("SOP"), the Directors' Deferred Share Unit Plan ("DDSUP"), the Mid-Term Incentive Plan for Senior Executives ("MTIP") and the Deferred Share Unit Plan ("DSUP"). In the first quarter of 2014, all of the outstanding Deferred Share Program ("DSP") rights were settled. SOP, DSP and DDSUP rights are issued to the participants and are settled by issuing Wajax Corporation shares on a one-for-one basis. As of December 31, 2015, there were 325,144 (2014 – 287,550) SOP and DDSUP rights outstanding. The cash-settled MTIP and DSUP consist of annual grants that vest over three years and are subject to time and performance vesting criteria. A portion of the MTIP and the full amount of the DSUP grants are determined by the price of the Corporation's shares. Compensation expense for the SOP, DSP and DDSUP is determined based upon the fair value of the rights at the date of grant and charged to earnings on a straight line basis over the vesting period, with an offsetting adjustment to contributed surplus. Compensation expense for the DSUP and the share-based portion of the MTIP varies with the price of the Corporation's shares and is recognized over the vesting period. Wajax recorded compensation expense of $1.0 million for the year (2014 – $1.5 million) in respect of these plans.

Funded Net Debt (See the Non-GAAP and Additional GAAP Measures section)

	December 31 **2015**	2014
(Cash) bank indebtedness	**$ (13.6)**	$ 7.7
Obligations under finance lease	**11.0**	12.3
Long-term debt	**151.6**	180.9
Funded net debt[1]	**$ 149.0**	$ 201.0

(1) See the Non-GAAP and Additional GAAP Measures section.

Funded net debt of $149.0 million at December 31, 2015 decreased $52.0 million compared to December 31, 2014. The decrease during the year was due to $71.4 million in proceeds from the issuance of share capital in the second quarter of 2015 and $9.6 million of cash generated from operating activities being greater than: dividends paid of $21.5 million, investing activities of $4.3 million and finance lease payments of $3.9 million.

The Corporation's ratio of funded net debt to total capital decreased to 34.1% at December 31, 2015 from 44.7% at December 31, 2014 primarily due to the $71.4 million in proceeds from the issuance of share capital in the second quarter of 2015 less the impact of the $37.3 million after-tax goodwill and intangible assets impairment.

The Corporation's leverage ratio of 1.98 times at December 31, 2015 decreased from the December 31, 2014 ratio of 2.12 times mainly due to the lower funded net debt level at December 31, 2015.

See the Liquidity and Capital Resources section.

Financial Instruments

Wajax uses derivative financial instruments in the management of its foreign currency and interest rate exposures. Wajax's policy restricts the use of derivative financial instruments for trading or speculative purposes.

Wajax enters into short-term currency forward contracts to hedge the exchange risk associated with the cost of certain inbound inventory and foreign currency-denominated sales to customers along with the associated receivables as part of its normal course of business. As at December 30, 2015, Wajax had the following contracts outstanding:

- to buy U.S. $31.8 million (December 31, 2014 – to buy U.S. $41.8 million), and
- to sell U.S. $2.0 million (December 31, 2014 – nil).

The U.S. dollar contracts expire between January 2016 and November 2016, with a weighted average U.S./Canadian dollar rate of 1.3349.

Wajax measures derivative instruments not accounted for as hedging items at fair value with subsequent changes in fair value being recorded in earnings. Derivatives designated as effective hedges are measured at fair value with subsequent changes in fair value being recorded in other comprehensive income until the related hedged item is recorded and affects income or inventory. 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.

A change in foreign currency, relative to the Canadian dollar, on transactions with customers that include unhedged foreign currency exposures is not expected to have a material impact on the Corporation's results of operations or financial condition.

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. However, a sudden strengthening of the U.S. dollar relative to the Canadian dollar can have a negative impact mainly on parts margins in the short term prior to price increases taking effect.

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

Contractual Obligations

Contractual Obligations	Total	< 1 year	1 – 5 years	After 5 years
Bank debt(1)	**$ 30.0**	$ –	$ 30.0	$ –
Senior notes(1)	**$ 125.0**	$ –	$ 125.0	$ –
Operating leases	**$ 95.3**	$ 18.5	$ 53.1	$ 23.7
Obligations under finance leases(1)	**$ 11.0**	$ 4.2	$ 6.8	$ –
Total	**$ 261.3**	$ 22.7	$ 214.9	$ 23.7

(1) Amounts exclude finance costs.

The $30.0 million bank debt obligation relates to the long-term portion of the bank credit facility and excludes current bank indebtedness and letters of credit.

The senior notes obligation relates to the Corporation's issuance on October 23, 2013 of $125.0 million in senior notes bearing an annual interest rate of 6.125% per annum, payable semi-annually, maturing on October 23, 2020.

The operating leases relate primarily to contracts entered into for facilities, a portion of the long-term lift truck rental fleet in the Equipment segment and office equipment. See the Off Balance Sheet Financing section for additional information.

The obligations under finance leases relate to certain leased vehicles that have a minimum one year term and are extended on a monthly basis thereafter until termination.

The above table does not include obligations to fund pension benefits. Wajax sponsors certain defined benefit plans that cover executive employees, a small group of inactive employees and certain employees on long-term disability benefits. The defined benefit plans are subject to actuarial valuations in 2017 and 2018. Management does not expect future cash contribution requirements to change materially from the 2015 contribution level of $0.7 million as a result of these valuations or any declines in the fair value of the defined benefit plans' assets.

Off Balance Sheet Financing

Off balance sheet financing arrangements include operating lease contracts for facilities with various landlords, a portion of the long-term lift truck rental fleet in the Equipment segment and other equipment related mainly to office equipment. The total obligations for all operating leases are detailed in the Contractual Obligations section. At December 31, 2015, the non-discounted operating lease commitments for facilities totaled $94.2 million, for rental fleet totaled $0.9 million and for other equipment $0.2 million.

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

The Equipment segment had $61.1 million (2014 – $95.8 million) of consigned inventory on-hand from a major manufacturer at December 31, 2015, net of deposits of $21.1 million (2014 – $8.8 million). In the normal course of business, Wajax receives inventory on consignment from this manufacturer which is generally rented or sold to customers or purchased by Wajax. Under the terms of the consignment program, Wajax is required to make periodic deposits to the manufacturer on the consigned inventory that is rented to Wajax customers or on-hand for greater than nine months. This consigned inventory is not included in Wajax's inventory as the manufacturer retains title to the goods. In the event the inventory consignment program was terminated, Wajax would utilize interest free financing, if any, made available by the manufacturer and/or utilize capacity under its credit facilities.

Although management currently believes Wajax has adequate debt capacity, Wajax would have to access the equity or debt markets, or reduce dividends to accommodate any shortfalls in Wajax's credit facilities. See the Liquidity and Capital Resources section.

Liquidity and Capital Resources

The Corporation's liquidity is maintained through various sources, including bank and non-bank credit facilities, senior notes and cash generated from operations.

Bank and Non-bank Credit Facilities and Senior Notes

At December 31, 2015, Wajax had borrowed $30.0 million and issued $5.1 million of letters of credit for a total utilization of $35.1 million of its $250 million bank credit facility. In addition, Wajax had $125 million in senior notes outstanding bearing an interest rate of 6.125% per annum, payable semi-annually, maturing on October 23, 2020. Borrowing capacity under the bank credit facility is dependent on the level of inventories on-hand and outstanding trade accounts receivables. At December 31, 2015, borrowing capacity under the bank credit facility was equal to $250 million.

The bank credit facility contains customary restrictive covenants, including limitations on the payment of cash dividends and an interest coverage maintenance ratio, all of which were met as at December 31, 2015. In particular, the Corporation is restricted from declaring dividends in the event the Corporation's leverage ratio, as defined in the bank credit facility agreement, exceeds 3.25 times. The senior notes are unsecured and contain customary incurrence based covenants that, although different from those under the bank credit facility described above, are not expected to be any more restrictive than under the bank credit facility. All covenants were met as at December 31, 2015.

Under the terms of the bank credit facility, Wajax is permitted to have additional interest bearing debt of $15 million. As such, Wajax has up to $15 million of demand inventory equipment financing capacity with three non-bank lenders. At December 31, 2015, Wajax had no utilization of the interest bearing equipment financing facilities.

As of March 1, 2016, Wajax's $250 million bank credit facility, of which $214.9 million was unutilized at the end of the year, along with the additional $15 million of capacity permitted under the bank credit facility, should be sufficient to meet Wajax's short-term normal course working capital and maintenance capital requirements and certain strategic investments. However, Wajax may be required to access the equity or debt markets to fund significant acquisitions.

In addition, the Corporation's tolerance to interest rate risk decreases/increases as the Corporation's leverage ratio increases/decreases. At December 31, 2015, $125 million of the Corporation's funded net debt, or 84%, was at a fixed interest rate which is within the Corporation's interest rate risk policy.

Cash Flow

The following table highlights the major components of cash flow as reflected in the Consolidated Statements of Cash Flows for the years ended December 31, 2015 and December 31, 2014.

For the year ended December 31		2015		2014		Change
Net (loss) earnings	**$**	**(11.0)**	$	41.2	$	(52.2)
Items not affecting cash flow		**85.8**		51.7		34.1
Net change in non-cash operating working capital		**(19.7)**		7.4		(27.1)
Finance costs paid		**(11.4)**		(12.3)		0.9
Income taxes paid		**(10.3)**		(13.4)		3.1
Rental equipment additions		**(23.0)**		(23.1)		0.1
Other non-current liabilities		**(0.8)**		1.4		(2.2)
Cash generated from operating activities	**$**	**9.6**	$	52.9	$	(43.3)
Cash used in investing activities	**$**	**(4.3)**	$	(5.4)	$	1.1
Cash generated from (used in) financing activities	**$**	**16.0**	$	(59.4)	$	75.4

Cash Generated From Operating Activities

The $43.3 million year over year decrease in cash flows generated from operating activities was mainly attributable to a decrease in net earnings of $52.2 million and a decrease in cash generated from changes in non-cash operating working capital of $27.1 million offset partially by an increase in items not affecting cash flow of $34.1 million. Both the decrease in net earnings and the increase in items not affecting cash flow include the 2015 goodwill and intangible assets impairment of $41.2 million ($37.3 million after-tax).

Rental equipment additions in 2015 of $23.0 million (2014 – $23.1 million) related primarily to lift trucks in the Equipment segment.

Significant components of non-cash operating working capital, along with changes for years ended December 31, 2015 and December 31, 2014 include the following:

Changes in Non-cash Operating Working Capital[1]		2015		2014
Trade and other receivables	**$**	**16.6**	$	4.2
Contracts in progress		**4.2**		(3.8)
Inventories		**19.0**		(31.9)
Deposits on inventory		**(12.5)**		3.2
Prepaid expenses		**0.9**		(2.1)
Accounts payable and accrued liabilities		**(47.4)**		39.1
Provisions		**(0.5)**		(1.3)
Total Changes in Non-cash Operating Working Capital	**$**	**(19.7)**	$	7.4

(1) Increase (decrease) in cash flow.

Significant components of the changes in non-cash operating working capital for the year ended December 31, 2015 compared to the year ended December 31, 2014 are as follows:

- Trade and other receivables decreased $16.6 million in 2015 compared to a decrease of $4.2 million in 2014. The decrease in 2015 resulted primarily from reductions in the Power Systems and Industrial Components segments due to lower sales activity in the fourth quarter compared to last year. The decrease in 2014 was mainly attributable to reductions in the Equipment segment due to lower sales activity in the fourth quarter compared to 2013 partially offset by higher sales activity in the Industrial Components segment.
- Contracts in progress decreased $4.2 million in 2015 compared to an increase of $3.8 million in 2014. The decrease in 2015 was due to a reduction in contract revenue recognized in advance of billings related to power generation projects in the Power Systems segment. The increase in 2014 reflected higher contract revenue recognized in advance of billings related to power generation projects in the Power Systems segment.
- Inventories decreased $19.0 million in 2015 compared to an increase of $31.9 million in 2014. The decrease in 2015 was due mainly to lower mining equipment inventory in the Equipment segment offset partially by higher parts inventory in the Industrial Components and Power Systems segments. The increase in 2014 was primarily related to higher construction, forestry and material handling inventory in the Equipment segment.
- Deposits on inventory increased $12.5 million in 2015 compared to a decrease of $3.2 million in 2014. The increase in 2015 resulted from an increase in the aging of inventory on consignment in the Equipment segment resulting in additional payments to the manufacturer. See the Off Balance Sheet Financing section.

- Accounts payable and accrued liabilities decreased $47.4 million in 2015 compared to an increase of $39.1 million in 2014. The decrease in 2015 resulted from lower trade payables in all segments, due in part to the payment of equipment inventory on supplier financing in the Equipment segment and decreased purchasing activity in all segments. The increase in 2014 was driven by higher inventory trade payables in the Equipment segment.

Investing Activities

For the year ended December 31, 2015, Wajax invested $4.1 million in property, plant and equipment additions, net of disposals, compared to $5.4 million for the year ended December 31, 2014.

Financing Activities

The Corporation generated $16.0 million of cash from financing activities in 2015 compared to a use of cash of $59.4 million in 2014. Financing activities during the year included proceeds from the issuance of share capital of $71.4 million (2014 – nil) offset partially by bank credit facility repayments of $30.0 million (2014 – $15.0 million), dividends paid to shareholders totaling $21.5 million (2014 – $40.2 million) and finance lease payments of $3.9 million (2014 – $3.4 million).

Dividends

Dividends to shareholders for the periods January 1, 2015 to December 31, 2015 and January 1, 2014 to December 31, 2014 were declared and payable to shareholders of record as follows:

	2015		2014	
Month[(1)]	**Per Share**	**Amount**	Per Share	Amount
January	**$ 0.20**	**$ 3.4**	$ 0.20	$ 3.3
February	**0.20**	**3.4**	0.20	3.3
March	**0.08**	**1.4**	0.20	3.4
April	**–**	**–**	0.20	3.4
May	**–**	**–**	0.20	3.4
June	**0.25**	**5.0**	0.20	3.4
July	**–**	**–**	0.20	3.4
August	**–**	**–**	0.20	3.4
September	**0.25**	**5.0**	0.20	3.4
October	**–**	**–**	0.20	3.4
November	**–**	**–**	0.20	3.4
December	**0.25**	**5.0**	0.20	3.4
Total dividends for the years ended December 31	**$ 1.23**	**$ 23.1**	$ 2.40	$ 40.3

(1) In the second quarter of 2015, the Corporation commenced paying dividends on a quarterly basis. Dividends are generally payable to shareholders of record on or about the 15th business day of the last month of each quarter and paid on or about the 4th day of the following quarter.

For the year ended December 31, 2015, Wajax declared dividends to shareholders totaling $1.23 per share. For the year ended December 31, 2014, Wajax declared dividends to shareholders totaling $2.40 per share. Dividends paid in 2015 were funded from cash generated from operating activities.

On March 1, 2016, the Corporation declared a dividend of $0.25 per share for the first quarter of 2016, payable on April 4, 2016 to shareholders of record on March 15, 2016.

Fourth Quarter Consolidated Results

For the three months ended December 31	**2015**	2014
Revenue	**$ 324.4**	$ 386.1
Gross profit	**$ 59.9**	$ 73.5
Selling and administrative expenses	**$ 51.5**	$ 55.1
Goodwill and intangible assets impairment	**$ 41.2**	$ –
Restructuring cost recovery	**$ –**	$ (0.2)
(Loss) earnings before finance costs and income taxes[(1)]	**$ (32.8)**	$ 18.6
Finance costs	**$ 2.8**	$ 3.2
(Loss) earnings before income taxes[(1)]	**$ (35.6)**	$ 15.4
Income tax (recovery) expense	**$ (2.3)**	$ 4.2
Net (loss) earnings	**$ (33.3)**	$ 11.2
Basic (loss) earnings per share	**$ (1.66)**	$ 0.67
Diluted (loss) earnings per share	**$ (1.64)**	$ 0.66
Adjusted net earnings[(1)(4)]	**$ 4.0**	$ 11.0
Adjusted basic earnings per share[(1)(2)(4)]	**$ 0.20**	$ 0.66
Adjusted diluted earnings per share[(1)(3)(4)]	**$ 0.20**	$ 0.65

(1) These amounts do not have a standardized meaning prescribed by generally accepted accounting principles ("GAAP"). See the Non-GAAP and Additional GAAP Measures section.
(2) Weighted average shares for calculation of basic (loss) earnings per share 19,983,800 (2014 – 16,778,883)
(3) Weighted average shares for calculation of diluted (loss) earnings per share 20,297,193 (2014 – 17,051,027)
(4) Net (loss) earnings excluding after-tax goodwill and intangible assets impairment in 2015 of $37.3 million, or $1.87 per share basic, and after-tax restructuring recovery in 2014 of $0.2 million, or $0.01 per share basic.

Fourth quarter revenue decreased $61.7 million. Ongoing weakness in oil and other commodity prices in the quarter continued to have a negative effect on Wajax customers in all segments in the construction, mining, oil and gas, oil sands and on-highway markets in western Canada.

The impact was most significant in the Equipment segment, which experienced a 22% decline in equipment revenue due to lower demand and competitive market pressures, and a 6% reduction in parts and service revenues as oil sands operators and mining customers continued to idle portions of their equipment fleets and defer maintenance spending. The Power Systems segment experienced a decline in equipment, parts and service volumes due to the lower oil and gas activity in western Canada. In addition, the Industrial Components segment's western Canada operation was negatively impacted by the decline in oil and gas and oil sands activity.

Revenue

Revenue in the fourth quarter of 2015 decreased 16%, or $61.7 million, to $324.4 million, from $386.1 million in the fourth quarter of 2014. Segment revenue decreased 20% in the Power Systems segment, driven by a reduction in oil and gas related revenues in western Canada, 17% in the Equipment segment on lower volumes in western and eastern Canada, and 12% in the Industrial Components segment, primarily due to lower volumes in western Canada.

Gross profit

Gross profit in the fourth quarter of 2015 decreased $13.6 million due to lower volumes and a slightly lower gross profit margin percentage compared to the prior year. The gross profit margin percentage for the quarter of 18.5% decreased from 19.0% in the fourth quarter of 2014 resulting from lower parts margins offset partially by the positive impact of a higher proportion of parts and service revenues compared to last year.

Selling and administrative expenses

Selling and administrative expenses decreased $3.6 million in the fourth quarter of 2015 compared to the same quarter last year due mainly to lower personnel related costs, including lower annual employee incentives. Selling and administrative expenses as a percentage of revenue increased to 15.9% in the fourth quarter of 2015 from 14.3% in the same quarter of 2014.

Goodwill and intangible assets impairment

Goodwill and intangible assets impairment of $41.2 million ($37.3 million after-tax) was recorded in 2015, comprised of $13.7 million related to the Power Systems segment and $27.5 million related to the Industrial Components segment. The impairment was determined such that the carrying value of the goodwill and intangible assets of each segment approximates their recoverable amounts as at December 31, 2015 of $nil in the Power Systems segment and $18.3 million in the Industrial Components segment. The recoverable amounts assumed that weakness in oil and gas activity in western Canada continues.

Finance costs

Quarterly finance costs of $2.8 million decreased $0.4 million compared to the same quarter last year due primarily to lower funded net debt levels resulting from the $71.4 million in proceeds from the issuance of share capital in the second quarter of 2015.

Income tax expense

The Corporation's effective income tax recovery rate of 6.5% for the fourth quarter of 2015 was lower compared to the statutory rate of 26.5% due to the impact of expenses not deductible for tax purposes including $26.5 million of goodwill and intangible assets impairment. The Corporation's effective income tax rate of 27.1% for the fourth quarter of 2014 was higher compared to the statutory rate of 26.1% due to the impact of expenses not deductible for tax purposes.

Net (loss) earnings

In the fourth quarter of 2015 the Corporation incurred a net loss of $33.3 million, or $1.66 per share, compared to net earnings of $11.2 million, or $0.67 per share. The $44.5 million decrease in net earnings resulted from goodwill and intangible assets impairment of $37.3 million after-tax, or $1.87 per share, and lower volumes offset partially by a reduction in selling and administrative expenses and finance costs. The $2.33 per share decrease in basic earnings per share reflects the decrease in net earnings, as described above, combined with the impact of the equity offering completed in the second quarter of 2015, which reduced the basic loss per share by $0.32 or 16%.

Adjusted net earnings (See the Non-GAAP and Additional GAAP Measures section)

Adjusted net earnings excludes goodwill and intangible assets impairment of $37.3 million after-tax, or $1.87 per share, in 2015 and restructuring recovery of $0.2 million after-tax, or $0.01 per share in 2014.

As such, adjusted net earnings decreased $7.0 million to $4.0 million, or $0.20 per share, in 2015 from $11.0 million, or $0.66 per share, in 2014. The $7.0 million decrease in adjusted net earnings resulted primarily from lower volumes offset by a reduction in selling and administrative expenses and finance costs. The $0.46 per share decrease in adjusted basic earnings per share reflects the decrease in net earnings, as described above, combined with the impact of the equity offering completed in the second quarter of 2015, which reduced the adjusted basic earnings per share by $0.04, or 16%.

Comprehensive loss

Total comprehensive loss of $32.4 million in the fourth quarter of 2015 was comprised of net loss of $33.3 million offset partially by other comprehensive income of $0.8 million. The other comprehensive income resulted from after-tax actuarial gains on pension plans of $0.8 million and a $0.1 million change in the amount of gains on derivative instruments designated as cash flow hedges recorded in the year.

Funded net debt (See the Non-GAAP and Additional GAAP Measures section)

Funded net debt of $149.0 million at December 31, 2015 decreased $18.5 million compared to September 30, 2015. The decrease during the quarter was due to $26.3 million of cash generated from operating activities exceeding dividends paid of $5.0 million, investing activities of $1.2 million and finance lease payments of $1.0 million. See the Fourth Quarter Cash Flows and Liquidity and Capital Resources sections.

Dividends

For the fourth quarter ended December 31, 2015 dividends declared totaled $0.25 per share. For the fourth quarter ended December 31, 2014 monthly dividends declared were $0.60 per share.

Backlog (See the Non-GAAP and Additional GAAP Measures section)

Consolidated backlog at December 31, 2015 of $169.2 million increased $13.1 million, or 8%, compared to September 30, 2015 as increases in the Equipment segment were partially offset by modest decreases in both the Power Systems and Industrial Components segments. See the Fourth Quarter Results of Operations section for further backlog detail by segment.

Fourth Quarter Results of Operations

Equipment

For the three months ended December 31		2015		2014
Equipment(1)	**$**	**100.7**	$	128.7
Parts and service	**$**	**59.4**	$	63.1
Segment revenue	**$**	**160.1**	$	191.8
Segment earnings(2)	**$**	**9.4**	$	12.4
Segment earnings margin(2)		***5.9%***		*6.5%*

(1) Includes rental and other revenue.
(2) Earnings before finance costs and income taxes.

Revenue in the fourth quarter of 2015 decreased $31.7 million, or 17%, to $160.1 million, from $191.8 million in the fourth quarter of 2014. Segment earnings for the quarter decreased $3.0 million, to $9.4 million, compared to the fourth quarter of 2014. The following factors contributed to the Equipment segment's fourth quarter results compared to the fourth quarter of 2014:

- Equipment revenue for the fourth quarter decreased $28.0 million, or 22%, with specific year-over-year variances as follows:
  - Construction equipment revenue decreased $19.6 million as a result of decreases in Hitachi excavator sales in western Canada due to lower market demand and competitive market pressures.
  - Forestry equipment revenue decreased $3.5 million due to lower sales activity and an increase in the number of customers choosing to rent equipment with a purchase option.
  - Mining equipment sales increased $0.3 million.

  - Crane and utility equipment revenue decreased $4.3 million as a result of lower crane sales in western Canada and lower sales to utility customers in central and eastern Canada.
  - Material handling equipment revenue decreased $0.9 million.
- Parts and service revenue decreased $3.7 million, or 6%. The decrease was led by lower mining sector volumes mainly in western Canada, including the oil sands, and lower material handling volumes in all regions. These declines were offset partially by higher construction sector revenues in central and eastern Canada.
- Segment earnings for the fourth quarter decreased $3.0 million to $9.4 million. The decrease was primarily attributable to lower volumes, offset partially by a higher gross profit margin percentage and a $0.7 million reduction in selling and administrative expenses due to lower annual incentives compared to last year. The higher gross profit margin percentage was driven by the positive impact of a higher proportion of parts and service volumes partially offset by lower parts and service margins due to competitive market pressures compared to last year.

Backlog of $103.6 million at December 31, 2015 increased $16.4 million compared to September 30, 2015 due mainly to increases in crane and utility and construction equipment orders.

Power Systems

For the three months ended December 31		2015		2014
Equipment(1)	**$**	**24.8**	$	33.3
Parts and service	**$**	**46.0**	$	55.0
Segment revenue	**$**	**70.8**	$	88.3
Segment earnings before goodwill and intangible assets impairment(2)	**$**	**0.1**	$	3.5
Goodwill and intangible assets impairment		**(13.7)**		–
Segment (loss) earnings(3)	**$**	**(13.6)**	$	3.5
Segment earnings before goodwill and intangible assets impairment margin(2)		***0.2%***		*3.9%*
Goodwill and intangible assets impairment		***(19.4%)***		–
Segment (loss) earnings margin(3)		***(19.2%)***		*3.9%*

(1) Includes rental and other revenue.
(2) Earnings before goodwill and intangible assets impairment, finance costs and income taxes. See the Non-GAAP and Additional GAAP Measures section.
(3) (Loss) earnings before finance costs and income taxes.

Revenue in the fourth quarter of 2015 decreased $17.5 million, or 20%, to $70.8 million, compared to $88.3 million in the fourth quarter of 2014. The segment experienced a loss of $13.6 million in the fourth quarter of 2015 compared to earnings of $3.5 million in 2014. Segment earnings before goodwill and intangible assets impairment of $0.1 million in the fourth quarter of 2015 was a decrease of $3.4 million compared to segment earnings of $3.5 million in 2014. The following factors impacted quarterly revenue and earnings compared to last year:

- Equipment revenue decreased $8.5 million, due principally to lower off-highway oil and gas and power generation sales in western Canada.
- Parts and service revenue decreased $9.0 million compared to last year, mainly attributable to lower sales to off-highway and on-highway customers as a result of the decline in oil and gas activity in western Canada.
- Segment earnings decreased $17.1 million to a segment loss of $13.6 million in 2015 compared to segment earnings of $3.5 million in the fourth quarter of 2014. Excluding the goodwill and intangible assets impairment costs of $13.7 million, segment earnings decreased $3.4 million due to lower volumes and gross profit margins offset partially by a $1.7 million decrease in selling and administrative expenses. The decrease in selling and administrative expenses was driven mainly by workforce reductions.

Goodwill and intangible assets impairment costs of $13.7 million were recorded in the Power Systems segment in 2015. The impairment was determined such that the carrying value of the goodwill and intangible assets of the segment approximates their recoverable amounts as at December 31, 2015 of $nil. The recoverable amounts assumed that weakness in oil and gas activity in western Canada continues.

Backlog of $23.6 million as of December 31, 2015 decreased $1.4 million compared to September 30, 2015.

Industrial Components

For the three months ended December 31		2015		2014
Segment revenue	**$**	**94.3**	$	107.5
Segment earnings before goodwill and intangible assets impairment and restructuring recovery(1)	**$**	**1.9**	$	5.9
Goodwill and intangible assets impairment		**(27.5)**		–
Restructuring cost recovery	**$**	**–**	$	0.2
Segment (loss) earnings(2)	**$**	**(25.6)**	$	6.2
Segment earnings margin before goodwill and intangible assets impairment and restructuring recovery(1)		***2.0%***		*5.5%*
Goodwill and intangible assets impairment		***(29.2%)***		–
Restructuring recovery		**–**		*0.2%*
Segment (loss) earnings margin(2)		***(27.2%)***		*5.7%*

(1) (Loss) earnings before goodwill and intangible assets impairment and restructuring recovery, finance costs and income taxes. See the Non-GAAP and Additional GAAP Measures section.
(2) (Loss) earnings before finance costs and income taxes.

Revenue of $94.3 million in the fourth quarter of 2015 decreased $13.2 million, or 12%, from $107.5 million in the fourth quarter of 2014. The segment experienced a loss of $25.6 million in the fourth quarter of 2015 compared to earnings of $6.2 million in 2014. Segment earnings before goodwill and intangible assets impairment and restructuring recovery of $1.9 million in the fourth quarter of 2015 decreased $4.0 million compared to $5.9 million in 2014. The following factors contributed to the segment's fourth quarter year-over-year results:

- Bearings and power transmission parts sales decreased $3.8 million, or 7%, primarily due to weakness in the oil and gas, mining and metal processing sectors. These decreases were partially offset by strength in the forestry sector.
- Fluid power and process equipment products and service revenue in the fourth quarter of 2015 decreased $9.4 million, or 19%. Lower sales in the oil and gas and oil sands sectors in western Canada were partially offset by higher volumes in central and eastern Canada.

- Segment earnings decreased $31.8 million to a segment loss of $25.6 million in 2015 compared to segment earnings of $6.2 million in the prior year. Excluding the goodwill and intangible assets impairment costs of $27.5 million and restructuring recovery of $0.2 million in 2014, segment earnings decreased $4.0 million due to lower volumes and gross profit margins offset partially by a $0.9 million decrease in selling and administrative expenses. The gross profit margins were negatively impacted by an increase in inventory obsolescence and to a lesser extent competitive market pressures. The reduction in selling and administrative expenses was due to lower annual incentives and other sales related cost reductions compared to last year.

Goodwill and intangible assets impairment costs of $27.5 million were recorded in the Industrial Components segment in 2015. The impairment was determined such that the carrying value of the goodwill and intangible assets of the segment approximates their recoverable amounts as at December 31, 2015 of $18.3 million. The recoverable amounts assumed that weakness in oil and gas activity in western Canada continues.

Backlog of $42.0 million as of December 31, 2015 decreased $1.9 million compared to September 30, 2015. See the Non-GAAP and Additional GAAP Measures section.

Fourth Quarter Cash Flows

Cash Flow

The following table highlights the major components of cash flow as reflected in the Consolidated Statements of Cash Flows for the quarters ended December 31, 2015 and December 31, 2014.

For the quarter ended December 31	**2015**	2014	Change
Net (loss) earnings	**$ (33.3)**	$ 11.2	$ (44.5)
Items not affecting cash flow	**48.7**	13.3	35.4
Net change in non-cash operating working capital	**22.0**	28.4	(6.4)
Finance costs paid	**(4.6)**	(5.0)	0.4
Income taxes paid	**(1.9)**	(2.6)	0.7
Rental equipment additions	**(4.5)**	(8.6)	4.1
Other non-current liabilities	**(0.1)**	0.1	(0.2)
Cash generated from operating activities	**$ 26.3**	$ 36.8	$ (10.5)
Cash used in investing activities	**$ (1.2)**	$ (1.6)	$ 0.4
Cash used in financing activities	**$ (10.0)**	$ (37.8)	$ 27.8

Cash Generated From Operating Activities

The $10.5 million decrease in cash flows generated from operating activities was mainly attributable to a decrease in net earnings of $44.5 million and a decrease in cash generated from changes in non-cash operating working capital of $6.4 million, offset partially by an increase in items not affecting cash flow of $35.4 million and a $4.1 million decrease in rental equipment additions primarily in the Power Systems segment. Both the decrease in net earnings and the increase in items not affecting cash flow include the 2015 goodwill and intangible assets impairment of $41.2 million ($37.3 million after-tax).

Significant components of non-cash operating working capital, along with changes for the quarters ended December 31, 2015 and December 31, 2014 include the following:

Changes in Non-cash Operating Working Capital[(1)]	**2015**	2014
Trade and other receivables	**$ 9.6**	$ 18.4
Contracts in progress	**4.6**	(3.4)
Inventories	**4.3**	0.2
Deposits on inventory	**(4.7)**	1.0
Prepaid expenses	**(0.6)**	(0.4)
Accounts payable and accrued liabilities	**8.5**	12.1
Provisions	**0.2**	0.5
Total Changes in Non-cash Operating Working Capital	**$ 22.0**	$ 28.4

(1) Increase (decrease) in cash flow.

Significant components of the changes in non-cash operating working capital for the quarter ended December 31, 2015 compared to the quarter ended December 31, 2014 are as follows:

- Trade and other receivables decreased $9.6 million in 2015 compared to a decrease of $18.4 million in 2014. The decrease in 2015 resulted primarily from lower sales activity in the Power Systems segment due to lower sales activity in the fourth quarter compared to the last quarter. The decrease in 2014 was mainly attributable to improved collections in the Equipment segment and the collection of a large power generation receivable in the Power Systems segment.
- Contracts in progress decreased $4.6 million in the current quarter compared to an increase of $3.4 million in 2014. The decrease in 2015 was due to a reduction in contract revenue recognized in advance of billings related to power generation projects in the Power Systems segment. The increase in 2014 reflects higher contract revenue recognized in advance of billings related to power generation projects in the Power Systems segment.
- Inventories decreased $4.3 million in the current quarter compared to a decrease of $0.2 million in 2014. The decrease in 2015 was primarily due to lower inventory in the Equipment segment.
- Deposits on inventory increased $4.7 million in the current quarter compared to a decrease of $1.0 million in 2014. The increase in 2015 resulted from an increase in the aging of inventory on consignment in the Equipment segment resulting in additional payments to the manufacturer. See the Off Balance Sheet Financing section.

Accounts payable and accrued liabilities increased $8.5 million in 2015 compared to an increase of $12.1 million in 2014. The increase in 2015 resulted primarily from higher inventory trade payables in the Equipment segment. The increase in 2014 resulted primarily from higher inventory trade payables in the Power Systems and Industrial Components segments.

Investing Activities

During the fourth quarter of 2015, Wajax invested $1.1 million in property, plant and equipment additions, net of disposals, compared to $1.6 million in the fourth quarter of 2014.

Financing Activities

The Corporation used $10.0 million of cash in financing activities in the fourth quarter of 2015 compared to $37.8 million of cash used in the same quarter of 2014. Financing activities in the quarter included bank credit facility repayments of $4.0 million, dividends paid to shareholders totaling $5.0 million and finance lease payments of $1.0 million. See the Liquidity and Capital Resources section.

Non-GAAP and Additional GAAP Measures

The MD&A contains certain non-GAAP and additional GAAP measures that do not have a standardized meaning prescribed by GAAP. Therefore, these financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that these measures should not be construed as an alternative to net earnings or to cash flow from operating, investing, and financing activities determined in accordance with GAAP as indicators of the Corporation's performance. The Corporation's management believes that:

(i) these measures are commonly reported and widely used by investors and management,

(ii) the non-GAAP measures are commonly used as an indicator of a company's cash operating performance, profitability and ability to raise and service debt, and

(iii) the additional GAAP measures are commonly used to assess a company's earnings performance excluding its capital, tax structures, goodwill and intangible assets impairment and restructuring costs (recovery).

(iv) "Adjusted net earnings", "Basic and diluted adjusted net earnings per share" and "segment earnings before goodwill and intangible assets impairment and restructuring costs (recovery)" provide indications of the results by the Corporation's principal business activities prior to recognizing goodwill and intangible assets impairment and restructuring costs (recovery) that are outside the Corporation's normal course of business. "Adjusted EBITDA" used in calculating the Leverage Ratio excludes goodwill and intangible assets impairment and restructuring costs (recovery) which is consistent with the leverage ratio calculations under the Corporation's bank credit and senior note agreements. See the Annual Consolidated Results – Goodwill and intangible assets impairment and the Annual Consolidated Results – Restructuring costs sections.

Non-GAAP financial measures are identified and defined below:

Funded net debt	Funded net debt includes bank indebtedness, long-term debt and obligations under finance leases, net of cash.
EBITDA	Net earnings before finance costs, income tax expense, depreciation and amortization.
Adjusted net earnings	Net earnings before after tax goodwill and intangible assets impairment and restructuring costs (recovery).
Basic and diluted adjusted net earnings per share	Basic and diluted earnings per share before after tax goodwill and intangible assets impairment and restructuring costs (recovery).
Adjusted EBITDA	EBITDA before goodwill and intangible assets impairment and restructuring costs (recovery).
Leverage ratio	The leverage ratio is defined as funded net debt at the end of a particular quarter divided by trailing 12-month Adjusted EBITDA. The Corporation's objective is to maintain this ratio between 1.5 times and 2.0 times.
Funded net debt to total capital	Defined as funded net debt divided by total capital. Total capital is the funded net debt plus shareholder's equity.
Backlog	Backlog includes the total sales value of customer purchase commitments for future delivery or commissioning of equipment, parts and related services.

Additional GAAP measures are identified and defined below:

Earnings before finance costs and income taxes (EBIT)	Earnings before finance costs and income taxes, as presented on the Consolidated Statements of Earnings.
Earnings before income taxes (EBT)	Earnings before income taxes, as presented on the Consolidated Statements of Earnings.
Segment earnings before goodwill and intangible assets impairment and restructuring costs (recovery)	Segment earnings before goodwill and intangible assets impairment, restructuring costs (recovery), finance costs and income taxes.
Segment earnings margin before goodwill and intangible assets impairment and restructuring costs (recovery)	Segment earnings before goodwill and intangible assets impairment, restructuring costs (recovery), finance costs and income taxes divided by segment revenue.

Reconciliation of the Corporation's net (loss) earnings to adjusted net earnings and basic and diluted adjusted earnings per share is as follows:

	Three months ended December 31		Twelve months ended December 31	
	2015	2014	**2015**	2014
Net (loss) earnings	**$ (33.3)**	$ 11.2	**$ (11.0)**	$ 41.2
Goodwill and intangible assets impairment, after tax	**37.3**	–	**37.3**	–
Restructuring (recovery) costs, after-tax	**-**	(0.2)	**1.5**	2.1
Adjusted net earnings	**$ 4.0**	$ 11.0	**$ 27.8**	$ 43.3
Basic adjusted earnings per share[(1)(2)]	**$ 0.20**	$ 0.66	**$ 1.50**	$ 2.58
Diluted adjusted earnings per share[(1)(2)]	**$ 0.20**	$ 0.65	**$ 1.47**	$ 2.54

(1) At December 30, 2015 the numbers of basic and diluted shares outstanding were 19,983,800 and 20,297,193, respectively for the three months ended and 18,559,558 and 18,863,423, respectively for the twelve months ended.
(2) At December 30, 2014 the numbers of basic and diluted shares outstanding were 16,778,883 and 17,051,027, respectively for the three months ended and 16,772,769 and 17,037,382, respectively for the twelve months ended.

Reconciliation of the Corporation's net earnings to EBT, EBIT, EBITDA and Adjusted EBITDA is as follows:

For the twelve months ended December 31	**2015**	2014
Net (loss) earnings	**$ (11.0)**	$ 41.2
Income tax expense	**6.3**	15.3
EBT	**(4.7)**	56.5
Finance costs	**12.2**	13.0
EBIT	**7.5**	69.5
Depreciation and amortization	**24.5**	22.5
EBITDA	**32.0**	92.0
Goodwill and intangible assets impairment[(1)]	**41.2**	–
Restructuring costs[(2)]	**2.1**	2.8
Adjusted EBITDA	**$ 75.3**	$ 95.0

(1) See the Annual Consolidated Results – Goodwill and intangible assets impairment section.
(2) For the twelve months ended December 31, 2015 – Includes the $2.1 million Power Systems segment restructuring provision recorded in the second quarter of 2015.

For the twelve months ended December 31, 2014 – Includes the $2.8 million Industrial Components segment restructuring provision recorded in 2014.

Calculation of the Corporation's funded net debt and leverage ratio is as follows:

	December 31	
	2015	2014
(Cash) bank indebtedness	**$ (13.6)**	$ 7.7
Obligations under finance leases	**11.0**	12.3
Long-term debt	**151.6**	180.9
Funded net debt	**$ 149.0**	$ 201.0
Leverage ratio[(1)]	**1.98**	2.12

(1) Calculation uses trailing four-quarter Adjusted EBITDA and finance costs. This leverage ratio contains some differences to the leverage ratio calculated under the Corporation's bank credit facility and senior note agreements ("the agreements"). In particular, the leverage ratio under the agreements exclude finance lease obligations and cash from funded debt and exclude other non-cash items from EBITDA.

Critical Accounting Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from those judgements, estimates and assumptions. Note 3 of the annual Consolidated Financial Statements describes the significant accounting policies and methods used in preparation of the annual Consolidated Financial Statements. The Corporation bases its estimates on historical experience and various other assumptions that are believed to be reasonable in the circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next fiscal year are as follows:

Allowance for doubtful accounts

The Corporation is exposed to credit risk with respect to its trade and other receivables. However, this is somewhat minimized by the Corporation's large customer base which covers most business sectors across Canada. The Corporation follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Corporation maintains provisions for possible credit losses, and any such losses to date have been within management's expectations. The provision for doubtful accounts is determined on an account-by-account basis. The $1.1 million provision for doubtful accounts at December 31, 2015 decreased $0.5 million from $1.6 million in 2014. As economic conditions change, there is risk that the Corporation could experience a greater number of defaults compared to 2015 which would result in an increased charge to earnings.

Inventory obsolescence

The value of the Corporation's new and used equipment is evaluated by management throughout the year, on a unit-by-unit basis. When required, provisions are recorded to ensure that the book value of equipment is valued at the lower of cost or estimated net realizable value. The Corporation performs an aging analysis to identify slow moving or obsolete parts inventories and estimates appropriate obsolescence provisions related thereto. The Corporation takes advantage of supplier programs that allow for the return of eligible parts for credit within specified time periods. The inventory obsolescence charged to earnings for 2015 was $6.0 million compared to $3.5 million in 2014. As economic conditions change, there is risk that the Corporation could have an increase in inventory obsolescence compared to 2015 which would result in an increased charge to earnings.

Goodwill and intangible assets

The value in use of goodwill and intangible assets has been estimated using the forecasts prepared by management for the next three years. The key assumptions for the estimate are those regarding revenue growth, gross margin and the level of working capital required to support the business. These estimates are based on past experience and management's expectations of future changes in the market and forecasted growth initiatives.

During the year, the Corporation performed impairment tests, based on value in use, of its goodwill and intangible assets with an indefinite life and concluded that impairments existed in the cash generating units of the Power Systems segment and the Industrial Components segment. See the Annual Consolidated Results – Goodwill and intangible assets impairment section.

Changes in Accounting Policies

The following new standard has been adopted in the current year:

Effective January 1, 2015, the Corporation early adopted the amendments to IAS 1 *Presentation of Financial Statements*. The amendments impacted certain disclosure requirements only and had no effect on the consolidated financial statements.

New standards and interpretations not yet adopted

The new standards or amendments to existing standards that may be significant to the Corporation set out below are not yet effective for the year ended December 31, 2015 and have not been applied in preparing these consolidated financial statements.

On January 1, 2018, the Corporation will be required to adopt IFRS 15 *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgemental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Corporation is currently assessing the impact of this standard on its consolidated financial statements.

On January 1, 2018, the Corporation will be required to adopt IFRS 9 *Financial Instruments*, which will replace IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. Additional changes to the new standard will align hedge accounting more closely with risk management. The Corporation is currently assessing the impact of this standard on its consolidated financial statements.

On January 1, 2019, the Corporation will be required to adopt IFRS 16 *Leases*. The new standard contains a single lease accounting model for lessees, whereby all leases with a term longer than 12 months are recognized on-balance sheet through a right-of-use asset and lease liability. The model features a front-loaded total lease expense recognized through a combination of depreciation and interest. Lessor accounting remains similar to current requirements. The Corporation is currently assessing the impact of this standard on its consolidated financial statements.

Risk Management and Uncertainties

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

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

Manufacturer relationships and product access

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

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

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

Economic conditions/Business cyclicality

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

Commodity prices

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

Growth initiatives, integration of acquisitions and project execution

As part of its long-term strategy, the Corporation established its 4 Points of Growth strategy including a target leverage ratio range of 1.5 – 2.0 times. See the Strategy section and the Non-GAAP and Additional GAAP Measures sections. While conditions remain challenging, the Corporation has a strong strategy and is confident in its growth prospects. The Corporation's confidence is strengthened by the enhanced earnings potential of a reorganized Corporation and by relationships with its customers and vendors. See the Reorganization section. Wajax's ability to develop core capabilities and successfully grow its business through organic growth will be dependent on the segments' achieving their individual growth initiatives. Wajax's ability to successfully grow its business through acquisitions will be dependent on a number of factors including: identification of accretive new business or acquisition opportunities; negotiation of purchase agreements on satisfactory terms and prices; prior approval of acquisitions by third parties, including regulatory authorities; securing attractive financing arrangements; and integration of newly acquired operations into the existing business. All of these activities associated with growing the business, realizing enhanced earnings potential from the new structure and investments made in systems may be more difficult to implement or may take longer to execute than management anticipates. Further, any significant expansion of the business may increase the operating complexity of Wajax, and divert management away from regular business activities. Any failure of Wajax to reorganize into a new structure and manage its growth strategy, including acquisitions, successfully could have a material adverse impact on Wajax's business, results of operations or financial condition.

Key personnel

The success of Wajax is largely dependent on the abilities and experience of its senior management team and other key personnel. Its future performance will also depend on its ability to attract, develop and retain highly qualified employees in all areas of its business. Competition for skilled management, sales and technical personnel is intense, particularly in certain markets where Wajax competes. Wajax continuously reviews and makes adjustments to its hiring, training and compensation practices in an effort to attract and retain a highly competent workforce. However, there can be no assurance that Wajax will be successful in its efforts and a loss of key employees, or failure to attract and retain new talent as needed, in particular through the reorganization into a new structure in 2016, may have an adverse impact on Wajax's current operations or future prospects. See the Reorganization section.

Leverage, credit availability and restrictive covenants

Wajax has a $250 million bank credit facility which expires August 12, 2019 comprised of a $30 million non-revolving term portion and a $220 million revolving term portion. Wajax also has $125 million of senior notes outstanding bearing an annual interest rate of 6.125%, payable semi-annually, and maturing on October 23, 2020. The bank credit facility and senior notes contain restrictive covenants which place restrictions on, among other things, the ability of Wajax to encumber or dispose of its assets, the amount of finance costs incurred and dividends declared relative to earnings and certain reporting obligations. A failure to comply with the obligations of the facility or senior notes could result in an event of default which, if not cured or waived, could require an accelerated repayment of the facility or senior notes. There can be no assurance that Wajax's assets would be sufficient to repay the facility or senior notes in full.

Wajax's short-term normal course working capital requirements can swing widely quarter-to-quarter due to timing of large inventory purchases and/or sales and changes in market activity. In general, as Wajax experiences growth, there is a need for additional working capital as was the case in 2012. Conversely, as Wajax experiences economic slowdowns working capital reduces reflecting the lower activity levels as was the case in 2009. While management believes the bank credit facility will be adequate to meet the Corporation's normal course working capital requirements, maintenance capital requirements and certain strategic investments, there can be no assurance that additional credit will become available if required, or that an appropriate amount of credit with comparable terms and conditions will be available when the bank credit facility and senior notes mature.

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

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

Wajax also has credit lines available with other financial institutions for purposes of financing inventory. These facilities are not committed lines and their future availability cannot be assured, which may have a negative impact on cash available for dividends and future growth opportunities.

Quality of products distributed

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

Inventory obsolescence

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

Government regulation

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

Insurance

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

Information systems and technology

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

Credit risk

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

Labour relations

Wajax has approximately 2,609 employees. Wajax is party to thirteen collective agreements covering a total of approximately 346 employees. Of these, one collective agreement covering 72 employees has completed mediation and is in the final stages of ratifying. One collective agreement covering 18 employees expired in 2015 and is currently being re-negotiated. Of the remaining eleven collective agreements, two will expire in 2016 and preparations for re-negotiations are under way. Of the remaining nine collective agreements, six expire in 2017, two expire in 2018 and one expires in 2019. Overall, Wajax believes its labour relations to be satisfactory and does not anticipate it will be unable to renew the collective agreements. If Wajax is unable to renew or negotiate collective agreements from time to time, it could result in work stoppages and other labour disturbances. The failure to renew collective agreements upon satisfactory terms could have a material adverse impact on Wajax's businesses, results of operations or financial condition.

Foreign exchange exposure

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

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

A strengthening U.S. dollar relative to the Canadian dollar can have a positive effect on Wajax's revenue, as Wajax will periodically institute price increases on inventory imported from the U.S. to offset the negative impact of foreign exchange rate increases to ensure margins are not eroded. However, a sudden strengthening U.S. dollar relative to the Canadian dollar can have a negative impact mainly on parts margins in the short term prior to price increases taking effect.

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

Competition

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

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

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

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

Litigation and product liability claims

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

Guaranteed residual value, recourse and buy-back contracts

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

Future warranty claims

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

Maintenance and repair contracts

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

Environmental factors

From time to time, Wajax experiences environmental incidents, emissions or spills in the course of its normal business activities. With the assistance of environmental consultants, Wajax has established environmental compliance and monitoring programs which management believes are appropriate for its operations. To date, these environmental incidents, emissions and spills have not resulted in any material liabilities to the Corporation, however, there can be no assurance that any future incidents, emissions or spills will not result in a material adverse effect on Wajax's results of operations or cash flows.

Strategic Direction and Outlook

On an adjusted net earnings basis, fourth quarter results were significantly negatively impacted by the energy sector related slowdown in western Canada. Results from the Power Systems and Industrial Components segments were softer than expected, as reductions in selling and administrative costs could not offset lower than expected volumes and gross margins, primarily in western Canada. However, in light of the economic pressures faced in western Canada, management was pleased with results from the Equipment segment.

The Power Systems segment continued to progress as expected in executing the restructuring plan announced in the second quarter of 2015, with anticipated cost savings realized in the fourth quarter. In addition, Wajax generated $22.0 million of cash from reduced operating working capital, the majority of which was used to reduce indebtedness.

Management's outlook for 2016 is that market conditions will remain very challenging. Earnings are expected to be under significant pressure due to ongoing market conditions in western Canada, resource customer capital and operating expenditure reductions and a weak Canadian dollar. Excluding the impact of the $12 million restructuring provision, management expects lower year-over-year earnings in the first half of 2016. During the second half of 2016, earnings are expected to improve slightly, driven by customer equipment deliveries and cost reductions. The Corporation will continue to manage its balance sheet carefully throughout 2016 and expects its leverage ratio to be within a reasonable tolerance of its target range of 1.5x – 2.0x. With respect to the Corporation's dividend, the current quarterly amount of $0.25 per share was established in March 2015 at a level that is believed sustainable through expectations of a negative cycle. Wajax will continue to consider the amount of the dividend quarterly, taking into account the Corporation's forecasted earnings, leverage and other investment opportunities.

As a result of the greater than expected decline in the western Canada economy and the difficulty in predicting the duration of this decline, the Corporation will no longer provide a net earnings CAGR target for the 2015 – 2019 outlook period. While conditions remain challenging, management is very confident in the growth activities outlined in the 4 Points of Growth strategy. Their confidence is strengthened by the enhanced earnings potential of a reorganized Corporation and its relationships with customers and vendors.

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Wajax Corporation are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards. Where appropriate, the information reflects management's judgement and estimates based on the available information. Management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent with the consolidated financial statements.

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

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

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

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

Mark Foote
President and
Chief Executive Officer

John J. Hamilton
Senior Vice President and
Chief Financial Officer

Mississauga, Canada, March 1, 2016

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Wajax Corporation

We have audited the accompanying consolidated financial statements of Wajax Corporation, which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, the consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for the years ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Wajax Corporation as at December 31, 2015 and December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants,
Licensed Public Accountants
Toronto, Canada, March 1, 2016

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31 (in thousands of Canadian dollars)	Note	**2015**	2014
Assets			
Current			
Cash		**$ 13,614**	$ –
Trade and other receivables	5	**167,176**	183,759
Contracts in progress	6	**4,842**	9,003
Inventories	7	**305,669**	320,300
Deposits on inventory		**21,419**	8,963
Income taxes receivable		**841**	31
Prepaid expenses		**6,978**	7,836
Derivative instruments		**1,611**	1,343
		522,150	531,235
Non-Current			
Rental equipment	8	**64,104**	59,394
Property, plant and equipment	9	**46,217**	48,665
Intangible assets	11	**41,767**	84,314
Deferred taxes	22	**3,230**	–
		155,318	192,373
		$ 677,468	$ 723,608
Liabilities and Shareholders' Equity			
Current			
Bank indebtedness		**$ –**	$ 7,713
Accounts payable and accrued liabilities	14	**204,999**	252,079
Provisions	12	**5,244**	5,758
Dividends payable		**4,997**	3,356
Obligations under finance leases	10	**4,198**	4,175
		219,438	273,081
Non-Current			
Provisions	12	**3,300**	4,250
Deferred taxes	22	**–**	494
Employee benefits	13	**6,752**	7,257
Other liabilities		**1,048**	947
Obligations under finance leases	10	**6,844**	8,160
Long-term debt	15	**151,582**	180,903
		169,526	202,011
Shareholders' Equity			
Share capital	18	**179,829**	107,454
Contributed surplus	20	**5,930**	5,176
Retained earnings		**101,916**	135,269
Accumulated other comprehensive income		**829**	617
Total shareholders' equity		**288,504**	248,516
		$ 677,468	$ 723,608

On behalf of the Board:

Paul E. Gagné
Chairman

Douglas A. Carty
Director

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended December 31 (in thousands of Canadian dollars, except per share data)	Note	2015	2014
Revenue	27	$ 1,273,308	$ 1,451,333
Cost of sales		1,019,408	1,162,006
Gross profit		253,900	289,327
Selling and administrative expenses		203,087	216,914
Impairment of goodwill and intangible assets	11	41,220	–
Restructuring costs	28	2,060	2,849
Earnings before finance costs and income taxes		7,533	69,564
Finance costs	19	12,233	12,982
(Loss) earnings before income taxes		(4,700)	56,582
Income tax expense	22	6,315	15,349
Net (loss) earnings		$ (11,015)	$ 41,233
Basic (loss) earnings per share	23	$ (0.59)	$ 2.46
Diluted (loss) earnings per share	23	$ (0.58)	$ 2.42

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31 (in thousands of Canadian dollars)	Note	2015	2014
Net (loss) earnings		$ (11,015)	$ 41,233
Items that will not be reclassified to income			
Actuarial gains (losses) on pension plans, net of tax expense of $279 (2014 – tax recovery of $351)	13	758	(1,026)
Items that may subsequently be reclassified to income			
Gains on derivative instruments designated as cash flow hedges in prior periods reclassified to cost of inventory or finance costs during the period, net of tax expense of $815 (2014 – $144)		(2,301)	(405)
Gains on derivative instruments outstanding at the end of the period designated as cash flow hedges, net of tax expense of $891 (2014 – $322)		2,513	909
Other comprehensive income (loss), net of tax		970	(522)
Total comprehensive (loss) income		$ (10,045)	$ 40,711

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2015 (in thousands of Canadian dollars)	Note	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income — Cash flow hedges	Total
December 31, 2014		**$ 107,454**	**5,176**	**135,269**	**617**	**$ 248,516**
Net loss		**–**	**–**	**(11,015)**	**–**	**(11,015)**
Other comprehensive income		**–**	**–**	**758**	**212**	**970**
Total comprehensive (loss) income for the year		**–**	**–**	**(10,257)**	**212**	**(10,045)**
Issuance of common shares	18	**72,278**	**–**	**–**	**–**	**72,278**
Shares issued to settle share-based compensation plans	20	**97**	**(97)**	**–**	**–**	**–**
Dividends	17	**–**	**–**	**(23,096)**	**–**	**(23,096)**
Share-based compensation expense	20	**–**	**851**	**–**	**–**	**851**
December 31, 2015		**$ 179,829**	**5,930**	**101,916**	**829**	**$ 288,504**

For the year ended December 31, 2014 (in thousands of Canadian dollars)	Note	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income — Cash flow hedges	Total
December 31, 2013		$ 106,704	5,058	135,317	113	$ 247,192
Net earnings		–	–	41,233	–	41,233
Other comprehensive (loss) income		–	–	(1,026)	504	(522)
Total comprehensive income for the year		–	–	40,207	504	40,711
Shares issued to settle share-based compensation plans	20	750	(750)	–	–	–
Dividends	17	–	–	(40,255)	–	(40,255)
Share-based compensation expense	20	–	868	–	–	868
December 31, 2014		$ 107,454	5,176	135,269	617	$ 248,516

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31 (in thousands of Canadian dollars)	Note	**2015**	2014
Operating Activities			
Net (loss) earnings		**$ (11,015)**	$ 41,233
Items not affecting cash flow:			
Depreciation and amortization:			
Rental equipment	8	**13,879**	11,905
Property, plant and equipment	9	**9,114**	8,970
Intangible assets	11	**1,471**	1,670
Loss (gain) on disposal of property, plant and equipment		**56**	(41)
Impairment of goodwill and intangible assets	11	**41,220**	–
Share-based compensation expense	20	**851**	868
Non-cash rental expense		**173**	46
Employee benefits expense, net of payments		**532**	331
Unrealized loss (gain) on derivative instruments		**20**	(338)
Finance costs	19	**12,233**	12,982
Income tax expense	22	**6,315**	15,349
		74,849	92,975
Changes in non-cash operating working capital	24	**(19,749)**	7,415
Rental equipment additions	8	**(22,952)**	(23,103)
Other non-current liabilities		**(849)**	1,369
Finance costs paid		**(11,433)**	(12,313)
Income taxes paid		**(10,292)**	(13,434)
Cash generated from operating activities		**9,574**	52,909
Investing Activities			
Property, plant and equipment additions		**(4,643)**	(5,802)
Proceeds on disposal of property, plant and equipment		**513**	417
Intangible assets additions	11	**(144)**	(40)
Cash used in investing activities		**(4,274)**	(5,425)
Financing Activities			
Net decrease in bank debt		**(30,000)**	(15,000)
Proceeds from issuance of share capital	18	**71,366**	–
Deferred financing costs	15	**–**	(691)
Finance lease payments		**(3,884)**	(3,411)
Dividends paid		**(21,455)**	(40,248)
Cash generated (used in) financing activities		**16,027**	(59,350)
Change in cash (bank indebtedness)		**21,327**	(11,866)
(Bank indebtedness) cash – beginning of period		**(7,713)**	4,153
Cash (Bank indebtedness) – end of period		**$ 13,614**	$ (7,713)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (amounts in thousands of Canadian dollars, except share and per share data)

1. Corporation Profile

Wajax Corporation (the "Corporation") is incorporated in Canada. The address of the Corporation's registered office is 3280 Wharton Way, Mississauga, Ontario, Canada. The Corporaton is a leading Canadian distributor engaged in the sale and service support of mobile equipment, power systems and industrial components. Reflecting a diversified exposure to the Canadian economy, the Corporation has three distinct product divisions which operate through a network of 123 branches across Canada.

The Corporation's customer base covers core sectors of the Canadian economy, including construction, industrial and commercial, transportation, the oil sands, forestry, oil and gas, metal processing and mining.

2. Basis of Preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on March 1, 2016.

Basis of measurement

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

Functional and presentation currency

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

Judgements and estimation uncertainty

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

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next fiscal year are as follows:

Allowance for doubtful accounts

The Corporation is exposed to credit risk with respect to its trade and other receivables. However, this is somewhat minimized by the Corporation's large customer base which covers most business sectors across Canada. The Corporation follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Corporation maintains provisions for possible credit losses, and any such losses to date have been within management's expectations. The provision for doubtful accounts is determined on an account-by-account basis.

Inventory obsolescence

The value of the Corporation's new and used equipment is evaluated by management throughout the year, on a unit-by-unit basis. When required, provisions are recorded to ensure that the book value of equipment is valued at the lower of cost or estimated net realizable value. The Corporation performs an aging analysis to identify slow moving or obsolete parts inventories and estimates appropriate obsolescence provisions related thereto. The Corporation takes advantage of supplier programs that allow for the return of eligible parts for credit within specified time periods.

Goodwill and intangible assets

The value in use of goodwill and intangible assets has been estimated using the forecasts prepared by management for the next three years. The key assumptions for the estimate are those regarding revenue growth, gross margin and the level of working capital required to support the business. These estimates are based on past experience and management's expectations of future changes in the market and forecasted growth initiatives.

3. Significant Accounting Policies

Principles of consolidation

These consolidated financial statements include the accounts of Wajax Corporation and its subsidiary entities, which are all wholly-owned. Intercompany balances and transactions are eliminated on consolidation.

Revenue recognition

- Revenue is measured at the fair value of consideration received or receivable and is recognized as it is earned in accordance with the following:
- Revenue from the sale of equipment, parts and internally-manufactured or assembled products is generally recorded at the time goods are shipped to customers or when all contracted-upon conditions have been fulfilled.
- Revenue from the sale of equipment that involves the design, installation, and assembly of power and energy equipment systems is recognized based on the percentage of contract costs incurred in relation to total estimated contract costs.
- Revenue from the rental of equipment is recognized on a straight-line basis over the term of the lease.
- Revenue from the provision of engineering and technical services to customers is recognized upon completion of contracted–upon services with the customer.

- Revenue for separately priced extended warranty or product maintenance contracts is recognized over the contract period in proportion to the costs expected to be incurred in performing the services under the contract. If insufficient historical evidence exists to support this pattern, then revenue is recognized on a straight-line basis over the term of the contract.

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

Derivative financial instruments

The Corporation uses derivative financial instruments in the management of its foreign currency exposures related to certain inventory purchases and customer sales commitments. The Corporation's policy is not to utilize derivative financial instruments for trading or speculative purposes.

Where the Corporation intends to apply hedge accounting it formally documents the relationship between the derivative and the risk being hedged, as well as the risk management objective and strategy for undertaking the hedge transaction. The documentation links the derivative to a specific asset or liability or to specific firm commitments or forecasted transactions. The Corporation also assesses, at the hedge's inception as well as on an ongoing basis, whether the hedge is effective in offsetting changes in fair values or cash flows of the risk being hedged. Should a hedge become ineffective, hedge accounting will be discontinued prospectively.

All derivative instruments are recorded in the consolidated statements of financial position at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in fair value are recorded in earnings unless cash flow hedge accounting is applied, in which case changes in fair value are recorded in other comprehensive income. If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognized, the associated gains or losses on the derivative that had previously been recognized in other comprehensive income are included in the initial measurement of the asset or liability.

Contracts in progress

Contracts in progress represent unbilled amounts expected to be collected from customers for contract work performed to date. The amount is measured at cost plus profit recognized to date less progress billings and recognized losses. Costs include all expenditures directly related to specific projects. Contracts in progress is presented as a current asset for all contracts in which costs incurred plus recognized profits exceeds the progress billings and the amounts are expected to be billed and recovered within twelve months. If progress billings exceed costs incurred plus recognized profits, the difference represents amounts billed in advance for contract work yet to be performed and is presented as deferred income.

Inventories

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

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

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

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

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

Deposits on inventory

In the normal course of business, the Corporation receives inventory on consignment from a major manufacturer which is either rented, sold to customers, or purchased. Under the terms of the consignment program, the Corporation is required to make periodic deposits to the manufacturer on the consigned inventory that is rented to customers or on-hand for greater than nine months. This consigned inventory is not included in the Corporation's inventory as the manufacturer retains title to the goods, however the deposits paid to the manufacturer are recorded as Deposits on inventory. Other inventory prepayments are also included in Deposits on inventory.

Rental equipment

Rental equipment assets are recorded at cost less accumulated depreciation. Cost includes all expenditures directly attributable to the acquisition of the asset. Assets are depreciated over their estimated useful lives using the declining balance method at a rate of 20% per year for material handling equipment and a units of production method for power generation equipment.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Cost includes all expenditures directly attributable to the acquisition of the asset. Assets are depreciated over their estimated useful lives based on the following methods and annual rates:

Asset	Method	Rate
Buildings	declining balance	5% – 10%
Equipment and vehicles	declining balance	20% – 30%
Computer hardware	straight-line	3 – 5 years
Furniture and fixtures	declining balance	10% – 20%
Leasehold improvements	straight-line	over the remaining terms of the leases

Assets under finance leases are depreciated over the shorter of the lease term and their useful life.

Leases

As lessor:

The Corporation's equipment rentals and leases are classified as operating leases with amounts received included in revenue on a straight-line basis over the term of the lease.

As lessee:

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Corporation. Under finance leases the asset is recorded at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease. A liability is recorded and is classified as current and non-current liabilities. The interest component of the lease is charged to earnings over the period of the lease using the effective interest rate method.

All other leases are classified as operating leases. The cost of operating leases is charged to earnings on a straight-line basis over the periods of the leases.

Intangible assets

Product distribution rights represent the fair value attributed to these rights pursuant to an acquisition and are classified as indefinite life intangible assets because the Corporation is generally able to renew these rights with minimal cost of renewal.

Goodwill and indefinite life intangible assets are not amortized but are tested for impairment at least annually, or more frequently if certain indicators arise that indicate the assets might be impaired. Goodwill and indefinite life intangible assets are allocated to cash-generating units ("CGUs") that are expected to benefit from the synergies of the acquisition.

Customer lists and non-competition agreements are amortized on a straight-line basis over their useful lives which range from 2 to 7 years. Computer application software is classified as an intangible asset and is amortized on a straight-line basis over the useful life ranging from 1 to 7 years.

Impairment

Property, plant and equipment, rental equipment and definite life intangible assets are reviewed at the end of each year to determine if any indicators of impairment exist. If an indicator of impairment is identified, an impairment loss would be recognized equal to the amount by which the asset's carrying amount exceeds its recoverable amount. Where the asset does not generate cash flows that are independent of other assets, impairment is considered for the CGU to which the asset belongs.

Goodwill and indefinite life intangible assets are tested at least annually for impairment. To test for impairment, the Corporation compares each CGU's carrying value to its recoverable amount. Recoverable amount is the higher of value in use or fair value less costs of disposal, if the fair value can be readily determined. The value in use is the present value of future cash flows using a pre-tax discount rate that reflects the time value of money and the risk specific to the assets. The fair value less costs of disposal is determined either by an adjusted net asset-based approach or by the present value of future cash flows from a market participant perspective. Any impairment of goodwill or indefinite life intangible assets would be recorded as a charge against earnings.

Cash and bank indebtedness

Cash and bank indebtedness includes cash on hand, demand deposits, bank overdrafts and outstanding cheques. The Corporation considers bank indebtedness to be an integral part of the Corporation's cash management. Cash and bank indebtedness are offset and the net amount presented in the consolidated statements of financial position to the extent that there is a right to set off and a practice of net settlement. Cash was designated as loans and receivables upon initial recognition.

Financing costs

Transaction costs directly attributable to the acquisition or amendment of bank debt and the issuance of the senior unsecured notes ("senior notes") are deferred and amortized to finance costs over the term of the long-term debt using the effective interest rate method. Deferred financing costs are included in the carrying amount of the related long-term debt.

Provisions

The Corporation provides for customer warranty claims that may not be covered by the manufacturer's standard warranty. Warranties relate to products sold and generally cover a period of 6 months to 5 years. The reserve is determined by applying a claim rate to the value of each machine sold. The rate is developed using management's best estimate of actual warranty expense, generally based on recent claims experience, and is adjusted as required. The provision is not discounted to reflect the time value of money because the impact is not material.

Financial instruments

The Corporation measures loans and receivables and other financial liabilities at amortized cost. Long-term debt instruments are initially measured at fair value, which is the consideration received, net of transaction costs incurred. Derivative instruments are measured at fair value. All changes in the fair value of derivative instruments are recorded in earnings unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income with any ineffectiveness charged to earnings.

Share-based compensation plans

The fair value of share-based compensation plan rights is based on the trading price of a Wajax Corporation common share on the Toronto Stock Exchange ("TSX"). Compensation expense for share-settled plans is based upon the fair value of the rights at the date of grant and is charged to selling and administrative expenses on a straight-line basis over the vesting period, with an offsetting adjustment to contributed surplus. Compensation expense for cash-settled plans varies with the price of the Corporation's shares and is recognized over the vesting period with an offset to accounts payable and accrued liabilities.

Employee benefits

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

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

- The cost of pension benefits earned by employees is actuarially determined using the projected unit credit method for defined benefit plans and management's best estimate of salary escalation, and retirement ages of employees.
- For purposes of calculating expected return on plan assets, those assets are valued at fair value.
- The charge to earnings for the defined benefit plans is split between an operating cost and a finance charge. The finance charge represents the net interest cost on the defined benefit obligation net of the expected return on plan assets and is included in selling and administrative expenses.
- Actuarial gains and losses are recognized in full in other comprehensive income in the year in which they occur.

Income taxes

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

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

4. Changes in Accounting Policies

The following new standard has been adopted in the current year:

Effective January 1, 2015, the Corporation early adopted the amendments to IAS 1 *Presentation of Financial Statements*. The amendments impacted certain disclosure requirements only and had no effect on the consolidated financial statements.

New standards and interpretations not yet adopted

The new standards or amendments to existing standards that may be significant to the Corporation set out below are not effective for the year ended December 31, 2015 and have not been applied in preparing these consolidated financial statements.

On January 1, 2018, the Corporation will be required to adopt IFRS 15 *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgemental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Corporation is currently assessing the impact of this standard on its consolidated financial statements.

On January 1, 2018, the Corporation will be required to adopt IFRS 9 *Financial Instruments,* which will replace IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. Additional changes to the new standard will align hedge accounting more closely with risk management. The Corporation is currently assessing the impact of this standard on its consolidated financial statements.

On January 1, 2019, the Corporation will be required to adopt IFRS 16 *Leases*. The new standard contains a single lease accounting model for lessees, whereby all leases with a term longer than 12 months are recognized on-balance sheet through a right-of-use asset and lease liability. The model features a front-loaded total lease expense recognized through a combination of depreciation and interest. Lessor accounting remains similar to current requirements. The Corporation is currently assessing the impact of this standard on its consolidated financial statements.

5. Trade and Other Receivables

	2015	2014
Trade accounts receivable	**$ 141,954**	$ 160,518
Less: allowance for credit losses	**(1,143)**	(1,603)
Net trade accounts receivable	**140,811**	158,915
Other receivables	**26,365**	24,844
Total trade and other receivables	**$ 167,176**	$ 183,759

The Corporation's exposure to credit and currency risks related to trade and other receivables is disclosed in Note 16.

6. Contracts in Progress

	Note	**2015**	2014
Contract revenue for contracts in progress		**$ 42,313**	$ 59,200
Less: progress billings		**(37,741)**	(50,986)
		$ 4,572	$ 8,214
Contracts in progress		**$ 4,842**	$ 9,003
Deferred income – contract revenue	14	**270**	789
		$ 4,572	$ 8,214

During the year ended December 31, 2015, $25,060 (2014 – $37,695) was recorded as contract revenue.

7. Inventories

	2015	2014
Equipment	**$ 167,915**	$ 179,701
Parts	**123,890**	122,318
Work-in-process	**13,864**	18,281
Total inventories	**$ 305,669**	$ 320,300

All amounts shown are net of obsolescence reserves of $15,211 (2014 – $14,070). During the year ended December 31, 2015, $5,973 (2014 – $3,461) was recorded in cost of sales for the write-down of inventories to estimated net realizable value.

The Corporation recognized $787,329 (2014 – $917,409) of inventories as an expense which is included in cost of sales.

Substantially all of the Corporation's inventories are pledged as security for the bank credit facility (Note 15).

8. Rental Equipment

	Cost	Accumulated Depreciation	Net Book Value
December 31, 2014	**$ 92,936**	**$ 33,542**	**$ 59,394**
Additions	**22,952**	**13,879**	**9,073**
Net transfers to inventories	**(10,248)**	**(5,885)**	**(4,363)**
December 31, 2015	**$ 105,640**	**$ 41,536**	**$ 64,104**
December 31, 2013	$ 79,034	$ 26,749	$ 52,285
Additions	23,103	11,905	11,198
Net transfers to inventories	(9,201)	(5,112)	(4,089)
December 31, 2014	$ 92,936	$ 33,542	$ 59,394

9. Property, Plant and Equipment

		Land and buildings	Equipment and vehicles	Computer hardware	Furniture and fixtures	Leasehold improvements		Total
Cost								
December 31, 2014	**$**	**37,269**	**71,543**	**5,955**	**11,533**	**8,520**	**$**	**134,820**
Additions		**253**	**5,688**	**106**	**684**	**562**		**7,293**
Disposals		**–**	**(4,267)**	**(396)**	**(350)**	**(12)**		**(5,025)**
December 31, 2015	**$**	**37,522**	**72,964**	**5,665**	**11,867**	**9,070**	**$**	**137,088**
Accumulated depreciation								
December 31, 2014	**$**	**16,447**	**50,208**	**4,858**	**8,178**	**6,464**	**$**	**86,155**
Charge for the year		**771**	**6,638**	**382**	**651**	**672**		**9,114**
Disposals		**–**	**(3,664)**	**(398)**	**(334)**	**(2)**		**(4,398)**
December 31, 2015	**$**	**17,218**	**53,182**	**4,842**	**8,495**	**7,134**	**$**	**90,871**
Carrying amount								
December 31, 2015	**$**	**20,304**	**19,782**	**823**	**3,372**	**1,936**	**$**	**46,217**
Cost								
December 31, 2013	$	36,577	68,589	5,601	11,060	7,715	$	129,542
Additions		692	6,078	390	789	805		8,754
Disposals		–	(3,124)	(36)	(316)	–		(3,476)
December 31, 2014	$	37,269	71,543	5,955	11,533	8,520	$	134,820
Accumulated depreciation								
December 31, 2013	$	15,668	45,996	4,444	7,804	5,914	$	79,826
Charge for the year		779	6,526	450	665	550		8,970
Disposals		–	(2,314)	(36)	(291)	–		(2,641)
December 31, 2014	$	16,447	50,208	4,858	8,178	6,464	$	86,155
Carrying amount								
December 31, 2014	$	20,822	21,335	1,097	3,355	2,056	$	48,665

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

		2015		2014
Cost, beginning of year	**$**	**21,446**	$	20,655
Additions		**2,650**		2,952
Disposals		**(58)**		(1,001)
Purchased at end of lease		**(1,725)**		(1,160)
Cost, end of year	**$**	**22,313**	$	21,446
Accumulated depreciation, beginning of year	**$**	**11,530**	$	9,322
Charge for the year		**3,242**		3,609
Disposals		**(58)**		(542)
Purchased at end of lease		**(1,297)**		(859)
Accumulated depreciation, end of year		**13,417**		11,530
Carrying amount	**$**	**8,896**	$	9,916

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

10. Operating and Finance Leases

Operating leases – as lessor

The Corporation rents equipment to customers under rental agreements with terms of up to 5 years. The rentals have been classified as operating leases. The rentals may be cancelled subject to a cancellation fee. The future minimum lease payments receivable under the agreements are as follows:

		2015		2014
Less than one year	**$**	**10,080**	$	7,817
Between one and five years		**16,578**		13,706
More than five years		**20**		44
	$	**26,678**	$	21,567

Operating leases – as lessee

The Corporation leases certain land and buildings, rental equipment and office equipment. Some of the lease terms can be extended at the option of the Corporation.

The future minimum non-cancellable payments due under the agreements are as follows:

		2015		2014
Less than one year	**$**	**18,499**	$	16,084
Between one and five years		**53,149**		51,251
More than five years		**23,690**		24,334
	$	**95,338**	$	91,669

Finance leases – as lessee

The Corporation finances certain vehicles under finance lease arrangements. The leases have a minimum one year term and are extended on a monthly basis thereafter until terminated. On termination, the Corporation has an option to purchase the vehicles at its residual value or the difference between the lessor's proceeds of disposal and the residual value is charged or refunded to the Corporation as a rental adjustment. Obligations under finance leases are as follows:

			2015			2014
	Payment	Finance costs	Present value of minimum lease payments	Payment	Finance costs	Present value of minimum lease payments
Current	**$ 4,695**	**497**	**4,198**	$ 4,732	557	4,175
Non-current (between one and five years)	**7,491**	**647**	**6,844**	9,269	1,109	8,160
Total minimum lease payments	**$ 12,186**	**1,144**	**11,042**	$ 14,001	1,666	12,335

11. Intangible Assets

	Goodwill	Product distribution rights	Customer lists/Non-competition agreements	Software	**Total**
Cost					
December 31, 2014	**$ 72,148**	**8,600**	**8,402**	**4,821**	**$ 93,971**
Additions	**–**	**–**	**–**	**144**	**144**
Disposals	**–**	**–**	**–**	**(25)**	**(25)**
Impairment	**(35,753)**	**(5,400)**	**(1,000)**	**–**	**(42,153)**
December 31, 2015	**$ 36,395**	**3,200**	**7,402**	**4,940**	**$ 51,937**
Accumulated amortization					
December 31, 2014	**$ –**	**–**	**5,666**	**3,991**	**$ 9,657**
Charge for the year	**–**	**–**	**868**	**603**	**1,471**
Disposals	**–**	**–**	**–**	**(25)**	**(25)**
Impairment	**–**	**–**	**(933)**	**–**	**(933)**
December 31, 2015	**$ –**	**–**	**5,601**	**4,569**	**$ 10,170**
Carrying amount					
December 31, 2015	**$ 36,395**	**3,200**	**1,801**	**371**	**$ 41,767**
Cost					
December 31, 2013	$ 72,148	8,600	8,402	4,781	$ 93,931
Additions	–	–	–	40	40
Disposals	–	–	–	–	–
December 31, 2014	$ 72,148	8,600	8,402	4,821	$ 93,971
Accumulated amortization					
December 31, 2013	$ –	–	4,659	3,328	$ 7,987
Charge for the year	–	–	1,007	663	1,670
Disposals	–	–	–	–	–
December 31, 2014	$ –	–	5,666	3,991	$ 9,657
Carrying amount					
December 31, 2014	$ 72,148	8,600	2,736	830	$ 84,314

Amortization of intangible assets is charged to selling and administrative expenses.

The Corporation has allocated goodwill to the respective CGUs or groups of CGUs that represent the smallest identifiable group of assets that generate cash inflows and at which the goodwill is monitored internally. Each CGU is a reportable operating segment (as disclosed in Note 27) and has identifiable accounts receivable, inventory, property, plant and equipment, and intangible assets.

Goodwill and indefinite life intangible assets have been allocated to the Corporation's CGUs that are expected to benefit from the acquisition that gave rise to the goodwill or indefinite life intangible assets as follows:

	2015		2014	
Cash-generating units	Goodwill	Product distribution rights	Goodwill	Product distribution rights
Equipment	**$ 21,341**	**–**	$ 21,341	–
Power Systems	**–**	**–**	8,253	5,400
Industrial Components	**15,054**	**3,200**	42,554	3,200
	$ 36,395	**3,200**	$ 72,148	8,600

The Corporation performed annual impairment tests of its goodwill and intangible assets with indefinite lives as at December 31, 2015. The recoverable amounts of the CGUs were first estimated based on value in use calculations. To prepare these calculations, the forecasts were extrapolated beyond the three year period at the estimated long-term inflation rate of 2% (2014 – 2%) and a pre-tax discount rate of approximately 13% (2014 – 12%) which is based on the Corporation's pre-tax weighted average cost of capital. Since the value in use calculations indicated potential impairments in the Power Systems and Industrial Components CGUs, the Corporation also estimated their fair values less costs of disposal. The fair values less costs of disposal were determined by using an adjusted net asset-based approach for the Power Systems CGU and through a discounted cash flow analysis for the Industrial Components CGU; the discounted cash flow analysis used the same inflation and discount rate assumptions as the value in use calculations. Based on the higher of the value in use and the fair value less costs of disposal, the recoverable amounts for the Power Systems and Industrial Components CGUs were $116,444 and $98,982 respectively.

The Corporation's forecasts are based on the assumption that weakness in oil and gas activity in western Canada will continue. As a result of the impairment tests, the Corporation concluded that goodwill and intangible assets were impaired in the Power Systems CGU, and goodwill was impaired in the Industrial Components CGU. For the Power Systems CGU, an impairment charge of $13,720 was recorded for the year ended December 31, 2015, relating to goodwill, indefinite life intangible assets and definite life intangible assets. For the Industrial Components CGU, an impairment charge of $27,500 was recorded for the year ended December 31, 2015 relating to goodwill. After the impairment charge, the carrying amounts of goodwill and intangible assets in these CGUs approximated their recoverable amounts.

12. Provisions and Contingencies

	Warranties	Other	**Total**
Provisions, December 31, 2014	**$ 7,751**	**$ 2,257**	**$ 10,008**
Charge for the year	**4,958**	**1,602**	**6,560**
Utilized in the year	**(6,348)**	**(1,676)**	**(8,024)**
Provisions, December 31, 2015	**$ 6,361**	**$ 2,183**	**$ 8,544**
Current	**3,273**	**1,971**	**5,244**
Non-current	**3,088**	**212**	**3,300**
Total	**$ 6,361**	**$ 2,183**	**$ 8,544**

Contingencies

In the ordinary course of business, the Corporation is contingently liable for various amounts. These liabilities could arise from litigation, environmental matters or other sources. The Corporation does not expect the resolution of these matters to have a materially adverse effect on its financial position or results of operations. Provisions have been made in these consolidated financial statements when the liability is expected to result in an outflow of economic resources, and where the obligation can be reliably measured.

13. Employee Benefits

The Corporation sponsors three pension plans: the Wajax Limited Pension Plan (the "Employees' Plan") which, except for a small group of employees, is a defined contribution plan ("DC") and two defined benefit plans ("DB"): the Pension Plan for Executive Employees of Wajax Limited (the "Executive Plan") and the Wajax Limited Supplemental Executive Retirement Plan (the "SERP").

The Corporation also contributes to several union sponsored multi-employer plans for a small number of employees. Two of these are target benefit plans but they are accounted for as DC plans since the Corporation has no involvement in the management of these plans and does not have sufficient information to account for the plans as DB plans.

The Corporation uses actuarial reports prepared by independent actuaries for funding and accounting purposes and measures its defined benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. These actuarial assumptions include discount rates, interest income on plan assets, compensation increases and service life. While management believes that the actuarial assumptions are appropriate, any significant changes to those used would affect the statement of financial position and statement of earnings.

The schedule for actuarial valuations of the pension plans for funding purposes is as follows:

Plan	Previous valuation	Next valuation
Employees Plan	January 1, 2014	January 1, 2017
Executive Plan	January 1, 2015	January 1, 2018
SERP	January 1, 2015	January 1, 2018

The following significant actuarial assumptions were used to determine the periodic pension income and the defined benefit plan obligations:

	December 31 2015	2014
Discount rate – at beginning of year (to determine plan expenses)	**3.8%**	4.5%
Discount rate – at end of year (to determine defined benefit obligation)	**4.0%**	3.8%
Rate of compensation increase	**3.0%**	3.0%

Plan assets for the DC plans are invested according to the directions of the plan members. Plan assets for defined benefit plans are invested in the following major categories of plan assets as a percentage of total plan assets:

	December 31 2015	2014
Cash	**3.2%**	7.7%
Fixed Income	**33.8%**	28.7%
Canadian Equities	**27.6%**	29.4%
Foreign Equities	**35.4%**	34.2%
	100.0%	100.0%

The history of adjustments on the defined benefit plans for the current and prior year are as follows:

	2015	2014
Actuarial loss (gain) on defined benefit obligation arising from:		
Experience adjustment	**$ 15**	$ 76
Demographic assumption changes	**–**	269
Economic assumption changes	**(681)**	1,878
	$ (666)	$ 2,223
Actuarial gain on plan assets, excluding interest income	**$ 371**	$ 846

Total cash payments

Total cash payments for employee future benefits for 2015, consisting of cash contributed by the Corporation to its funded pension plans, cash payments directly to beneficiaries for its unfunded pension plans, and cash contributed to its DC plans was $8,419 (2014 – $8,488).

The Corporation expects to contribute $604 to the defined benefit pension plans in the year ended December 31, 2016.

The plan expenses recognized in earnings are as follows:

	2015	2014
Defined contribution plans		
Current service cost	**$ 7,880**	$ 8,125
Defined benefit plans		
Current service cost	**543**	547
Administration expenses	**178**	95
Finance cost on defined benefit obligation	**797**	836
Expected return on plan assets	**(515)**	(576)
	1,003	902
Total plan expense recognized in the statement of earnings	**$ 8,883**	$ 9,027

Of the amounts recognized in earnings, $3,251 (2014 – $3,713) is included in cost of sales and $5,632 (2014 – $5,314) is included in selling and administrative expenses.

The amounts recognized in other comprehensive income are as follows:

	2015	2014
Net actuarial (gains) losses	**$ (1,037)**	$ 1,377
Deferred tax expense (recovery)	**279**	(351)
Amount recognized in other comprehensive (income) loss	**$ (758)**	$ 1,026
Cumulative actuarial losses, net of tax	**$ 2,578**	$ 3,336

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

Present value of benefit obligation	2015	2014
Present value of benefit obligation, beginning of year	**$ 21,722**	$ 19,025
Current service cost	**543**	547
Participant contributions	**49**	62
Finance cost on defined benefit obligation	**797**	836
Actuarial (gain) loss	**(666)**	2,223
Benefits paid	**(1,277)**	(971)
Present value of benefit obligation, end of year	**$ 21,168**	$ 21,722

Plan assets	2015	2014
Fair value of plan assets, beginning of year	**$ 13,853**	$ 12,975
Actual return	**948**	1,391
Participant contributions	**49**	62
Employer contributions	**667**	491
Benefits paid	**(1,277)**	(971)
Administration expenses	**(178)**	(95)
Fair value of plan assets, end of year	**$ 14,062**	$ 13,853

Funded Status	2015	2014
Fair value of plan assets, end of year	**$ 14,062**	$ 13,853
Present value of benefit obligation, end of year	**(21,168)**	(21,722)
Plan deficit	**$ (7,106)**	$ (7,869)

The accrued benefit liability is included in the Corporation's statement of financial position as follows:

	2015	2014
Accounts payable and accrued liabilities	**$ (354)**	$ (612)
Employee benefits	**(6,752)**	(7,257)
Plan deficit	**$ (7,106)**	$ (7,869)

Present value of benefit obligation includes a benefit obligation of $5,488 (2014 – $5,469) related to the SERP that is not funded. This obligation is secured by a letter of credit of $5,017 (2014 – $4,944).

14. Accounts Payable and Accrued Liabilities

	Note	2015	2014
Trade payables		**$ 91,090**	$ 134,774
Deferred income – contract revenue	6	**270**	789
Deferred income – other		**7,431**	10,588
Other payables and accrued liabilities		**106,208**	105,928
Accounts payable and accrued liabilities		**$ 204,999**	$ 252,079

15. Long-term Debt

The fully secured bank credit facility of $250,000, due August 12, 2019, is comprised of a $30,000 non-revolving term portion and a $220,000 revolving term portion. Borrowing capacity under the bank credit facility is dependent upon the level of the Corporation's inventories on hand and the outstanding trade accounts receivable. In addition, the bank credit facility contains customary restrictive covenants including limitations on the declaration of cash dividends and an interest coverage maintenance ratio, all of which were met as at December 31, 2015.

Borrowings under the bank credit facility bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields, U.S. dollar LIBOR rates or prime. Margins on the facility depend on the Corporation's leverage ratio at the time of borrowing and range between 1.5% and 3.0% for Canadian dollar bankers' acceptances and U.S. dollar LIBOR borrowings, and 0.5% and 2.0% for prime rate borrowings.

The senior notes bear an annual interest rate of 6.125%, are payable semi-annually, and mature on October 23, 2020. The senior notes are unsecured and contain customary incurrence based covenants, all of which were met as at December 31, 2015.

	2015	2014
Bank credit facility		
Non-revolving term portion	**$ 30,000**	$ 30,000
Revolving term portion	**–**	30,000
	30,000	60,000
Senior notes	**125,000**	125,000
Deferred financing costs, net of accumulated amortization of $1,246 (2014 - $567)	**(3,418)**	(4,097)
Total long-term debt	**$ 151,582**	$ 180,903

The Corporation had $5,059 (2014 – $5,536) letters of credit outstanding at the end of the year.

Finance costs on long-term debt amounted to $11,659 (2014 – $12,379).

16. Financial Instruments

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

	2015	2014
Loans and receivables:		
Cash (bank indebtedness)	**$ 13,614**	$ (7,713)
Trade and other receivables	**167,176**	183,759
Other financial liabilities:		
Accounts payable and accrued liabilities	**(204,999)**	(252,079)
Dividends payable	**(4,997)**	(3,356)
Other liabilities	**(1,048)**	(947)
Obligations under finance leases	**(11,042)**	(12,335)
Long-term debt	**(151,582)**	(180,903)
Derivative instruments – cash flow hedges:		
Foreign exchange forward contracts	**$ 1,611**	$ 1,343

The Corporation measures loans and receivables and other financial liabilities at amortized cost. Derivatives designated as effective hedges are measured at fair value with subsequent changes in fair value recorded in other comprehensive income. Bank indebtedness and cash were designated as loans and receivables upon initial recognition. The fair values of loans and receivables and other financial liabilities, excluding the senior notes, approximate their recorded values due to the short-term maturities of these instruments. The fair value of the senior notes is estimated based on the trading price of the notes, which takes into account the Corporation's own credit risk. At December 31, 2015, the Corporation has estimated the fair value of its senior notes to be approximately $119,688 (2014 – $124,375).

The following method and assumptions were used in 2015 and 2014 to determine the fair value of each class of assets and liabilities recorded at fair value on the consolidated statement of financial position:

Derivative instruments

The fair value of foreign exchange forward contracts is determined by discounting contracted future cash flows using a discount rate derived from forward rate curves for comparable assets and liabilities adjusted for changes in credit risk of the counterparties.

Credit risk

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

	2015	2014
Current	**$ 91,491**	$ 95,510
Less than 60 days overdue	**48,282**	60,480
More than 60 days overdue	**2,181**	4,528
Total trade accounts receivable	**$ 141,954**	$ 160,518

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

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

		2015		2014
Opening balance	$	**1,603**	$	1,684
Additions		**1,419**		1,243
Utilization		**(1,879)**		(1,324)
Closing balance	$	**1,143**	$	1,603

The Corporation is also exposed to the risk of non-performance by counterparties to short-term currency forward contracts. These counterparties are large financial institutions that maintain high short-term and long-term credit ratings. To date, no such counterparty has failed to meet its financial obligations to the Corporation. Management does not believe there is a significant risk of non-performance by these counterparties and will continue to monitor the credit risk of these counterparties.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities as they become due. The contractual maturities of the bank credit facility and senior notes are August 12, 2019 and October 23, 2020, respectively. At December 31, 2015 the Corporation had borrowed $30,000 (2014 – $63,357) from the bank credit facility and $125,000 (2014 – $125,000) from the issuance of senior notes. The Corporation issued $5,059 (2014 – $5,536) of letters of credit for a total utilization of $35,059 (2014 – $68,893) of its $250,000 (2014 – $250,000) bank credit facility and had not utilized any (2014 – nil) of its $15,000 (2014 – $15,000) equipment financing facility.

As of March 1, 2016, Wajax's $250,000 bank credit facility, of which $214,941 was unutilized at the end of the year, along with the additional $15,000 of capacity permitted under the bank credit facility, should be sufficient to meet Wajax's short-term normal course working capital and maintenance capital requirements and certain strategic investments. However, Wajax may be required to access the equity or debt markets to fund significant acquisitions.

Financial risk management policy

The Corporation has in place a financial risk management policy that addresses the Corporation's financial exposure to currency risk and interest rate risk. The Corporation's tolerance to interest rate risk decreases as the Corporation's leverage ratio increases and interest coverage ratio decreases. To manage this risk prudently, guideline percentages of floating interest rate debt decrease as the Corporation's leverage ratio increases. The policy also defines acceptable levels of exposure to transactional currency risk. The exposure to currency and interest rate risk is managed through the use of various derivative instruments.

Currency risk

The Corporation enters into short-term currency forward contracts to hedge the exchange risk associated with the cost of certain inbound inventory and certain foreign currency-denominated sales to customers along with the associated receivables as part of its normal course of business. A change in foreign currency relative to the Canadian dollar would not have a material impact on the Corporation's unhedged foreign currency-denominated sales to customers along with the associated receivables, or on the Corporation's unhedged foreign currency-denominated purchases from vendors along with the associated payables. The Corporation 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. However, a sudden strengthening of the U.S. dollar relative to the Canadian dollar can have a negative impact mainly on parts margins in the short term prior to price increases taking effect. The Corporation's contracts to buy and sell foreign currencies are summarized as follows:

December 31, 2015		Notional Amount	Fair Value	Average Exchange Rate	Maturity
Purchase contracts USD	$	31,836	1,770	1.3358	January to November 2016
Sales contracts USD	$	2,044	(159)	1.3205	January to October 2016

December 31, 2014		Notional Amount	Fair Value	Average Exchange Rate	Maturity
Purchase contracts USD	$	41,844	1,343	1.1319	January to December 2015

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

Interest rate risk

The Corporation's borrowing costs are impacted by changes in interest rates. The impact of changes in interest rates is reduced by the fixed interest rate of the senior notes. As at December 31, 2015 and 2014 the Corporation had not entered into any interest rate swaps with its lenders.

Sensitivity analysis

A 1.00 percentage point change in interest rates on the average amount outstanding under the bank credit facility for 2015 would result in a change to earnings before income taxes of approximately $757 for the year.

17. Dividends Declared

During 2015 the Corporation declared cash dividends of $1.23 per share, or $23,096 (2014 – dividends of $2.40 per share or $40,255).

On March 1, 2016, the Corporation declared a first quarter 2016 dividend of $0.25 per share or $4,997.

18. Share Capital

The Corporation is authorized to issue an unlimited number of no par value common shares and an unlimited number of no par value preferred shares. Each common share entitles the holder of record to one vote at all meetings of shareholders. All issued common shares are fully paid. There were no preferred shares outstanding as at December 31, 2015 (2014 – nil). Each common share represents an equal beneficial interest in any distributions of the Corporation and in the net assets of the Corporation in the event of its termination or winding-up.

	Note	Number of Common Shares		Amount
Balance, December 31, 2013		16,743,520	$	106,704
Common shares issued to settle share-based compensation plans	20	35,363		750
Balance, December 31, 2014		16,778,883	$	107,454
Issuance of common shares		3,197,000		72,278
Common shares issued to settle share-based compensation plans	20	10,358		97
Balance, December 31, 2015		**19,986,241**	**$**	**179,829**

On June 12, 2015, the Corporation completed a public offering of 3,197,000 common shares of the Corporation at a price of $23.40 per common share, for aggregate gross proceeds of approximately $74,810. The Corporation paid issuance costs and professional fees related to the offering in the amount of $2,532, net of deferred tax expense of $912.

19. Finance Costs

		2015		2014
Interest on long-term debt	**$**	**11,659**	$	12,379
Interest on finance leases		**574**		603
Finance costs	**$**	**12,233**	$	12,982

20. Share-Based Compensation Plans

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

a) Share rights plans

Under the SOP, DSP and the DDSUP, rights are issued to the participants which, upon satisfaction of certain time and performance vesting conditions, are settled by issuing Wajax Corporation shares for no cash consideration. Vested rights are settled when the participant is no longer employed by the Corporation or one of its subsidiary entities or no longer sits on its board. In 2014, all of the outstanding rights under the DSP were settled.

Whenever dividends are paid on the Corporation’s shares, additional rights (dividend equivalents) with a value equal to the dividends are credited to the participants’ accounts.

The Corporation recorded compensation cost of $851 (2014 – $868) in respect of these plans.

	December 31, 2015			December 31, 2014		
	Number of Rights		Fair value at time of grant	Number of Rights		Fair value at time of grant
Outstanding at beginning of year	**287,550**	**$**	**5,420**	282,573	$	5,403
Granted in the year						
– new grants	**32,997**		**685**	21,929		767
– dividend equivalents	**14,955**		**–**	18,411		–
Settled in the year	**(10,358)**		**(97)**	(35,363)		(750)
Outstanding at end of year	**325,144**	**$**	**6,008**	287,550	$	5,420

At December 31, 2015, 319,553 share rights were vested (December 31, 2014 – 265,125).

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

	2015	2014
	Number of Shares	Number of Shares
Approved by shareholders	**1,050,000**	1,050,000
Exercised to date	**(206,711)**	(196,353)
Rights outstanding	**(325,144)**	(287,550)
Available for future grants	**518,145**	566,097

b) Cash-settled rights plans

The MTIP and DSUP, which are settled in cash, consist of an annual grant that vests over three years where a portion is determined by the price of the Corporation’s shares. A part of the grant is also subject to performance vesting conditions. Compensation expense varies with the price of the Corporation’s shares and is recognized over the vesting period. Vested DSUP rights are settled when the participant is no longer employed by the Corporation or one of its subsidiary entities. The Corporation recorded compensation cost of $115 (2014 – $587) in respect of these plans. The carrying amount of the share-based portion of these liabilities was $858 (2014 – $744).

21. Employee Costs

Employee costs for the Corporation during the year amounted to:

	2015	2014
Wages and salaries, including bonuses	**$ 205,843**	$ 238,395
Other benefits	**30,843**	31,156
Pension costs – defined contribution plans	**7,880**	8,125
Pension costs – defined benefit plans	**1,003**	902
Share-based compensation expense	**966**	1,455
	$ 246,535	$ 280,033

22. Income Taxes

Income tax expense comprises current and deferred tax as follows:

	2015	2014
Current	**$ 9,482**	$ 13,606
Deferred – Origination and reversal of temporary difference	**(3,167)**	1,743
Income tax expense	**$ 6,315**	$ 15,349

The calculation of current tax is based on a combined federal and provincial statutory income tax rate of 26.5% (2014 – 26.1%). The tax rate for the current year is 0.4% higher than in 2014 due to the effect of increased statutory tax rates. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax assets and liabilities have been measured using an expected average combined statutory income tax rate of 26.9% based on the tax rates in years when the temporary differences are expected to reverse.

The reconciliation of effective income tax is as follows:

	2015	2014
Combined statutory income tax rate	**26.5%**	26.1%
Expected income tax expense at statutory rates	**$ (1,246)**	$ 14,767
Non-deductible impairment of goodwill and intangible assets	**7,012**	–
Other non-deductible expenses	**575**	604
Other	**(26)**	(22)
Income tax expense	**$ 6,315**	$ 15,349

Recognized deferred tax assets and liabilities

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

	December 31 2014	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in share capital	December 31 2015
Property, plant and equipment	**$ (3,472)**	**(331)**	**–**	**–**	**$ (3,803)**
Finance leases	**633**	**(54)**	**–**	**–**	**579**
Intangible assets	**(3,088)**	**3,725**	**–**	**–**	**637**
Accrued liabilities	**2,945**	**(505)**	**–**	**–**	**2,440**
Provisions	**2,612**	**(436)**	**–**	**–**	**2,176**
Derivative instruments	**(220)**	**–**	**(76)**	**–**	**(296)**
Employee benefits	**1,894**	**201**	**(279)**	**–**	**1,816**
Deferred financing costs	**(291)**	**(246)**	**–**	**912**	**375**
Partnership income not currently taxable	**(1,493)**	**819**	**–**	**–**	**(674)**
Tax loss carryforwards	**(14)**	**(6)**	**–**	**–**	**(20)**
Net deferred tax assets	**$ (494)**	**3,167**	**(355)**	**912**	**$ 3,230**

	December 31 2013	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in share capital	December 31 2014
Property, plant and equipment	$ (2,651)	(821)	–	–	$ (3,472)
Finance leases	497	136	–	–	633
Intangible assets	(3,120)	32	–	–	(3,088)
Accrued liabilities	3,354	(409)	–	–	2,945
Provisions	2,597	15	–	–	2,612
Derivative instruments	(42)	–	(178)	–	(220)
Employee benefits	1,485	58	351	–	1,894
Deferred financing costs	(66)	(225)	–	–	(291)
Partnership income not currently taxable	(1,062)	(431)	–	–	(1,493)
Tax loss carryforwards	84	(98)	–	–	(14)
Net deferred tax liabilities	$ 1,076	(1,743)	173	–	$ (494)

23. Earnings Per Share

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

	2015	2014
Numerator for basic and diluted earnings per share: – net (loss) earnings	**$ (11,015)**	$ 41,233
Denominator for basic earnings per share: – weighted average shares	**18,559,558**	16,772,769
Denominator for diluted earnings per share: – weighted average shares	**18,559,558**	16,772,769
– effect of dilutive share rights	**303,865**	264,613
Denominator for diluted earnings per share	**18,863,423**	17,037,382
Basic (loss) earnings per share	**$ (0.59)**	$ 2.46
Diluted (loss) earnings per share	**$ (0.58)**	$ 2.42

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

24. Changes In Non-Cash Operating Working Capital

	2015	2014
Trade and other receivables	**$ 16,583**	$ 4,215
Contracts in progress	**4,161**	(3,838)
Inventories	**18,994**	(31,858)
Deposits on inventory	**(12,456)**	3,237
Prepaid expenses	**858**	(2,148)
Accounts payable and accrued liabilities	**(47,375)**	39,060
Provisions	**(514)**	(1,253)
Total	**$ (19,749)**	$ 7,415

25. Capital Management

Objective

The Corporation defines its capital as the total of its shareholders' equity and long-term debt and obligations under finance leases ("interest bearing debt"). The Corporation's objective when managing capital is to have a capital structure and capacity to support the Corporation's operations and strategic objectives set by the Board of Directors.

Management of capital

As part of the Corporation's renewed long-term strategy, its capital structure will continue to be managed such that it maintains a prudent leverage ratio, defined below, in order to provide funds available to invest in strategic growth initiatives, provide liquidity in times of economic uncertainty and to allow for the payment of dividends. In addition, the Corporation's tolerance to interest rate risk decreases/increases as the Corporation's leverage ratio increases/decreases. The Corporation's objective is to maintain a leverage ratio between 1.5 times and 2.0 times. However, there may be instances where the Corporation is willing to maintain a leverage ratio outside the range to either support key growth initiatives or fluctuations in working capital levels during changes in economic cycles.

The leverage ratio at the end of a particular quarter is defined as funded net debt divided by trailing 12-month EBITDA. Funded net debt includes long-term debt, bank indebtedness and obligations under finance leases, net of cash. EBITDA is calculated as earnings before finance costs, income tax expense, depreciation and amortization.

Although management currently believes the Corporation has adequate debt capacity, the Corporation may have to access the equity or debt markets, or temporarily reduce dividends to accommodate any shortfalls in the Corporation's credit facilities or significant growth capital requirements.

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

Restrictions on capital

The interest bearing debt includes a $250,000 bank credit facility which expires August 12, 2019. The bank credit facility contains the following key covenants:

- Borrowing capacity is dependent upon the level of the Corporation's inventories on-hand and the outstanding trade accounts receivable ("borrowing base"). The Corporation's borrowing base was in excess of the $220,000 revolving term portion at December 31, 2015 and, as a result, did not restrict the borrowing capacity under the bank credit facility.
- The Corporation will be restricted from the declaration of cash dividends in the event the Corporation's leverage ratio, as defined under the bank credit facility, exceeds 3.25 times.
- An interest coverage maintenance ratio.

The $125,000 senior notes which expire October 23, 2020 are unsecured and contain customary incurrence based covenants that, although different from those under the bank credit facility described above, are not expected to be any more restrictive than under the bank credit facility.

At December 31, 2015, the Corporation was in compliance with all covenants and there were no restrictions on the declaration of quarterly cash dividends.

Under the terms of the $250,000 bank credit facility, the Corporation is permitted to have additional interest bearing debt of $15,000. As a result, the Corporation has up to $15,000 of demand inventory equipment financing capacity with three lenders. The equipment notes payable under the facilities bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields and U.S. LIBOR rates. Principal repayments are generally due the earlier of 12 months from the date of financing and the date the equipment is sold. At December 31, 2015, the Corporation had no utilization of its interest bearing equipment financing facilities.

26. Related Party Transactions

The Corporation's related party transactions consist of the compensation of the Board of Directors and key management personnel which is set out in the following table:

	2015	2014
Salaries, bonus and other short-term employee benefits	**$ 2,900**	$ 3,689
Termination benefits	**–**	718
Pension costs – defined contribution plans	**69**	–
Pension costs – defined benefit plans	**683**	861
Share-based compensation expense	**823**	1,439
Total compensation	**$ 4,475**	$ 6,707

In addition, certain directors and key management personnel participated in the public offering of common shares (Note 18), purchasing a total of 42,000 common shares for consideration of $983.

27. Operating Segments

The Corporation operates through a network of 123 branches in Canada in three core businesses which reflect the internal organization and management structure according to the nature of the products and services provided. The Corporation's three core businesses are: i) the distribution, modification and servicing of equipment; ii) the distribution, servicing and assembly of power systems; and iii) the distribution, servicing and assembly of industrial components.

Management has exercised judgement in aggregating the Corporation's Power Systems East and Power Systems West & Central operating segments together into a single reportable segment, Power Systems. The operating segments are substantially similar in the following characteristics: nature of revenue sources, nature of regulatory environment, products and services (distribution, servicing and assembly of power systems), customer markets, and distribution methods.

Performance is measured based on segment earnings before finance costs and income taxes, as included in the internal management reports that are reviewed by the Corporation's chief operating decision maker. Information regarding the results of each reportable segment is shown below.

2015	Equipment	Power Systems	Industrial Components	Segment Eliminations	Total
Equipment	**$ 325,426**	**$ 82,091**	**$ –**	**$ –**	**$ 407,517**
Parts	**160,004**	**129,188**	**378,501**	**–**	**667,693**
Service	**72,974**	**63,755**	**11,118**	**–**	**147,847**
Rental and other	**43,512**	**10,042**	**–**	**(3,303)**	**50,251**
Revenue	**$ 601,916**	**$ 285,076**	**$ 389,619**	**$ (3,303)**	**$ 1,273,308**
Earnings before impairment of goodwill and intangible assets, restructuring costs, finance costs and income taxes	**$ 38,371**	**$ 7,820**	**$ 15,308**	**$ (10,686)**	**$ 50,813**
Impairment of goodwill and intangible assets	**–**	**13,720**	**27,500**	**–**	**41,220**
Restructuring costs	**–**	**2,060**	**–**	**–**	**2,060**
Earnings before finance costs and income taxes	**$ 38,371**	**$ (7,960)**	**$ (12,192)**	**$ (10,686)**	**$ 7,533**
Finance costs					**12,233**
Income tax expense					**6,315**
Net loss					**$ (11,015)**
Segment assets excluding intangible assets	**$ 324,977**	**$ 155,603**	**$ 134,800**	**$ –**	**$ 615,380**
Intangible assets	**21,549**	**–**	**20,127**	**91**	**41,767**
Corporate and other assets	**–**	**–**	**–**	**20,321**	**20,321**
Total assets	**$ 346,526**	**$ 155,603**	**$ 154,927**	**$ 20,412**	**$ 677,468**
Segment liabilities	**$ 121,701**	**$ 41,751**	**$ 56,873**	**$ –**	**$ 220,325**
Corporate and other liabilities	**–**	**–**	**–**	**168,639**	**168,639**
Total liabilities	**$ 121,701**	**$ 41,751**	**$ 56,873**	**$ 168,639**	**$ 388,964**
Asset additions					
Rental equipment	**$ 20,107**	**$ 2,845**	**$ –**	**$ –**	**$ 22,952**
Property, plant and equipment	**2,049**	**2,540**	**2,607**	**97**	**7,293**
Intangible assets	**7**	**10**	**26**	**101**	**144**
	$ 22,163	**$ 5,395**	**$ 2,633**	**$ 198**	**$ 30,389**
Asset depreciation					
Rental equipment	**$ 12,236**	**$ 1,643**	**$ –**	**$ –**	**$ 13,879**
Property, plant and equipment	**3,754**	**2,989**	**2,131**	**240**	**9,114**
Intangible assets	**10**	**252**	**1,119**	**90**	**1,471**
	$ 16,000	**$ 4,884**	**$ 3,250**	**$ 330**	**$ 24,464**

2014	Equipment	Power Systems	Industrial Components	Segment Eliminations	Total
Equipment	$ 415,090	$ 104,957	$ –	$ –	$ 520,047
Parts	177,131	141,533	391,696	–	693,435
Service	82,707	70,541	20,273	–	190,446
Rental and other	44,879	8,624	–	(6,098)	47,405
Revenue	$ 719,807	$ 325,655	$ 411,969	$ (6,098)	$ 1,451,333
Earnings before restructuring costs, finance costs and income taxes	$ 48,924	$ 16,537	$ 18,364	$ (11,412)	$ 72,413
Restructuring costs	–	–	2,849	–	2,849
Earnings before finance costs and income taxes	$ 48,924	$ 16,537	$ 15,515	$ (11,412)	$ 69,564
Finance costs					12,982
Income tax expense					15,349
Net earnings					$ 41,233
Segment assets excluding intangible assets	$ 331,750	$ 166,695	$ 140,642	$ –	$ 639,087
Intangible assets	21,551	13,959	48,724	80	84,314
Corporate and other assets	–	–	–	207	207
Total assets	$ 353,301	$ 180,654	$ 189,366	$ 287	$ 723,608
Segment liabilities	$ 149,655	$ 51,728	$ 69,435	$ –	$ 270,818
Corporate and other liabilities	–	–	–	204,274	204,274
Total liabilities	$ 149,655	$ 51,728	$ 69,435	$ 204,274	$ 475,092
Asset additions					
Rental equipment	$ 14,807	$ 8,296	$ –	$ –	$ 23,103
Property, plant and equipment	3,200	3,928	1,564	62	8,754
Intangible assets	–	–	17	23	40
	$ 18,007	$ 12,224	$ 1,581	$ 85	$ 31,897
Asset depreciation					
Rental equipment	$ 10,582	$ 1,323	$ –	$ –	$ 11,905
Property, plant and equipment	4,346	2,993	1,412	219	8,970
Intangible assets	93	262	1,283	32	1,670
	$ 15,021	$ 4,578	$ 2,695	$ 251	$ 22,545

Segment eliminations include costs, assets and liabilities related to the corporate office. Corporate office assets and liabilities include deferred financing costs, income taxes, cash, bank indebtedness, bank debt, employee benefits, and dividends payable.

28. Restructuring Costs

During the year, restructuring costs of $2,060 were recorded in the Power Systems segment. The restructuring will realign branch support activities, including the centralization of supply chain management, and provides for initial savings related to the consolidation of the Wajax computer platforms. It is anticipated that the restructuring will be complete by the first quarter of 2016.

29. Comparative Information

During fiscal 2015, deposit payments made on inventory were reclassified from Inventories and Prepaid expenses to Deposits on inventory on the consolidated statement of financial position. In addition, when the Corporation rents consigned equipment to customers as part of a rent-to-sell arrangement, a portion of the customer's rental payments will reduce the price when the equipment is sold; this portion has been reclassified from Inventories to Accounts payable and accrued liabilities.

The impact of the change on the prior year comparative figures is as follows:

As at December 31, 2014	As previously reported	Adjustment	As reclassified
Assets			
Inventories	$ 323,764	$ (3,464)	$ 320,300
Deposits on inventory	–	8,963	8,963
Prepaid expenses	7,970	(134)	7,836
Total Assets	$ 331,734	$ 5,365	$ 337,099
Liabilities			
Accounts payable and accrued liabilities	$ 246,714	$ 5,365	$ 252,079
Total Liabilities	$ 246,714	$ 5,365	$ 252,079

30. Subsequent Events

Strategic Reorganization

On March 1, 2016, the Corporation announced that it will be transitioning from its current three independent product divisions to a leaner and more integrated organization. The new organization will be based on three main functional groups: business development, service operations and vendor development. These groups will be supported by centralized functions including supply chain, information systems, human resources, environmental health and safety and finance. The new structure is intended to improve the Corporation's cross-company customer focus, closely align resources to the Corporation's strategy, improve operational leverage, and lower costs through productivity gains and the elimination of redundancy inherent in the current structure. During the first quarter of 2016, the Corporation anticipates incurring a restructuring provision of approximately $12,000 relating to the strategic reorganization.

Acquisition of Wilson Machine Co. Ltd.

On February 12, 2016, the Corporation entered into an agreement to acquire the assets of Montreal- based Wilson Machine Co. Ltd ("Wilson") for approximately $5,000, subject to the satisfaction of customary closing conditions.

Summary of Quarterly Data – Unaudited

(in millions of dollars, except per share data)	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4
Revenue	**$ 317.2**	**$ 340.7**	**$ 290.9**	**$ 324.4**	$ 331.4	$ 374.4	$ 359.5	$ 386.1
Net earnings (loss)	**5.7**	**9.0**	**7.5**	**(33.3)**	6.7	12.3	11.1	11.2
Earnings (loss) per share – Basic	**$ 0.34**	**$ 0.52**	**$ 0.38**	**$ (1.66)**	$ 0.40	$ 0.73	$ 0.66	$ 0.67
Earnings (loss) per share – Diluted	**0.34**	**0.51**	**0.37**	**(1.64)**	0.39	0.72	0.65	0.66

Eleven Year Summary – Unaudited

For the years ended December 31 (in millions of dollars, except per share data) (2005 – 2009 reported under previous Canadian GAAP)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating Results											
Revenue*	**$ 1,273.3**	$ 1,451.3	$ 1,428.5	$ 1,466.0	$ 1,377.1	$ 1,110.9	$ 1,007.2	$ 1,213.5	$ 1,192.3	$ 1,206.5	$ 1,049.4
Net (loss) earnings*	**(11.0)**	41.2	47.7	65.9	63.8	56.4	34.2	75.8	72.0	71.5	35.6
Interest expense	**12.2**	13.0	9.0	4.4	4.6	5.2	4.5	4.7	4.9	4.5	4.6
Property, plant and equipment – net	**4.1**	5.4	3.9	5.6	5.3	1.7	7.0	7.4	4.0	8.3	4.7
Rental equipment expenditures – net	**23.0**	23.1	20.0	25.1	20.2	5.8	0.4	7.0	8.6	7.9	6.2
Depreciation and amortization	**24.5**	22.5	21.6	17.8	13.5	11.2	9.7	9.7	9.9	10.0	10.0
Per Share											
Net (loss) earnings – Basic*	**$ (0.59)**	$ 2.46	$ 2.85	$ 3.95	$ 3.84	$ 3.39	$ 2.06	$ 4.57	$ 4.34	$ 4.31	$ 2.19
Dividends declared	**1.23**	2.40	2.68	3.10	2.14	–	–	–	–	–	0.14
Distributions declared	**–**	–	–	–	–	3.40	2.47	4.13	4.36	4.43	1.89
Equity	**14.44**	14.82	14.77	14.45	13.69	12.00	12.07	12.40	11.94	11.89	11.88
Financial Position											
Rental equipment	**$ 64.1**	$ 59.4	$ 52.3	$ 43.7	$ 28.1	$ 15.8	$ 16.4	$ 21.8	$ 21.7	$ 18.9	$ 17.2
Property, plant and equipment – net	**46.2**	48.7	49.7	50.7	47.9	43.3	36.2	33.6	29.5	33.3	29.0
Long-term debt excluding current portion	**151.6**	180.9	195.9	151.7	59.0	–	79.5	116.2	53.9	59.0	33.4
Shareholders' equity	**288.5**	248.5	247.2	241.9	227.6	199.3	200.4	205.7	198.1	197.2	197.1
Total assets*	**677.5**	723.6	682.1	671.9	589.9	522.5	448.2	529.6	468.2	500.6	437.9
Other Information											
Number of employees	**2,609**	2,725	2,766	2,833	2,738	2,382	2,291	2,662	2,551	2,566	2,387
Shares outstanding (000's)	**19,986**	16,779	16,744	16,736	16,629	16,629	16,603	16,585	16,585	16,585	16,582
Price range of shares											
High	**$ 30.93**	$ 39.56	$ 46.24	$ 53.43	$ 44.94	$ 38.50	$ 23.40	$ 35.75	$ 37.95	$ 47.00	$ 32.45
Low	**14.81**	28.75	29.38	38.59	27.80	21.65	10.95	14.00	24.80	24.60	13.00

* 2006 and 2005 exclude discontinued operations.

CORPORATE INFORMATION

Directors

Paul E. Gagné
Chairman, Wajax Corporation
Corporate Director

Thomas M. Alford [2, 3]
Corporate Director

Edward M. Barrett [1, 2]
Chairman and Co-Chief Executive Officer,
Barrett Corporation

Ian A. Bourne [1]
Corporate Director

Douglas A. Carty [1, 3]
Corporate Director

Sylvia D. Chrominska [1, 2]
Corporate Director

Robert P. Dexter, Q.C. [2, 3]
Chairman and Chief Executive Officer,
Maritime Travel Inc.

John C. Eby [1, 3]
Corporate Director

A. Mark Foote
President and Chief Executive Officer,
Wajax Corporation

Alexander S. Taylor [2, 3]
President, Power Group, SNC-Lavalin

1 Member of the Audit Committee
2 Member of the Human Resources and Compensation Committee
3 Member of the Governance Committee

Honourary Director

H. Gordon MacNeill

Officers

A. Mark Foote
President and Chief Executive Officer

John J. Hamilton
Senior Vice President, Finance and
Chief Financial Officer

Brian M. Dyck
Senior Vice President, Wajax Equipment

Michael Gross
Senior Vice President,
Wajax Power Systems

Steve C. Deck
Senior Vice President,
Wajax Industrial Components

Kathleen Hassay
Senior Vice President, Human Resources

Stuart H. Auld
Senior Vice President, Information Systems

Linda J. Corbett
Treasurer

Andrew W. H. Tam
General Counsel and Corporate Secretary

Home Office

3280 Wharton Way
Mississauga, ON L4X 2C5
Telephone: (905) 212-3300
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Shareholder Information

Transfer Agent and Registrar

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

Computershare Investor Services Inc.
100 University Avenue, 8th Floor
Toronto, ON M5J 2Y1
Telephone: (514) 263-9200 or
1-800-564-6253
Fax: 1-888-453-0330
Web: www.investorcentre.com/service

Auditors
KPMG LLP

Exchange Listing
Toronto Stock Exchange

Symbol WJX

Wajax Corporation Share Trading Information
(January 1 – December 31, 2015)

Open	High	Low	Close	Volume of Shares Traded
$30.77	$30.93	$14.81	$16.79	19,857,995

Quarterly Earnings Reports
Quarterly earnings for 2016 are anticipated to be announced on May 3, August 5 and November 1, 2016 and March 7, 2017.

2016 Dividend Dates
Quarterly dividends are payable to shareholders of record on the 15th day of the last month in each quarter and will generally be paid in the first week of the following month.

Investor Information
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and Chief Financial Officer
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E-mail: ir@wajax.com

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

Annual Meeting
Shareholders are invited to attend the Annual Meeting of Wajax Corporation, to be held at the Sheraton Gateway Hotel, Toronto International Airport, Toronto, Ontario, on Tuesday, May 3, 2016, at 11:00 a.m.

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

OPERATING DIVISIONS AND BRANCH LISTINGS

Operating Divisions

Wajax Equipment
30 – 26313 Township Road 531A
Edmonton, AB T7X 5A3

Brian Dyck
Senior Vice President,
Wajax Equipment

Wajax Power Systems
10025 – 51st Avenue
Edmonton, AB T6E 0A8

Michael Gross
Senior Vice President,
Wajax Power Systems

Wajax Industrial Components
2200 52nd Avenue
Lachine, QC H8T 2Y3

Steve Deck
Senior Vice President,
Wajax Industrial Components

Branch Listings

Wajax Equipment

West
Fort St. John, BC
Kamloops, BC
Langley, BC
Nanaimo, BC
Prince George, BC
Terrace, BC
Blackfalds, AB
Calgary, AB
Clairmont, AB
Edmonton, AB (2)
Fort McKay, AB
Fort McMurray, AB
Saskatoon, SK
Winnipeg, MB

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

East
Chambly, QC
Laval, QC
Québec City, QC
St-Félicien, QC
Moncton, NB
Dartmouth, NS
Mount Pearl, NL
Pasadena, NL
Wabush, NL

Wajax Power Systems

West
Fort St. John, BC
Maple Ridge, BC
Calgary, AB
Edmonton, AB
Fort McMurray, AB
Grande Prairie, AB
Red Deer, AB
Redcliff, AB
Regina, SK
Saskatoon, SK

Central
Winnipeg, MB
Belleville, ON
Caledonia, ON
Cornwall, ON
London, ON
Niagara Falls, ON
Ottawa, ON
Pembroke, ON
Stoney Creek, ON
Sudbury, ON
Thunder Bay, ON
Timmins, ON
Toronto, ON

East
Dorval, QC
Drummondville, QC
Québec City, QC
Val d'Or, QC
Moncton, NB
Dartmouth, NS
Mount Pearl, NL

Wajax Industrial Components

West
Cranbrook, BC
Fort St. John, BC
Prince George, BC
Sparwood, BC
Surrey, BC
Terrace, BC
Yellowknife, NT
Calgary, AB
Edmonton, AB
Fort McMurray, AB
Nisku, AB
Redcliff, AB
Regina, SK
Saskatoon, SK
Flin Flon, MB
Thompson, MB
Winnipeg, MB

Central
Belleville, ON
Concord, ON
Espanola, ON
Guelph, ON
Kapuskasing, ON
London, ON
Mississauga, ON (2)
Sault Ste. Marie, ON
Stoney Creek, ON
Sudbury, ON
Thunder Bay, ON (2)
Timmins, ON
Windsor, ON
Temiscaming, QC

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

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