

# Blackwood Hodge

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# Corporate Information

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## **Blackwood Hodge (Canada) Limited**

### **Directors**

**A. C. Richards**  
Chairman of the Board  
Blackwood Hodge p.l.c.

**F. J. King**  
Deputy Chairman  
Blackwood Hodge (Canada)  
Limited

**F. G. Mundy**  
President  
Blackwood Hodge (Canada)  
Limited

**J. G. Torrance, Q.C.**  
Partner  
Smith, Lyons, Torrance,  
Stevenson & Mayer

**C. M. Laidley**  
Business Consultant

### **Officers**

**A. C. Richards**  
Chairman

**F. J. King**  
Deputy Chairman

**F. G. Mundy**  
President

**J. R. Letwin**  
Vice President – Sales

**G. R. Hough**  
Financial Controller

**N. E. Warry**  
Secretary

### **Head Office**

10 Suntract Road, Weston, Ontario M9N 3N5  
MAILING ADDRESS:  
P.O. Box 1004, Station A, Weston, Ontario M9N 3N5  
CABLE ADDRESS:  
Suntract Toronto – Telex No. 069-65801

## **Blackwood Hodge Equipment Limited**

### **Locations**

#### **Western Division**

Highway 6 North, Regina, Sask. S4P 3C2  
**Branches:** Saskatoon, Saskatchewan,  
Winnipeg, Manitoba, Edmonton, Alberta and  
Langley, British Columbia

#### **Central Division**

10 Suntract Road, Weston, Ontario M9N 3N5  
**Branches:** Ottawa, Sudbury, Timmins,  
Sault Ste. Marie, Elliot Lake, Thunder Bay, Ontario.

#### **Eastern Division**

1945-55th Avenue, Dorval, Quebec H9P 1G9  
**Branches:** Ste-Foy, Black Lake, Val d'Or, Quebec,  
Labrador City, Newfoundland, Dartmouth,  
Nova Scotia, Moncton, New Brunswick and  
St. John's, Newfoundland.

#### **Suntract Rentals Division**

10 Suntract Road, Weston, Ontario M9N 3N5  
**Branches:** Scarborough, Hamilton, Ottawa, Kingston,  
Sudbury, Thunder Bay, Kitchener and Guelph, Ontario.

## **Blackwood Hodge Equipment Limited**

### **Western Division**

**J. R. Letwin**  
Vice President – General Manager

### **Central Division**

**V. T. Ward**  
Vice President – General Manager

**T. H. Hamilton**  
Vice President – Sales

**F. J. Castron**  
Vice President – Manager  
Northern Operations

### **Eastern Division**

**D. G. Roberts**  
Vice President – General Manager

**W. Hachey**  
Vice President – Customer  
Services

### **Suntract Rentals**

**E. J. Dale**  
General Manager

### **Bankers**

Canadian Imperial Bank of  
Commerce,  
Credit Lyonnais Canada

### **Auditors**

Deloitte Haskins + Sells  
Chartered Accountants

### **Legal Counsel**

Smith, Lyons, Torrance, Stevenson  
& Mayer

### **Registrar and Transfer Agent**

National Trust Limited

### **Stock Listings**

Toronto Stock Exchange

*Si vous désirez recevoir un exemplaire en français du rapport annuel Blackwood Hodge (Canada) Limited, veuillez vous adresser au service des finances, Siège social, 10 Suntract Road, P.O. Box 1004, Station A, Weston, Ontario M9N 3N5*

## Report to Shareholders

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We are pleased to report a net profit after tax of \$1,127,000 for 1984 as compared to a net loss after tax of \$12,000,000 for 1983.

Economic conditions showed some signs of improvement as the year 1984 progressed. Management and staff have taken full advantage of this slight upturn in demand to the extent that sales and rentals for 1984 reached \$102,885,000, an increase of 19.3% over the 1983 figure of \$86,242,000.

In line with our objectives, inventories were reduced by \$6,801,000, and property, plant and equipment by \$3,378,000 during the year. These were the principal reasons for the reduction in borrowings of \$8,915,000 in 1984.

Although we recognize a slight improvement in economic conditions, it would be unwise at this time to attempt to forecast the results for the current year. Interest charges should continue to decrease due to a lower level of borrowings.

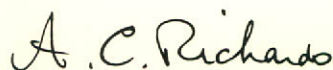
Mr. F. J. King will be retiring from the Board following twenty-seven years service with the Company, the last eight as President, but we are fortunate in retaining his services in an advisory capacity. The directors wish to record their appreciation of his dedication not only to the Company but also to our industry in which he is held in the highest esteem.

The Board is pleased to announce the appointment of Mr. F. Gordon Mundy as President. Mr. Mundy joined the Company in 1951 and has held several senior executive positions with the Company, both in regional and national capacities. Mr. Mundy has been a director of the Company since May 16, 1980.

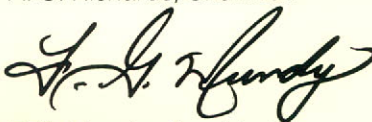
It is with deep regret that we report the death of Mr. Richard Thacker on March 19, 1985. Prior to his retirement from the Board on December 31, 1984, Mr. Thacker had completed almost thirty years of service with the Company, most of which were spent in senior executive positions.

Our employees at all levels have risen to, and met the challenges that these difficult times have presented. This has been a great source of encouragement to management and the Board, and on your behalf, we express our sincere thanks for their efforts and loyalty.

By Order of the Board



A. C. Richards, Chairman



F. G. Mundy, President

Toronto, 17th April, 1985

**BLACKWOOD HODGE (CANADA) LIMITED**  
(Under The Canada Business Corporations Act)

## Consolidated Balance Sheet

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December 31	(\$000)	
	<u>1984</u>	<u>1983</u>
<b>ASSETS</b>		
Current assets:		
Cash . . . . .	\$ 87	\$ 63
Accounts receivable . . . . .	18,007	16,597
Instalment & mortgages receivables . . . . .	2,423	2,085
Inventories (Note 2) . . . . .	24,550	31,351
Due from affiliated company . . . . .	<u>83</u>	<u>—</u>
Total current assets . . . . .	45,150	50,096
Mortgages receivable – due after one year . . . . .	1,503	800
Instalment receivables – due after one year . . . . .	491	1,342
Property, plant and equipment (Note 3) . . . . .	<u>15,007</u>	<u>18,385</u>
Total . . . . .	<u>\$62,151</u>	<u>\$70,623</u>

Approved by the Board of Directors:

F. G. Mundy, Director

J. G. Torrance, Director

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See Notes to the Consolidated Financial Statements



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December 31	(\$000)	
	<u>1984</u>	<u>1983</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Bank indebtedness (Note 4) . . . . .	\$13,008	\$11,004
Notes payable (Note 5) . . . . .	6,263	14,387
Accounts payable and accrued charges . . . . .	8,727	8,362
Other taxes payable . . . . .	977	806
Due to affiliated companies . . . . .	192	395
Current portion of long-term debt (Note 6) . . . . .	<u>3,757</u>	<u>4,712</u>
Total current liabilities . . . . .	<b>32,924</b>	<b>39,666</b>
Notes payable – due after one year (Note 5) . . . . .	57	130
Long-term debt (Note 6) . . . . .	<u>12,897</u>	<u>15,681</u>
Total liabilities . . . . .	<u><b>45,878</b></u>	<u><b>55,477</b></u>
Shareholders' equity:		
Share capital (Note 7) . . . . .	5,672	5,672
Appraisal surplus . . . . .	3,762	5,496
Retained earnings . . . . .	<u>6,839</u>	<u>3,978</u>
Total shareholders' equity . . . . .	<u><b>16,273</b></u>	<u><b>15,146</b></u>
Total . . . . .	<u><b>\$62,151</b></u>	<u><b>\$70,623</b></u>

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## Consolidated Statement of Earnings and Retained Earnings

year ended December 31	(\$000)	
	1984	1983
Sales and rentals . . . . .	\$102,885	\$ 86,242
Costs and expenses . . . . .	96,694	85,994
Earnings from operations . . . . .	6,191	248
Interest earned . . . . .	571	389
Earnings before interest charges . . . . .	6,762	637
Interest charges – current . . . . .	3,210	4,173
– long-term . . . . .	1,840	2,245
Total interest charges . . . . .	5,050	6,418
Earnings (loss) before undernoted . . . . .	1,712	(5,781)
Loss on disposal of properties . . . . .	717	109
Write-down of inventories to estimated net realizable value . . . . .	—	6,523
Write-off of goodwill due to permanent decline in value . . . . .	—	1,039
Earnings (loss) before income taxes . . . . .	995	(13,452)
Less income taxes (Note 8) . . . . .	103	(1,452)
Earnings (loss) before extraordinary item . . . . .	892	(12,000)
Reduction of income taxes on the application of loss carry-forward (Note 8) . . . . .	235	—
Net earnings (loss) for the year . . . . .	1,127	(12,000)
Retained earnings, beginning of year . . . . .	3,978	15,120
	5,105	3,120
Appraisal surplus transferred on sale of properties . . . . .	1,734	858
Retained earnings, end of year . . . . .	<u>\$ 6,839</u>	<u>\$ 3,978</u>
Earnings (loss) per share before extraordinary item . . . . .	<u>\$ .36</u>	<u>\$ (4.91)</u>
Earnings (loss) per share after extraordinary item . . . . .	<u>\$ .46</u>	<u>\$ (4.91)</u>

See Notes to the Consolidated Financial Statements

# Consolidated Statement of Changes in Financial Position

	(\$000)	
year ended December 31	1984	1983
<b>WORKING CAPITAL PROVIDED</b>		
From operations		
Earnings before extraordinary item . . . . .	\$ 892	\$ —
Items not affecting working capital		
Depreciation and amortization . . . . .	1,236	—
Income taxes (Note 8) . . . . .	235	—
Provided from operations . . . . .	2,363	—
Sale of property, plant & equipment . . . . .	4,312	3,487
Decrease in instalment receivables . . . . .	851	—
Total . . . . .	<u>7,526</u>	<u>3,487</u>
<b>WORKING CAPITAL APPLIED</b>		
To operations		
Loss for the year . . . . .	—	12,000
Items not affecting working capital		
Depreciation and amortization . . . . .	—	(1,535)
Amortization of goodwill . . . . .	—	(249)
Write-off of goodwill . . . . .	—	(1,039)
Deferred income taxes . . . . .	—	1,132
Applied to operations . . . . .	—	10,309
Property, plant and equipment . . . . .	2,170	2,007
Decrease in notes payable . . . . .	73	350
Decrease in long-term debt . . . . .	2,784	1,920
Increase in instalment receivables . . . . .	—	443
Increase in mortgages receivable . . . . .	703	800
Total . . . . .	<u>5,730</u>	<u>15,829</u>
Increase (decrease) in working capital . . . . .	1,796	(12,342)
Working capital, beginning of year . . . . .	<u>10,430</u>	<u>22,772</u>
Working capital, end of year . . . . .	<u>\$12,226</u>	<u>\$10,430</u>

See Notes to the Consolidated Financial Statements



# Notes to the Consolidated Financial Statements

December 31, 1984

## 1. Significant Accounting Policies

### Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Blackwood Hodge Equipment Limited.

### Foreign currency translation

Transactions in foreign currencies have been translated into Canadian dollars at rates prevailing at the time of the transactions. Assets and liabilities have been translated at the quoted rates of exchange at the end of the year. Gains and losses on foreign exchange are included in the determination of earnings for the year.

### Instalment receivables

The profit on sales which are financed by instalment sales contracts is recorded at the time of the sale and the interest earned is recorded over the term of the contract.

### Valuation of inventories

Equipment for resale and parts and supplies are recorded at the lower of cost and net realizable value. Rental equipment is recorded at the lower of cost (including repairs), reduced by a provision for decline in value over the terms of the respective rental agreements, and net realizable value.

Cost is on a specific-item basis for equipment and on a first-in, first-out basis for parts and supplies.

### Property, plant and equipment

Equipment and rental fleet are recorded at cost, which for equipment held under capital lease is the discounted value of lease obligations. The Company has land and buildings appraised periodically and records the resulting values at that time by eliminating accumulated depreciation and adjusting the asset accounts to appraisal value.

Depreciation is provided on the straight-line basis at the following annual rates:

Buildings . . . . .	2 1/2%
Equipment . . . . .	10% - 20%
Rental Fleet . . . . .	14% - 25%

### Income taxes

Income taxes are accounted for using the tax-allocation basis, under which income taxes are provided in the year transactions affect net income, regardless of when such transactions are recognized for tax purposes.

## 2. Inventories

	1984	1983
Equipment for resale . . . . .	\$ 12,529,000	\$ 20,749,000
Parts and supplies . . . . .	12,021,000	10,602,000
	<u>\$24,550,000</u>	<u>\$31,351,000</u>

## 3. Property, Plant and Equipment

	1984	1983
Land . . . . .	\$ 3,155,000	\$ 4,741,000
Buildings . . . . .	8,623,000	10,056,000
Equipment . . . . .	6,511,000	6,356,000
Rental fleet . . . . .	8,044,000	8,143,000
Equipment held under capital lease . . . . .	725,000	1,059,000
	<u>27,058,000</u>	<u>30,355,000</u>
Less accumulated depreciation and amortization . . . . .	12,051,000	11,970,000
	<u>\$15,007,000</u>	<u>\$18,385,000</u>

Land and buildings are recorded at their going concern value, based upon appraisals made as of December 31, 1977, with subsequent additions at cost. The excess of appraisal value over depreciated value is included in shareholders' equity.

## 4. Bank Indebtedness

	1984	1983
Current operating loan . . . . .	\$ 4,623,000	\$ 1,936,000
Outstanding cheques	385,000	1,068,000
Bankers' acceptances . . . . .	8,000,000	8,000,000
	<u>\$13,008,000</u>	<u>\$11,004,000</u>

The current operating loan bears interest at 1/4% over the bank prime rate which at December 31, 1984 was 11 1/4%. Bankers' acceptances outstanding at December 31, 1984 bear interest at 11.1%.

## 5. Notes Payable

Notes payable are secured by liens on specific items in the equipment inventory, bear interest at rates from 10.4% to 14.75% at December 31, 1984 and mature within 1 to 19 months.



## Notes (Continued)

### 6. Long-term Debt

	1984	1983
Term bank loans . . . . .	\$12,914,000	\$16,650,000
Loans from affiliated companies . . . . .	3,466,000	3,331,000
Obligations under capital leases . . . . .	188,000	274,000
Mortgage . . . . .	86,000	138,000
	<u>16,654,000</u>	<u>20,393,000</u>
Less portion included in current liabilities	3,757,000	4,712,000
	<u>\$12,897,000</u>	<u>\$15,681,000</u>

The term bank loans bear interest at rates from 1/2% to 1% over the bank prime rate, which at December 31, 1984 was 11 1/4%.

The parts inventory and rental fleet have been pledged as security for \$5,500,000 of the term bank loans. The remaining term bank loans, the bankers' acceptances of \$8,000,000, and the current operating loan of \$4,623,000 are secured by a collateral mortgage on certain lands and buildings and a general assignment of book debts.

The term bank loan of \$5,500,000 is subject to certain restrictive covenants, which include non-repayment of the loans from affiliated companies and an undertaking not to declare any dividends until such time as the loan is repaid.

Loans from affiliated companies have no fixed terms of repayment and generally bear interest at rates from 8% to 9%. Interest on these loans amounted to \$228,000 (1983 - \$218,000).

Obligations under capital leases bear interest at rates from 5% to 15% and expire at varying dates to December 31, 1989.

The mortgage, bearing interest at 7 3/8%, is repayable within two years and is secured by property.

Long-term debt matures as follows:

1985 . . . . .	\$ 3,757,000
1986 . . . . .	8,140,000
1987 . . . . .	1,291,000
No fixed terms . . . . .	3,466,000
	<u>\$16,654,000</u>

### 7. Share Capital

Authorized:

An unlimited number of no par value common shares.

Issued:

2,445,450 (1983 - 2,445,450) common shares

Options to purchase 36,000 shares at \$4.28 per share are outstanding to employees under the Company's employee stock option plan. These options may be exercised on a cumulative basis at 20% per year and expire on April 30, 1985. To December 31, 1984 no options have been exercised.

### 8. Income Taxes

The company has a combined federal-provincial statutory income tax rate of 51.5%. The provision for income taxes is comprised of the following:

Provision based upon combined federal-provincial statutory rate . . . . .	\$512,000
Decrease resulting from the following items:	
Inventory allowance . . . . .	252,000
Miscellaneous . . . . .	25,000
	<u>235,000</u>
Recovery of prior years' income taxes . . . . .	132,000
Provision for income taxes . . . . .	<u>\$103,000</u>

At December 31, 1984 the company had a loss carry-forward for income tax purposes of approximately \$7,890,000 (1983 - \$8,300,000) which expires in 1990. Income tax reduction with respect to this loss will be recorded as an extraordinary item when realized. In 1984 \$235,000 of this income tax reduction was realized.

### 9. Commitments

Operating leases for business premises are in force extending for periods up to 5 years. Annual rental costs approximate \$548,000.

### 10. Contingent Liabilities

Contingent liabilities with respect to instalment sales contracts and customers' notes discounted amount to \$1,256,000 (1983 - \$3,178,000).

### 11. Segmented Information

The dominant business segment is the sale, rental, manufacture and service of heavy equipment in Canada.

### 12. Prior Year's Figures

Certain of the prior year's figures, provided for the purpose of comparison, have been reclassified to conform to the current year's presentation.

## Auditors' Report

To the Shareholders of  
Blackwood Hodge (Canada) Limited:

We have examined the consolidated balance sheet of Blackwood Hodge (Canada) Limited as at December 31, 1984 and the consolidated statements of earnings and retained earnings and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario  
March 1, 1985

Deloitte Haskins + Sells  
Chartered Accountants

## Five Year Financial Review

(\$000)	1984	1983	1982	1981	1980
Sales and Rentals . . . . .	<u>\$102,885</u>	<u>\$ 86,242</u>	<u>\$100,694</u>	<u>\$140,388</u>	<u>\$134,779</u>
Operating earnings . . . . .	\$ 6,191	\$ 248	\$ 1,155	\$ 10,830	\$ 12,963
Interest earned . . . . .	571	389	569	1,017	916
Dividend from affiliated company . . . . .	—	—	—	304	—
Interest expense . . . . .	5,050	6,418	10,536	14,398	11,483
Loss on disposal of properties . . . . .	717	109	—	—	—
Write down of inventories to estimated net realizable value . . . . .	—	6,523	—	—	—
Write-off of goodwill due to permanent decline in value . . . . .	—	1,039	—	—	—
Income taxes (recovery of) . . . . .	<u>103</u>	<u>(1,452)</u>	<u>(4,580)</u>	<u>(1,820)</u>	<u>520</u>
Net earnings (loss) before extraordinary item . . . . .	892	(12,000)	(4,232)	(427)	1,876
Extraordinary item . . . . .	235	—	—	—	—
Net earnings (loss) . . . . .	<u>\$ 1,127</u>	<u>\$ (12,000)</u>	<u>\$ (4,232)</u>	<u>\$ (427)</u>	<u>\$ 1,876</u>
Working capital from operations . . . . .	\$ 2,363	\$ (10,309)	\$ (3,402)	\$ 1,621	\$ 3,597
Earnings (loss) per share . . . . .	.46	(4.91)	(1.73)	(.17)	.77
Dividends . . . . .	—	—	—	—	.30
Equity per share . . . . .	6.65	6.19	11.10	12.83	13.01
Shareholders' equity . . . . .	16,273	15,146	27,146	31,378	31,805
Working capital . . . . .	12,226	10,430	22,772	29,618	36,228
Total assets . . . . .	62,151	70,623	93,031	119,762	133,067



# Products

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## **Cedarapids/El-Jay**

Iowa Manufacturing Co.

Subsidiary of Raytheon Company

Aggregate processing equipment, Cedarapids asphalt mixing & paving equipment, Waste processing equipment. Pavement Planing machines by WIRTGEN.

## **Hitachi**

Marubeni Construction Machinery Canada Ltd.

Hydraulic excavators and front shovels. Forest harvesting and handling equipment.

## **Suntract**

Suntract Manufacturing

Stationary and portable crushing and screening equipment for the aggregate industry, conveyors and storage silos, bulk material handling equipment and custom steel fabrication.

## **Wagner**

Wagner Mining Equipment Co.

A Division of Paccar Co.

Underground mining and tunneling vehicles, Scooptrams, Teletrams, trucks and utility vehicles.

## **RayGo**

RayGo Inc.

Self-propelled vibratory compactors. Earth and landfill compactors, asphalt rollers and BARCO pavement planing machines.

## **Champion**

Champion Road Machinery Limited

Motor graders.

## **Eagle**

Eagle Iron Works

Specialized washing equipment; sand, stone, clay and ore processing.

## **Terex**

Terex Corporation

Earthmoving equipment.

Crawler tractors, rubber tired dozers,

Crawler loaders, rubber tired loaders,

Log loaders, scrapers and rear dumps.

Manganese wear parts, buckets, teeth and adapters.

## **Titan**

Marathon Letourneau Company

Off-highway diesel electric haulers.

## **Esco**

Esco Limited

Manganese wear parts, buckets, teeth and adapters.

## **Gomaco**

Gomaco Corporation

Concrete construction equipment. Pavement planing machines.

## **Goodyear**

Goodyear Canada Inc.

Pylon and steel cable conveyor belting, total belt service, air and liquid mine hose.

## **Northwest**

Northwest Engineering Company

Draglines, cranes and front shovels.

## **RayGo Wagner**

Subsidiary of Allied Systems Company

Industrial and forestry material handling equipment, log stackers, chipdozers, container handlers and steel product handling equipment.

## **Fiatallis**

Fiatallis North America, Inc.

Crawler tractors and loaders, wheel loaders, scrapers, motor graders, pipelayers and hydraulic excavators.





**Blackwood Hodge (Canada) Limited**  
10 Suntract Road, Weston, Ontario M9N 3N5