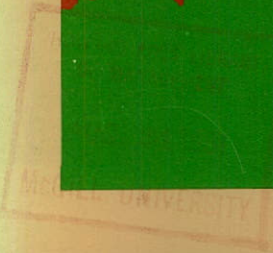


Annual Report 1980

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Annual Meeting of Shareholders

The Annual General Meeting will be held at the Toronto Hilton Harbour Castle Hotel, Toronto, Ontario on Thursday, April 23, 1981 at 11:00 a.m. A buffet luncheon will be served following the meeting.

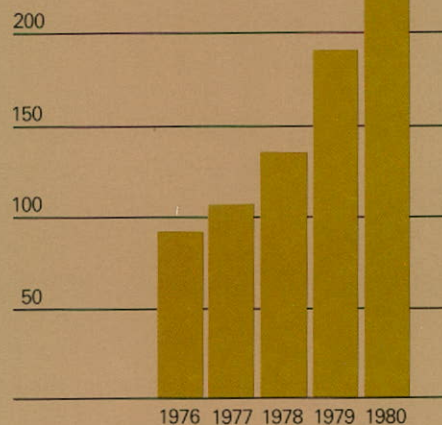
Valuation Day

The value for capital gains tax attributed to Wajax Limited common stock on Valuation Day (December 22, 1971) was \$13.63, which by virtue of 2-for-1 stock splits in 1972 and 1977 is now equivalent to \$3.4075 per Class A share.

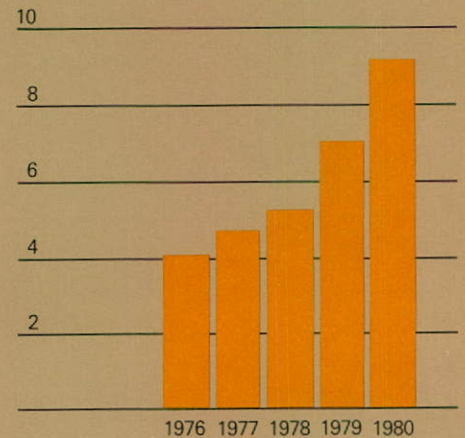
Financial Highlights

	% Change	1980	1979
Operations (thousands of dollars)			
Gross Revenue	22.0	\$236,565	\$193,935
Net Earnings	31.4	9,241	7,031
Financial Position (thousands of dollars)			
Working Capital	46.1	\$ 62,684	42,897
Long-term Debt	(2.1)	20,750	21,200
Shareholders' Equity	69.0	57,264	33,893
Per Common Share			
Basic Earnings	25.2	\$ 2.63	\$ 2.10
Dividends	21.2	.80	.66
Equity	18.6	11.88	10.02

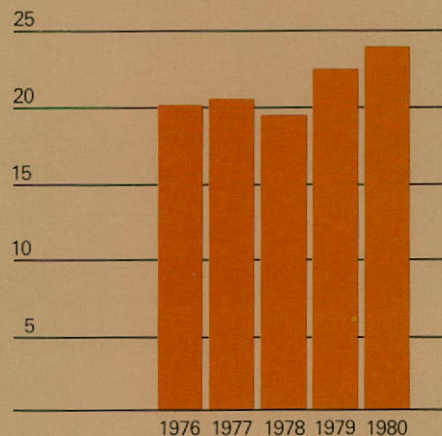
GROSS REVENUE
(Millions)



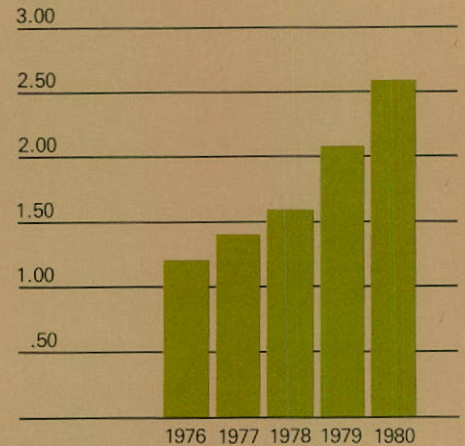
NET EARNINGS
(Millions)



**RETURN ON COMMON
SHAREHOLDERS' EQUITY**
(Percent)



**EARNINGS PER
COMMON SHARE**
(Dollars)



Report to the Shareholders



Sustained by an excellent contribution from its operations in Western Canada, Wajax experienced another record year in which:

- Net earnings of \$9,241,000 exceeded those of the preceding year by 31.4%, or after providing for 1980 preferred share dividends of \$280,000 by 27.4%.
- Gross revenue increased by 22% to reach \$236,565,000.
- Dividends paid on common shares, at \$2,727,000, represented an increase of 23%.

These results, more favourable than we had anticipated earlier in the year, culminated in a particularly strong final quarter in which net earnings were up 55% over the corresponding period in 1979. It is particularly encouraging to note that progress of this magnitude was achieved during a period characterized by high interest rates, and a depressed economy in Eastern Canada.

Regular cash dividends of 20 cents per Class A share were paid at the end of each calendar quarter in 1980 for a total of 80 cents per share, marking the twelfth consecutive year of dividend increases. Equivalent stock dividends on the Class B shares for the year 1980 totalled .0406 share per Class B share held, or approximately one new share for every 25 shares held. In view of the

favourable results, the quarterly dividend on the Class A shares payable March 31, 1981 to shareholders of record March 20, 1981 has been declared at 24¢ per share, up from 20¢, and the equivalent Class B stock dividend will be .0105 share per Class B share held.

As the result of cash flow from operations in excess of \$10.7 million and the issue of 700,000 convertible preferred shares which generated in excess of \$16.4 million net of costs, the Company is in the strongest financial position in its history. Working capital at \$62.6 million or \$15.15 per share is up \$19.8 million during the year, while shareholders' equity increased to over \$57 million compared to only \$21 million of term debt.

The success of our efforts to control the growth of both accounts receivable and inventories played a major role in enabling us to keep bank loans and thus interest costs at reasonable levels. The effectiveness of the collection procedures is reflected on the balance sheet by the less than 14% increase in accounts receivable, but the generally quite good trend in inventories is disguised somewhat by the inclusion in the closing figures of \$4 million representing two major units on hand for delivery to a customer early in 1981.

The upgrading of our properties and the conversion from short term leasing of premises to ownership in major market areas continued and in 1980, \$4.7 million was added to fixed assets. Major property additions in Vancouver and Toronto, and over \$1.1 million of improvements to the Power Products facilities in Alberta constituted the major items.

The earnings statement reflects slightly improved gross margins, primarily as a result of the product mix containing a higher component of more profitable replacement parts and service than unit sales. This improvement, together with a reasonable overall control of expenses, resulted in a net profit margin of 7% compared to 6.5% last year, and a 7.5% after-tax return on average total assets compared to 7.3% in 1979. These are improving trends, but do not represent a level which can be considered entirely satisfactory with inflation in the 10% range.

As announced following the meeting of our Board of Directors on March 4, 1981, shareholders will be invited, at a Special General Meeting to be held concurrently with the Annual Meeting on April 23rd, 1981, to approve a two-for-one subdivision of our common stock. If approved, it will be the fourth time since 1968 that we have gone through this exercise in improving the marketability of our stock: the period will have seen the number of outstanding common shares increase from 220,000 to nearly 7 million, the number of common shareholders increase from about 600 to over 1,600, and the market price from a median around \$2 in 1968 to more than \$23 at the end of 1980.

The strong operating results from Wajax Industries' Western Region represent a continuation of the steady growth pattern seen in this important market area over the past ten years. All our Western branches and product groups contributed to the

good results as resource-based industries continued to flourish in B.C. and Alberta. In the Vancouver area our two existing facilities have been taxed to the limit by this sustained market development, and accordingly, we have acquired seven acres of land in nearby Coquitlam. Premises encompassing 57,000 sq. ft. are being constructed on this site for occupancy late in 1981, to accommodate under one roof the Regional Headquarters for Wajax Industries, as well as all the distribution operations.

After a 1979 downturn in profit contribution, the Waterous Power Products Group regained momentum in 1980 and earnings were in excess of budget forecasts. Experience has shown that Elvins Power Products Limited, formed last year to handle distribution in Northern B.C. and Yukon, was too small a unit to be administratively viable, and accordingly its operations have been re-absorbed into the corporate structure of Waterous GM Diesel Limited. The Group's coverage and service in the area, however, continue to expand.

The results attained by the Eastern Regional operations of Wajax Industries were in sharp contrast to those of the West, reflecting much weaker economic conditions in the East. The notable exception in Eastern Canada was the Mining Division, whose results were markedly better than the previous year, and National Bearings whose performance was excellent.

In spite of increased sales volume in Western Canada and for export, operating results of the Utility Equipment and Crane (UEC) Division were disappointing. In view of this, a major restructuring of the manufacturing unit and of the distribution network in Eastern Canada has been carried out.

The Fire Control Group enjoyed an excellent year with all units

contributing to the record results attained. One of the worst forest fire seasons in recent times heavily loaded our production facilities, which operated around the clock to provide specialized equipment, and in so doing played an important role in the eventual suppression of the fires. In addition to the expansion of current product lines, new developments were undertaken, particularly at the Niedner hose plants.

A key development for future growth prospects was the successful October, 1980 issue of 700,000 \$1.86 Cumulative Redeemable Convertible Preferred Shares, Series A, resulting in a net return to the Company, after deducting the expenses of issue, in excess of \$16 million. The ensuing reduction in bank indebtedness materially strengthens our overall financial position and provides substantial carrying charge relief in light of current high interest rates.

In line with a continuing policy of broadening our total management capability, the following senior appointments were made during the year:

To be Vice Presidents, Wajax Limited:

Gordon R. Donaldson, Vancouver, also continuing as Vice President and General Manager, Wajax Industries Limited (Western).

Yvon L. Thibeault, Edmonton, also continuing as General Manager, Waterous Power Products Group and Alberta Vice President, Wajax Industries Limited.

Bernard W. Scobie, Ottawa, also continuing as President, Fire Control Group.

Our excellent results for the year would not have been possible without the wholehearted enthusiastic support of all Wajax employees, at year-end numbering over 1,700, and we are glad of this opportunity for public expression of our appreciation and our thanks.

Since the growth of our business in Western Canada has made such a strong profit contribution, we are naturally apprehensive about the effect on these operations of the National Energy Program, particularly in conjunction with deep-rooted Western hostility toward the Federal government's constitutional manoeuvres. Undoubtedly we are seeing a reduction in the confident commitment of the private sector oil companies to the development of Canada's energy resources. If implemented as planned, the N.E.P.'s long range negative impact on Canada's future should not be underestimated, for it will drive out desperately needed capital, people and technology.

Fortunately your Company's operations in Western Canada are not confined to petroleum-based activity, and it is our belief that accelerated development of the coal fields and base metal ore bodies will substantially compensate for a loss of momentum in other sectors.

The general economic outlook for Canada as a whole for 1981 can only be described as uncertain, the forecasts for overall real growth being marginal at best. Nevertheless, we remain cautiously optimistic that Wajax will be able to come through with another year of satisfactory results. Our confidence is rooted in the belief that the diversified nature of our operations provides us with a wide range of growth opportunities.

On behalf of the Board,



R.W. Chorlton,
Chairman and Chief Executive
Officer.



Ian B. Campbell,
President and Chief Operating
Officer.

Operations Report

Wajax Limited is a public company, 98% of whose shares are owned by Canadians. The diversified operations of its subsidiaries, covering Canada from coast to coast and targeting certain specialized export markets, are principally involved in areas of activity selected for their growth potential: Mining, Oil and Gas; Forest Industries; Transportation; Utilities; Manufacturing; and Construction. Although the main thrust of the Company's operations is toward the distribution link of the supply chain, approximately 22% of the equipment distributed is also manufactured or assembled within the corporate group.

For the year under review, there was a wide divergence between the outstanding performance of our Western units, operating in the context of a generally buoyant economy, and the disappointing results recorded by our Eastern operations, which were attributable in large measure to an unfavourable economic climate strikingly dissimilar to that of the West.

Wajax Industries Limited - East

In general, business conditions in Eastern Canada were adversely affected by the United States recession, and demand for many of our industrial products fell during the year; as a consequence, the relative profit contribution dropped. Steps were taken during the second half of the year to adjust general expenses to the slower business tempo prevailing, and it is expected that there will be an improvement in the rate of profitability through 1981.

A welcome exception to the foregoing generalization was the performance of the Mining Division, which improved markedly over the modest upward trend reported in 1979.

Mining activity throughout 1980 was stimulated by the weakness of the Canadian dollar in combination with firm base metal prices, and also the precious metals group; the buoyancy of these markets in Manitoba and Ontario was reflected in substantial sales of Eimco underground trackless mining machinery. Our move in 1979 to establish branches in Sudbury and Elliot Lake was vindicated by the penetration of new markets among uranium and gold producers. Business was somewhat slower in Quebec and the Atlantic Provinces, but picked up toward the year end when equipment was ordered for a new salt mine in the Magdalen Islands. Demand from the Quebec-Labrador iron range, while not outstanding, continued at a satisfactory level.

Deliveries of Marathon LeTourneau equipment were substantial, including container handling equipment, a jib boom crane and, at an aggregate quarry in Ontario, the installation of the first L-800 electric wheel front end loader in this industry.

The Materials Handling Division operated in a highly competitive market which was down about 30%, in terms of unit shipments, from the previous year. The increased market share obtained in 1980, with

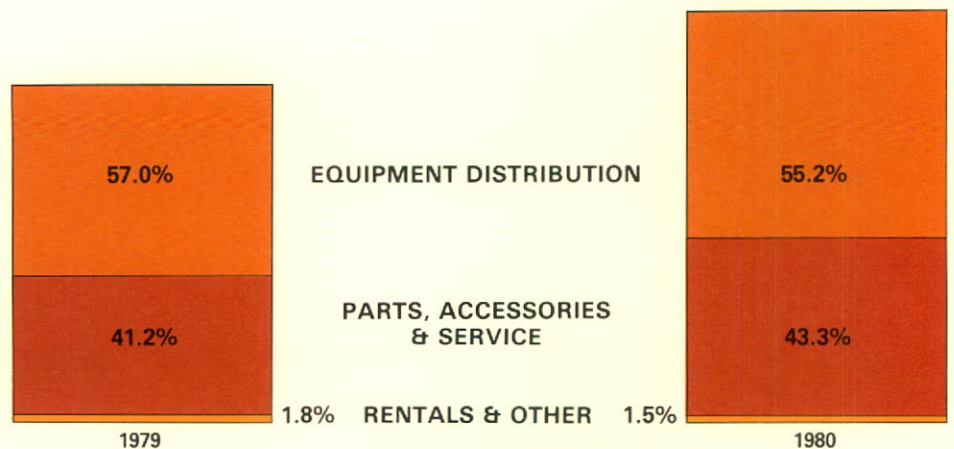
particularly gratifying results in the pulp and paper industry, reflects creditably upon our sales force and upon the Hyster organization, our principal supplier. A great deal more emphasis has been placed upon the parts and service aspect of this Division, and while the net effect of this thrust for 1980 was reduced profit, we are confident that over the longer term, profit improvement will ensue. In a move to enhance efficiency the Toronto headquarters of this business was moved from the original Leaside location into larger and better situated premises in Mississauga, acquired late in 1979.

The Utility Equipment and Crane (UEC) Division was similarly affected by the slowdown, but perhaps more severely due to a sharp downturn in the construction crane market. In a highly competitive environment, and under pressure to maintain inventories within acceptable limits, gross margins drifted lower and overall results were disappointing. Cost cutting measures have been implemented and are becoming effective during the current year.



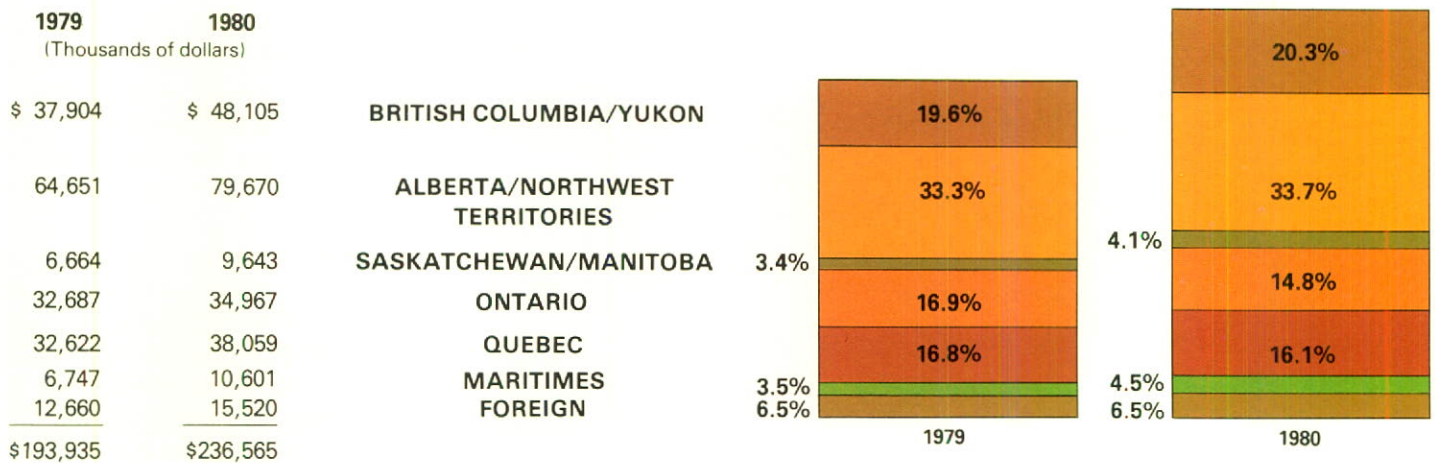
GROSS REVENUE BY SALES CATEGORY

Note: Approximately 21% of total gross revenue in 1979, and 22% in 1980, was related to product lines manufactured or assembled in-house.





GROSS SALES BY GEOGRAPHICAL AREA



Geographically, our operations in the Province of Quebec, now almost completely francophone in their orientation, produced marginally better results than those for Ontario. In the Atlantic Provinces, the Maritime Hydraulics & Machinery business, now designated "Marine", has been merged with Wajax Industries Limited to improve administration efficiency and reduce costs, and operations will be physically consolidated in a single new facility for occupancy in the spring of 1981.

Wajax Industries Limited - West

In other parts of this report, emphasis has been laid upon relatively favourable economic conditions in Western Canada, by comparison with the East. This should not, however, be allowed to obscure the fact that our Western operations succeeded, not merely by participating in a boom, but as a result of capable regional management which made the most of the available opportunities. In point of fact the British Columbia lumber industry, a key economic sector in that province, was somewhat subdued during much of the period, so that our degree of market penetration is even more creditable.

The Materials Handling Division again successfully defended its strong market position in British Columbia, while continuing to show improvement in Alberta. Despite the fact that industry sales were down significantly in British Columbia, and marginally in Alberta, the Division maintained its share of market while increasing its gross volume and net profitability; part of this was due to the achievement of greater efficiency in service operations. The selective sourcing of Hyster product from plants in Canada, the United States and Europe enhances our competitive position in this market, but we note with satisfaction that Hyster's Canadian plant is able to satisfy a substantial proportion of our demand.

The Woodlands Division turned in a fine performance against the background of a rather soft lumber market. Overall sales volume of LeTourneau log stackers and Barko log handling equipment maintained an upward trend, while net earnings increased even more significantly as a result of effective cost management.

Operations of the Mining Division were highlighted by further transactions involving extremely large equipment, notably two more Demag 20 cubic yard bucket excavators for the oil sands industry in Alberta and the first LeTourneau L-1200 66,000 lb. capacity front-end loader, together with another Demag, to handle coal at Kaiser Resources in Sparwood, B.C. Increased gold and base metal activity gave rise to a resurgence in

underground mining, in which our sales of Eimco load-haul-dump equipment participated fully. Net return from the Division lagged behind its increase in sales volume, due to absorption of start-up costs of a new branch serving the oil sands operations out of Fort McMurray, Alberta, but profitability nevertheless improved substantially over 1979.

Last year we noted that the UEC Division had established itself as a contender in Western markets, and in 1980 its penetration was significantly expanded to achieve outstanding results in the industrial sector as well as traditional Hydro applications. Here again careful management of the overhead produced a bottom line improvement more than proportional to the increase in sales volume.

In Construction we finally closed out the Heede line of climbing cranes, the market for which appears to be approaching saturation, and the resulting concentration on lighter equipment such as Koehring, Bomag and Essick (compaction and concrete) and Clemco (sandblasting) produced a gratifying result. The Ditch Witch Division in Alberta continued to dominate its field, with performance matching the extremely high level attained in 1979.

Waterous Power Products Group

In last year's report we described the subdivision of the Detroit Diesel franchise into three territorial units: Waterous GM Diesel Limited retained Edmonton and most of northern Alberta, while Waterous Power Products Limited took over the southern part of the Province including Red Deer and Calgary, and Elvins Power Products Limited covered the far northern territory extending through the north-eastern

part of British Columbia to Whitehorse, Yukon. This arrangement has worked extremely well as far as the two southern units are concerned, but experience has shown that the volume of business in the far North is not sufficient to carry the overhead of a separate corporate administration. Accordingly, the corporate structure of Elvins Power Products Limited has been folded back into Watrous GM Diesel Limited, making possible significant potential cost reduction while continuing to improve actual coverage in the field.

Far from being impaired by these evolutionary processes, the overall performance of the Power Products Group was sharply improved, showing a pre-tax profit increase in excess of 70% over the previous year. In achieving these results, the Group absorbed start-up expenses of a new branch in Medicine Hat, and continuing expense attributable to the Edmonton West truck shop and the Fort St. John operation, neither of which has yet reached its full potential.

Further expansion in 1980 included the occupancy of a new facility in Edmonton for the rebuilt engine and transmission program, and plant additions in Calgary to house a new training establishment and an expanded parts department. We believe also that the Group's human development program, which has seen many responsibilities successfully assumed by qualified applicants from within as well as from outside the organization, augurs well for the future.

Wajax UEC Limited

This unit, located in a 120,000 sq. ft. modern plant in Markham Township just north of Toronto, manufactures a substantial proportion of the product sold by the UEC Division of Wajax Industries Limited, and also of the product sold for export through Wajax International Limited. At the end of 1979 demand outstripped Wajax UEC's production capacity and, in anticipation of further market growth, measures were taken to expand this capacity, both internally and by decentralizing certain non-manufacturing operations to a new plant in Mississauga.

Market conditions changed in 1980, and demand for construction cranes and certain other products declined; as a consequence the net contribution of this important unit was significantly diminished. Economies and management changes have been effected to rectify this situation, and excess capacity at the Mississauga plant has been utilized to consolidate the operations of the Materials Handling Division.

Fire Control Group

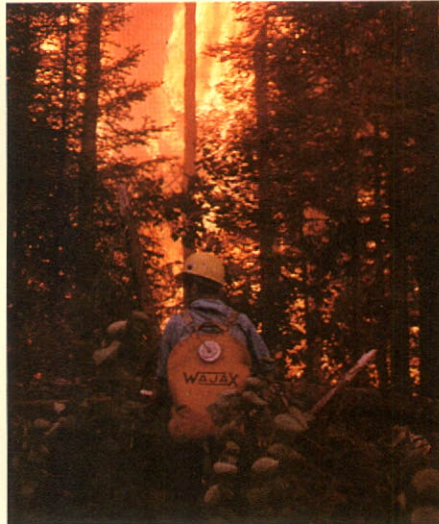
The 1980 forest fire season was extremely severe in widely separate regions of Canada, giving rise to heavy demand for the portable pumps and accessories produced by Wajax Manufacturing Limited in Montreal, and also for the self-protecting forestry hose woven at the Niedner Limited mill in Coaticook, P.Q. While not exactly unfavourable, such periods of urgent and

concentrated demand place a heavy load upon facilities geared to a more orderly schedule, and we are proud to recognize the dedication and loyalty of employees at both plants who worked long and hard to maintain round-the-clock production in the face of these serious threats to our national forest resources.

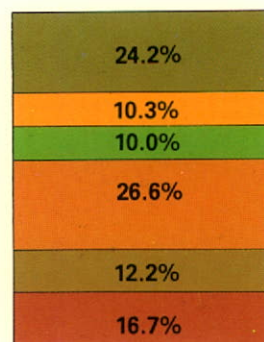
Our operations in Portland, Oregon and Seattle, Washington, faced a similar challenge when called upon to supply an unprecedented clean-up in the wake of the Mount St-Helen eruptions, to which they responded in like manner.

A new manufacturing facility in Colebrook, New Hampshire reached full capacity during the year, producing hose linings for the nearby Coaticook plant and also weaving a newly-designed ECONOFLO® lightweight hose under a three-year contract with a major United States OEM account. Important gains were made in U.S. sales of forestry hose, and also of synthetic hose for the industrial and residential markets.

The high-powered Mark 75 fire pump continued to make a name for itself, with increasing levels of demand, especially for rural applications. Export sales of all products maintained a satisfactory trend.

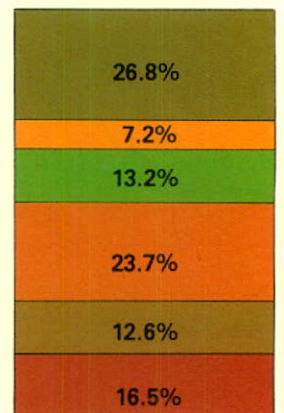


**APPROXIMATE BREAKDOWN OF
GROSS SALES BY END USE
MARKET**



1979

MINING PETROLEUM & GAS
CONSTRUCTION
UTILITIES
INDUSTRIAL & COMMERCIAL
TRANSPORTATION
FOREST INDUSTRIES



1980

Wajax International Limited

This unit, operating as the export trading vehicle for the Wajax group, continued to expand its sales volume. Rural electrification projects in the developing countries provide excellent applications for the specialized electrical utility vehicles manufactured by Wajax UEC Limited, while established markets in Mexico and the OPEC countries sustain a high level of demand for these products. Sales of forestry and mining products have shown further improvement, and the persistent weakness of the Canadian dollar suggests a continuing upward trend in export activity.

Elvins Equipment Sales Limited

The Kenworth truck franchise, which is one of the principal accounts serviced by Elvins out of Whitehorse, Yukon, was affected by strike action during more than half of 1980, while economic conditions in the Territory remained substantially flat. In these circumstances the Elvins contribution to net profit, comparable with that of the previous year, was very satisfactory. The full potential of this operation, and indeed of the Yukon

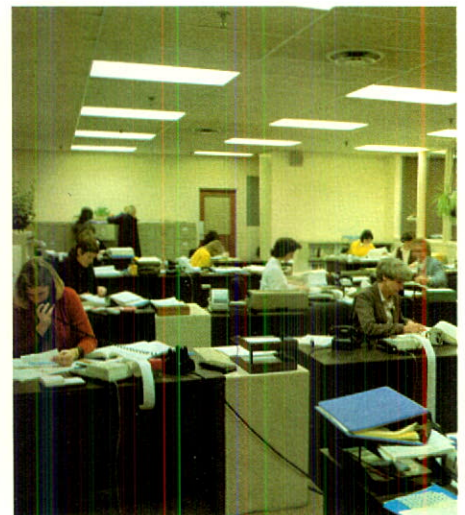
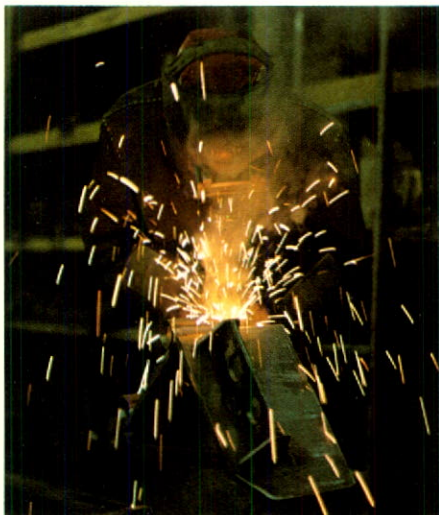
Territory itself, still awaits the looked-for development of pipeline and other natural resource activity in the area.

National Bearings Limited

Following material expansion of its branch coverage in 1979, National Bearings in 1980 concentrated upon maximizing internal growth and effectiveness. Within one year from its entry into a highly competitive market, the new Toronto branch was worked up to approach a break-even, and is expected to make a significant contribution in 1981. Labour unrest and plant closures have continued to plague the Company's major markets in Quebec, but in spite of these difficulties new key accounts were secured, and further improvement achieved both in sales volume and gross margin. Having doubled its business over the past two years, management remains optimistic for the future.

Outlook

The lesson to be learned from the patchwork of our activity in 1980 is that in a time of confused market conditions the quality of management has a greater impact upon profitability than economic conditions themselves. To the extent that we have been competent, we expect to maintain that standard; and in those areas where we have fallen short, we will not fail to profit from our experience.



Consolidated Statement of Earnings

FOR THE YEAR ENDED DECEMBER 31

(Dollars in thousands)

	1980	1979
Gross revenue	\$236,565	\$193,935
Cost of sales	<u>184,322</u>	<u>152,709</u>
Gross profit	<u>52,243</u>	<u>41,226</u>
Selling and administrative expenses	29,918	25,005
Interest expense	<u>5,773</u>	<u>3,694</u>
	<u>35,691</u>	<u>28,699</u>
Earnings before income taxes	16,552	12,527
Income taxes	<u>7,311</u>	<u>5,496</u>
Net earnings	<u>\$ 9,241</u>	<u>\$ 7,031</u>
Basic earnings per common share - Note 2	<u>\$2.63</u>	<u>\$2.10</u>

Consolidated Statement of Retained Earnings

FOR THE YEAR ENDED DECEMBER 31

(Dollars in thousands)

	1980	1979
Retained earnings at beginning of year	\$ 24,745	\$ 19,928
Net earnings	<u>9,241</u>	<u>7,031</u>
	<u>33,986</u>	<u>26,959</u>
Dividends - Note 3	<u>3,007</u>	<u>2,214</u>
Retained earnings at end of year	<u>\$ 30,979</u>	<u>\$ 24,745</u>

WAJAX LIMITED

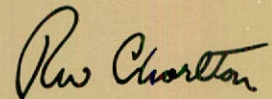
(Incorporated under the Canada Business Corporations Act)

Consolidated Balance Sheet

(Dollars in

ASSETS	1980	1979
Current		
Cash	\$ 170	\$ 166
Accounts and notes receivable	37,808	33,194
Inventories	79,332	65,930
Prepaid expenses	349	371
Deferred income taxes - Note 4	647	898
	<u>118,306</u>	<u>100,559</u>
Fixed - Note 5		
Fixed assets	19,886	15,409
Less accumulated depreciation	6,883	5,581
	<u>13,003</u>	<u>9,828</u>
Other		
Unamortized debenture issue expenses	323	344
Goodwill	2,004	2,024
	<u>2,327</u>	<u>2,368</u>
	<u>\$133,636</u>	<u>\$112,755</u>

On behalf of the Board:



Director

AUDITORS' REPORT

The Shareholders
Wajax Limited

We have examined the consolidated balance sheet of Wajax Limited as at December 31, 1980 and the consolidated statements of earnings, retained earnings and 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.

et as at December 31, 1980

(thousands)

LIABILITIES

Current

Bank indebtedness - Note 6	\$ 18,984	\$ 20,613
Accounts payable and accrued liabilities	29,770	28,231
Notes payable - Note 6	825	2,945
Income and other taxes payable	<u>6,043</u>	<u>5,873</u>
	<u>55,622</u>	<u>57,662</u>
Long-term debt - Note 7	20,750	21,200

SHAREHOLDERS' EQUITY

Capital stock - Note 8	26,285	9,148
Retained earnings	<u>30,979</u>	<u>24,745</u>
	<u>57,264</u>	<u>33,893</u>
	<u>\$133,636</u>	<u>\$112,755</u>

Peter Paul Lammiman

Director

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1980 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.

Donche Ross & Co.

Ottawa, Ontario
February 20, 1981

Chartered Accountants

Consolidated Statement of Changes in Financial Position

FOR THE YEAR ENDED DECEMBER 31

(Dollars in thousands)

	1980	1979
Source of funds		
From operations		
Net earnings	\$ 9,241	\$ 7,031
Items not requiring an outlay of funds		
Depreciation	1,507	1,192
Amortization of other assets	41	238
	<u>10,789</u>	<u>8,461</u>
Working capital of subsidiaries at dates of acquisition	-	213
Issue of long-term debt	-	14,000
Issue of preferred shares	16,424	-
Issue of common shares	713	680
	<u>27,926</u>	<u>23,354</u>
Application of funds		
Acquisition of subsidiaries	-	420
Purchase of fixed assets	4,682	4,993
Decrease in long-term debt	450	450
Debenture issue expenses	-	168
Dividends	3,007	2,214
	<u>8,139</u>	<u>8,245</u>
Increase in working capital	<u>\$19,787</u>	<u>\$15,109</u>
Working capital at end of year	<u>\$62,684</u>	<u>\$42,897</u>

Notes to the Consolidated Financial Statements

DECEMBER 31, 1980

1. Accounting policies

Principle of consolidation

These consolidated financial statements include the accounts of Wajax Limited and all its subsidiary companies.

Foreign currency translation

Current assets and liabilities in foreign currencies have been translated into Canadian dollars at the rates prevailing at the balance sheet date.

Fixed assets are translated at the rate prevailing at the dates of acquisition.

Revenue and expenses are translated at average rates for the year.

Exchange gains and losses are taken into income in the year they occur.

Inventories

Inventories, including used equipment and rental units, are valued at the lower of cost and net realizable value.

Fixed assets and depreciation

Fixed assets are recorded at cost. Depreciation is provided on the diminishing balance basis, except on leasehold improvements, at the following rates:

Buildings	-	either 5% or 10%
Equipment	-	20%
Automotive equipment	-	30%
Leasehold improvements	-	straight-line over expected term of lease

Other assets

Debenture issue expenses are being amortized over the terms of the issues.

The Company believes that goodwill represents continuing value and accordingly goodwill arising from acquisitions prior to the end of 1973 is recorded as an asset without amortization. In accordance with the requirements of the Canadian Institute of Chartered Accountants concerning generally accepted accounting principles, goodwill arising from acquisitions subsequent to 1973 is being amortized over the expected period of benefit, not to exceed forty years.

In accordance with Section 47 of the Regulations to the Canada Business Corporations Act the Board of Directors has determined the business of the Company to be of one class, namely the manufacture and distribution of mechanical equipment.

2. Earnings per common share

Basic earnings per common share are calculated based on net earnings reduced by the dividends on the preferred shares of \$280,000 in 1980 and the weighted average number of shares outstanding during the year of 3,406,228 (3,354,639 in 1979).

Fully diluted earnings amounting to \$2.60 per share in 1980 are calculated based on net earnings and the weighted average number of shares that would have been outstanding during the year had the preferred shares been converted at the date of issue.

Stock options have no material effect on the per share earnings calculations.

3. Dividends

Dividends declared during the year were as follows:

	(Dollars in thousands)	
	1980	1979
Preferred shares	\$ 280	\$ -
Class A shares	2,348	1,865
Class B shares	379	349
	<u>\$3,007</u>	<u>\$2,214</u>

Notes to the Consolidated Financial Statements

DECEMBER 31, 1980

4. Deferred income taxes

Deferred income taxes arise mainly from the elimination from consolidated earnings of profits upon intercompany sales, and from equipment warranty and other provisions reflected in the accounts which are not deductible for income tax purposes until the disbursements are actually made.

5. Fixed assets

	(Dollars in thousands)	
	1980	1979
Land and buildings	\$ 9,081	\$ 6,496
Less accumulated depreciation	1,109	824
	<u>7,972</u>	<u>5,672</u>
Equipment and leasehold improvements	10,805	8,913
Less accumulated depreciation	5,774	4,757
	<u>5,031</u>	<u>4,156</u>
	<u>\$13,003</u>	<u>\$ 9,828</u>

6. Bank indebtedness and notes payable

Bank indebtedness is secure by a general assignment of book debts and \$14,739,000 of inventories (\$10,281,000 in 1979).

Of the total notes payable, \$628,000 (\$2,684,000 in 1979) is secured by inventories and fixed assets.

7. Long-term debt

	(Dollars in thousands)	
	1980	1979
8-3/4% Sinking Fund Debentures, Series A, maturing March 1, 1993	\$ 4,000	\$ 4,250
11-3/4% Sinking Fund Debentures, Series B, maturing October 15, 1995	3,200	3,400
11-1/4% Sinking Fund Debentures, Series C, maturing October 1, 1999	14,000	14,000
	<u>21,200</u>	<u>21,650</u>
Less current portion included in accounts payable and accrued liabilities	450	450
	<u>\$20,750</u>	<u>\$21,200</u>

The debentures are secured by a floating charge on the assets of the Company. The Series A and B sinking fund requirements are \$450,000 per year. Annual sinking fund payments of \$875,000 for Series C Debentures commence in 1984.

Interest on long-term debt amounted to \$2,344,400 (\$1,202,000 in 1979).

8. Capital stock

Issued and fully paid:

	Number of shares		Amount (Dollars in thousands)	
	1980	1979	1980	1979
\$1.86 Cumulative redeemable convertible preferred shares, Series A	700,000	-	\$16,424	\$ -
Common shares	3,438,015	3,381,353	9,861	9,148
			<u>\$26,285</u>	<u>\$ 9,148</u>

On October 14, 1980 the Company issued 700,000 cumulative redeemable convertible preferred shares, Series A, at a price of \$24.00 per share less expenses of issue, net of income taxes, of \$376,000. The preferred shares are convertible into common shares of either class at any time prior to October 15, 1989 on a one for one basis. The shares are non-redeemable prior to October 15, 1985, except in the period from October 15, 1983 to October 14, 1985 if the average market value of common shares is not less than 125% of the then current redemption price. Redemption, if applicable, is at \$25.20 per share on or after October 15, 1983 and reducing by \$0.20 per share in each 12 month period until October 14, 1989; and thereafter at \$24.00 per share.

Notes to the Consolidated Financial Statements

DECEMBER 31, 1980

8. Capital stock - continued

As at December 31, 1980 there were outstanding 3,438,015 common shares of the Company without nominal or par value divided into Classes A and B, which rank equally for all purposes, except that the Company has the power to declare stock dividends on the Class B shares. The Class A and Class B shares are fully convertible from either class to the other on a share-for-share basis.

Changes in capital stock during the year were as follows:

	Class A	Class B
Common shares outstanding at beginning of year	2,853,764	527,589
Options exercised	37,300	-
Stock dividends on Class B shares	-	19,362
Net conversion of Class B shares to Class A shares	108,211	(108,211)
Common shares outstanding at end of year	<u>2,999,275</u>	<u>438,740</u>

Options, which expire five years after date of grant, are outstanding to purchase 31,850 unissued shares of the Company as follows:

	To Officers	To Other Employees
Options granted November 17, 1977 at \$8.78 per share	-	1,500
Options granted November 15, 1978 at \$9.00 per share	12,750	8,600
Options granted November 13, 1980 at \$21.60 per share	9,000	-
	<u>21,750</u>	<u>10,100</u>

9. Commitments

Long term lease commitments amount to \$12,319,000 in total.

The lease requirements for the next five years are:

1981	\$1,517,000
1982	1,403,000
1983	1,270,000
1984	1,129,000
1985	982,000

10. Employees' pension plan

The latest actuarial review of the employees' pension plan as at December 31, 1978, showed that the plan had a small surplus. Amendments in 1979 to improve the plan created an unfunded liability of \$1,328,000 which is being funded over fifteen years by annual payments, including interest, of \$121,000.

Ten Year Summary

(Dollars in thousands except per share data)

	Years ended		
	1980	1979	1978
Earnings & Dividend Information			
Gross Revenue	\$ 236,565	\$193,935	\$137,167
Pre-tax Earnings	\$ 16,552	12,527	9,010
After Tax Earnings	\$ 9,241	7,031	5,224
Dividends Declared - Preferred	\$ 280	-	-
- Common	\$ 2,727	2,214	1,838
Depreciation	\$ 1,507	1,192	720
Funds Generated From Operations	\$ 10,789	8,461	5,996
Per Common Share Information			
Basic Earnings (Note 3)	\$ 2.63	2.10	\$1.60
Dividends Paid (Note 4)	\$.80	.66	\$.70
Equity	\$ 11.88	10.02	\$8.52
Balance Sheet Information			
Working Capital	\$ 62,684	42,897	27,788
Fixed Assets - Net	\$ 13,003	9,828	5,965
Long Term Debt	\$ 20,750	21,200	7,650
Shareholders' Equity	\$ 57,264	33,893	28,396
Total Assets	\$ 133,636	112,755	79,942
Rates of Return			
Pre-tax Earnings as a % of:			
Gross Revenue	7.0	6.5	6.6
Total Assets (average)	13.4	13.0	13.1
After Tax Earnings attributable to			
Common Shares as a % of			
average Common Share Equity	24.0	22.6	19.9
Other Information			
Number of Employees	1,748	1,742	1,407
Number of Shareholders	1,947	1,492	1,519
Shares Outstanding (Note 2):			
Preferred	700,000	-	-
Common	3,438,015	3,381,353	3,331,820
Weighted average number of			
Common Shares outstanding	3,406,228	3,354,639	3,267,699
Price Range of Shares (Note 2):			
Preferred	\$ 28 - 24	-	-
Common	\$25 - 16½	\$18¼ - 11½	\$12½ - 9⅞

Notes:

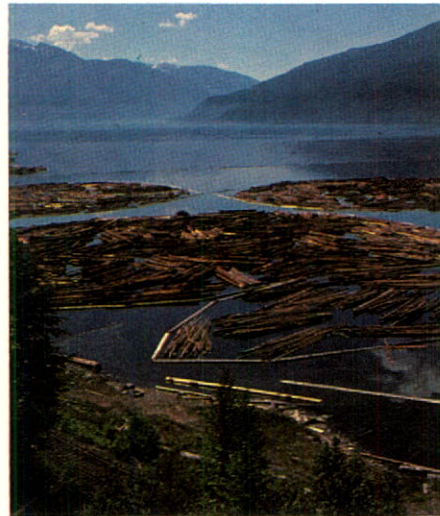
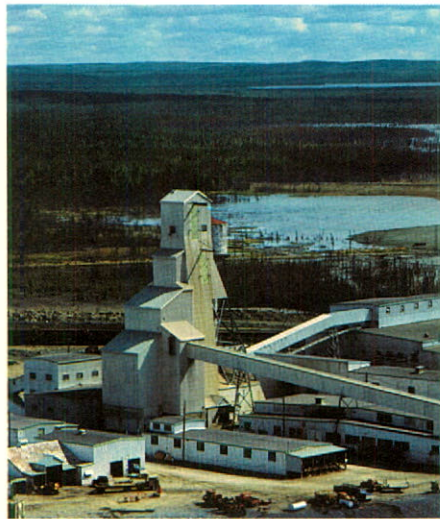
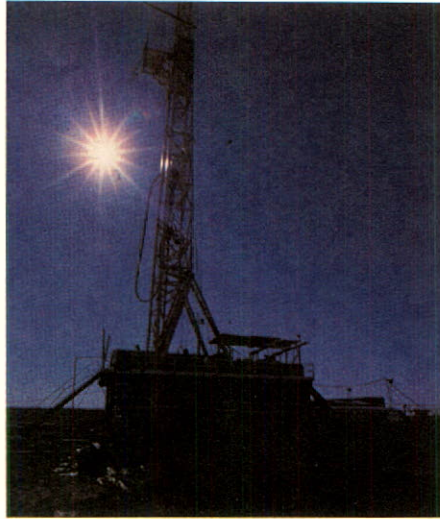
- Results for 1971 have been restated on the deferred tax accounting basis adopted in 1972.
- Adjusted to reflect two-for-one stock splits in 1972 and 1977. Price ranges rounded to nearest 1/8 dollar.
- Per share earnings are based on the average number of common shares outstanding during the year.

December 31

1977	1976	1975	1974	1973	1972	1971
\$107,067	\$96,584	\$93,369	\$83,965	\$62,426	\$50,327	\$33,997
8,303	7,734	7,955	6,793	3,928	2,920	1,863
4,730	4,059	4,050	3,303	1,950	1,518	910
-	-	-	-	-	-	-
1,752	1,610	1,365	981	767	435	272
621	512	503	335	246	202	170
5,363	4,578	4,564	3,768	2,267	1,624	1,076
1.46	1.26	1.40	1.18	.70	.59	.40
.525	.50	.43	.33	.25	.14	.11
7.45	6.55	5.79	4.94	4.12	3.69	3.25
26,853	24,585	22,362	14,699	12,692	10,174	8,115
3,973	3,438	3,390	2,641	1,911	1,482	1,461
8,100	8,300	8,500	4,500	4,500	2,775	3,150
24,183	21,071	18,607	13,858	11,520	10,261	7,578
58,107	49,209	45,461	43,235	34,709	27,092	23,434
7.8	8.0	8.5	8.1	6.3	5.8	5.5
15.5	16.3	17.9	17.4	12.7	11.6	9.1
20.9	20.5	25.0	26.0	17.9	17.0	12.9
1,146	1,105	1,125	1,007	823	799	775
1,542	1,560	1,600	1,485	1,447	1,152	815
-	-	-	-	-	-	-
3,246,820	3,218,834	3,215,434	2,803,292	2,799,092	2,781,492	2,334,936
3,238,061	3,218,234	2,894,018	2,802,228	2,786,814	2,577,406	2,256,180
-	-	-	-	-	-	-
\$10 ¹ / ₄ - 6 ¹ / ₄	\$7 ¹ / ₂ - 6	\$7 - 4 ¹ / ₂	\$6 - 4 ³ / ₈	\$7 ¹ / ₈ - 4 ⁵ / ₈	\$6 - 3 ³ / ₈	\$3 ⁷ / ₈ - 2 ¹ / ₄

These and other per share items rounded to the nearest cent.

4. As a result of the alignment of dividend payment dates with the calendar quarters, five dividends of 14¢ per share were paid in 1978. On a regular quarterly dividend basis, however, the indicated annual rate for that year was 56¢ per share.



Areas of Involvement

Materials Handling

Belt & Chain Conveyors
Fork Lift Trucks: Electric, Propane,
Gasoline, Diesel
Paper Roll Handlers
Container Handlers
Piggy-Back Handlers
Jib Cranes & Straddle Cranes
Yard Cranes
Truck Mounted Telescoping Cranes
Truck Mounted Articulating Cranes
Pallet Trucks
Industrial Vacuum Trucks

Utility

Service Line Trenchers
Digger Derricks
Truck Mounted Cranes
Hydraulic Tools
Aerial Work Platforms
Aerial Devices
Utility Truck Bodies
Industrial Vacuum Trucks
Diesel Engines

Fire Control

Forest Fire Fighting Hand Tools
Weather Instruments
Portable & Stationary High Pressure
Forestry Fire Pumps
Back Pack Hand Pumps
Helicopter Water Bombing Buckets
Trailer Mounted Tankers
Forestry/Industrial Fire Hose
Air Bags
Hydraulic Portable Rescue Tools

Mining, Petroleum & Gas

Mucking Machines
Mine Cars
Battery & Diesel Locomotives
Load-Haul-Dump Units
Electric Wheel Loaders
Roadheading Machines
Hydraulic Excavators
Hydraulic Backhoes
Belt & Chain Conveyors
PVC Conveyor Belting
Truck Mounted Cranes
Yard Cranes
Mine Safety Equipment
Hydraulic Drill Jumbos
Hydroclones
Wear Resistant Pipe
Electric Vibrating Feeders
Shotcrete Systems
Hydraulic Powered Supports
Rubber Linings: Skips, Chutes, Mills,
Truck Boxes
Rubber Screen Cloth
Underground Trucks & Service
Vehicles
Aerial Work Platforms
Pneumatic & Hydraulic Hammers
Mine Drainage Pumps
Centrifugal, Diaphragm &
Reciprocating Slurry Pumps
Fork Lift Trucks
Dust & Noise Control Systems
Industrial Vacuum Systems
Bearings and Oil Seals
Diesel Engines

Forestry

Fire Fighting Equipment
Hydraulic Knuckle-Boom Loaders
Jib Cranes
Truck Mounted Cranes
Tree Crushers
Debarkers
Electric Wheel Log Stackers
Fork Lift Trucks
Straddle Carriers

Construction

Ditchers/Cable Layers
Fork Lift Trucks
Concrete & Mortar Mixers
Heaters, Vibrators, Compactors,
Trowels, Rollers
Truck Mounted Telescoping Cranes
Truck Mounted Articulating Cranes
Concrete Pumps
Blast Cleaning Systems
Aerial Work Platforms
Generators
Industrial Vacuum Trucks
Diesel Engines
Asphalt Recyclers

Steel

Slurry Pumps
Rubber Screens
Conveyors
Industrial Vacuum Systems
Water Pumps
Straddle Carriers
Straddle Cranes
Yard Cranes
Truck Mounted Cranes
Fork Lift Trucks
Bearings and Oil Seals

Marine

Fish Processing Machines
Planetary Deck Winches
Steering Gears
Filtering Systems
Propulsion Equipment
Engine Controls
Compressors
Hydraulic Power Packs
Deck Cranes
Fork Lift Trucks

Corporate Information

DIRECTORS

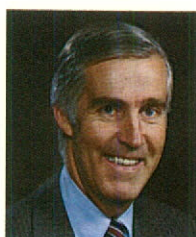
*Member of the Audit Committee

†Member of the Compensation Committee



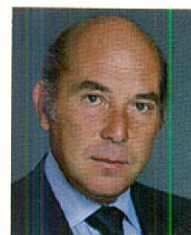
*R. W. CHORLTON

Chairman of the Board
and Chief Executive
Officer,
Wajax Limited



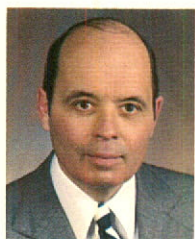
†DEREK A. HANSON,
Q.C.

Partner, Courtois,
Clarkson, Parsons &
Tétrault, Barristers &
Solicitors



*†PETER PAUL
SAUNDERS

Chairman and
President,
Versatile Cornat
Corporation



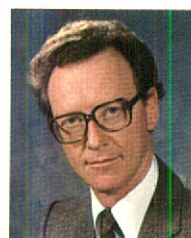
*IAN B. CAMPBELL

President and Chief
Operating Officer,
Wajax Limited



F. G. HARVEY

Vice President &
Secretary,
Wajax Limited



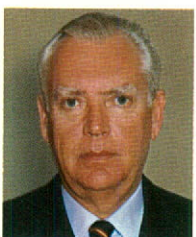
*D. R. SOBEY

President, Empire
Company Limited



P. R. GENDRON, C.C.,
F.R.S.C., F.C.I.C.

Deputy Chairman of
the Board, Pulp &
Paper Research
Institute of Canada



THOMAS LOHNER,
Dipl. Ing.

President, Trenaco AG



*D. C. H. STANLEY

Corporate Director



GOWAN T. GUEST

Partner, Alexander,
Guest, Holburn &
Beaudin, Barristers &
Solicitors



H. W. MACDONELL,
Q.C.

Partner,
McCarthy & McCarthy,
Barristers & Solicitors



*†D. L. TORREY

Vice Chairman and
Director,
Pitfield Mackay Ross
Limited,
Investment Dealers

CORPORATE MANAGEMENT

R. W. CHORLTON	Chairman of the Board and Chief Executive Officer
IAN B. CAMPBELL	President and Chief Operating Officer
F. G. HARVEY	Vice President and Secretary
P. G. SIMS, C.A.	Vice President and Treasurer
B. W. SCOBIE	Vice President, Corporate Development
R. G. WILLOX	Vice President, Corporate Planning

BANKERS:

Bank of Montreal • Bank of British Columbia •
Royal Bank of Canada • Seattle-First National Bank
National Trust Company Limited

REGISTRARS:

TRANSFER AGENT:

The Royal Trust Company

LEGAL COUNSEL:

Courtois, Clarkson, Parsons and Tétrault

AUDITORS:

Touche Ross & Co.

STOCK LISTINGS:

Montreal Stock Exchange • Toronto Stock Exchange

HEAD OFFICE:

350 Sparks Street, Ottawa, Ontario K1R 7S8

OPERATING MANAGEMENT

*Also Vice President, Wajax Limited

WAJAX INDUSTRIES LIMITED

Eastern Region

J. A. Crawford	*Vice President and General Manager
R. H. Godfrey	*Vice President, Mining Division
J-P. Vinet	Vice President, Quebec
D. H. Kirby	Vice President, Atlantic
G. A. Cunningham	General Manager, Materials Handling Division
G. D. Kennedy	General Manager, Milling Division

Western Region

G. R. Donaldson	*Vice President and General Manager
Y. L. Thibeault	*Vice President, Alberta

WATEROUS POWER PRODUCTS GROUP

Y. L. Thibeault	*Group President
E. Kobe	President, Waterous GM Diesel Limited
R. Homersham	President, Waterous Power Products Limited

WAJAX UEC LIMITED

B. W. Scobie	*President
D. J. Parass	Vice President, Marketing & Finance
W. W. Swerhun	Vice President, Operations

FIRE CONTROL GROUP

B. W. Scobie	*Group President
E. Engelhardt	Vice President, Wajax Pacific Fire Equipment Inc.
C. H. Stratton	Vice President, Wilco Fire Equipment Inc.
K. D. Jolliffe	Vice President, Niedner Limited & Niedner Inc.
J-G. Bouchard	Vice President, Wajax Manufacturing Limited
A. Klus	Vice President, Sales

WAJAX INTERNATIONAL LIMITED

G. H. Good	Executive Vice President
G. A. A. Hunter	Vice President and General Manager

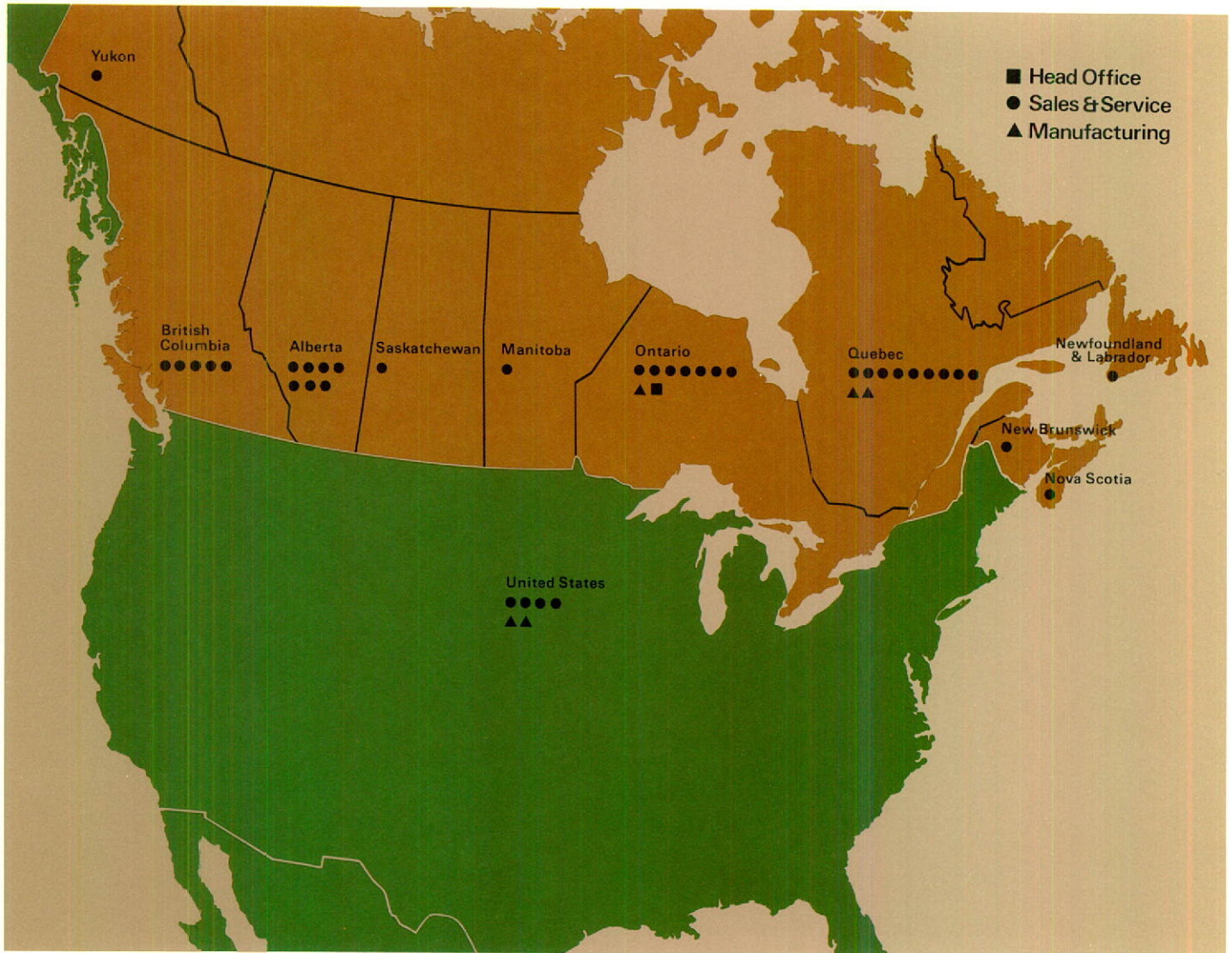
ELVINS EQUIPMENT SALES LIMITED

G. E. Elvins	President
M. M. Walker	General Manager

NATIONAL BEARINGS LIMITED

D. L. Elliott	President
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Locations



Yukon

- Whitehorse

British Columbia

- Cranbrook
- Fort St. John
- Kamloops
- Prince George
- Vancouver

Alberta

- Calgary
- Edmonton
- Fort McMurray
- Grande Prairie
- Hinton
- Medicine Hat
- Red Deer

Saskatchewan

- Saskatoon

Manitoba

- Winnipeg

Ontario

- Elliot Lake
- Hamilton
- London
- ● Ottawa
- Sudbury
- ▲ ● Toronto
- Windsor

Quebec

- ▲ Coaticook
- Drummondville

- Granby
- ▲ ● Montreal
- Quebec
- Seven Islands
- Sherbrooke
- Sorel
- Thetford Mines
- Valleyfield

New Brunswick

- Saint John

Nova Scotia

- Dartmouth

Newfoundland

- Labrador City

United States

- Atlanta, GA
- ▲ Colebrook, NH
- Malden, MA
- Portland, OR
- ▲ ● Seattle, WA

