



Wajax Limited

Wajax Limited is the largest independent distributor of mechanical equipment in Canada. The company, in business for over 100 years, serves key industries in the mining, forestry, petroleum and gas, public utilities, transportation, manufacturing and construction fields through a coast-to-coast network of sales and service branches.

About 22% of the company's 1982 gross revenue of \$196 million was related to product lines of its own manufacture.

The company is incorporated under the Canada Business Corporations Act and enjoys better than 99% Canadian ownership of its shares. Stock is listed on the Toronto and Montreal Stock Exchanges, carrying symbols WJX.A (Class A Common), WJX.B (Class B Common) and WJX.PR.A. (\$1.86 Preferred).

Right: A Demag H-241 hydraulic excavator removing overburden at a British Columbia coal mining operation.



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Annual Meeting of Shareholders

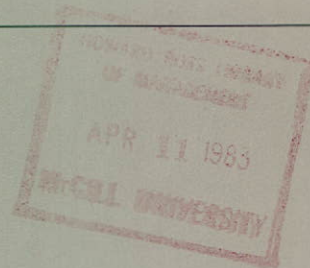
The Annual General Meeting will be held at the Sheraton Centre Hotel, Toronto, Ontario on Wednesday, April 27, 1983 at 11:00 a.m. A buffet luncheon will be served following the meeting.

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, 1977 and 1981 is now equivalent to \$1.70375 per Class A share.

Financial Highlights

	% Change	1982	1981
Operations (thousand of dollars)			
Gross Revenue	(20.3)	\$195,661	\$245,443
Net Earnings	(47.8)	5,804	11,110
Financial Position (thousands of dollars)			
Working Capital	(1.1)	\$ 66,440	\$ 67,169
Long-term Debt	(2.2)	19,850	20,300
Shareholders' Equity	2.6	66,055	64,368
Per Common Share			
Basic Earnings	(54.2)	\$ 0.65	\$ 1.42
Dividends	-	0.48	0.48
Equity	2.9	7.10	6.90



Gross Revenue (millions)

78	\$137.2
79	193.9
80	236.6
81	245.4
82	195.7

Return on Common Share Equity (percent)

78	19.9
79	22.6
80	24.0
81	22.1
82	9.2

Net Earnings (millions)

78	\$ 5.2
79	7.0
80	9.2
81	11.1
82	5.8

Basic Earnings per Common Share (dollars)

78	\$0.80
79	1.05
80	1.32
81	1.42
82	0.65

Total Assets (millions)

78	\$ 79.9
79	112.8
80	133.6
81	134.4
82	123.8

Dividends Paid per Common Share (cents)

*78	35 (28)
79	33
80	40
81	48
82	48

* See Note 3, page 19

Working Capital (millions)

78	\$ 27.8
79	42.9
80	62.7
81	67.2
82	66.4

Price Range per Common Share (dollars)

78	\$4 ⁵ / ₈ - 6 ¹ / ₄
79	5 ³ / ₄ - 9 ¹ / ₈
80	8 ¹ / ₄ - 12 ¹ / ₂
81	9 ¹ / ₂ - 14
82	7 ³ / ₈ - 12

Report to the Shareholders

In 1982 Wajax experienced a reversal in its previous long term trend of profitable growth. Demand for the company's products declined sharply as all of the industry groups representing our major markets were severely affected by the recession engulfing all regions of Canada.

Net income for 1982 was \$5,804,000, a decline of 48 per cent from the year before. Basic earnings per common share were down by 54 per cent, from \$1.42 per share to \$0.65, and consolidated gross revenues at \$195,661,000 were 20 per cent lower than the previous year.

Despite the earnings setback, the financial strength of the company has never been better and so dividends were maintained at the level paid the previous year, 48 cents per share. Equivalent stock dividends on the Class B shares totalled .0495 share per Class B share held, or approximately one new share for every 20 shares held.

In late 1981, as corporate profit plans for 1982 were being formulated, it was apparent that we were heading into a complicated year, but there was no indication at that time of the magnitude of the recession that was developing. Canada's real Gross National Product declined by 5.3 per cent for the year – a sharp contrast to the 3.6 per cent average increase recorded over the past decade.

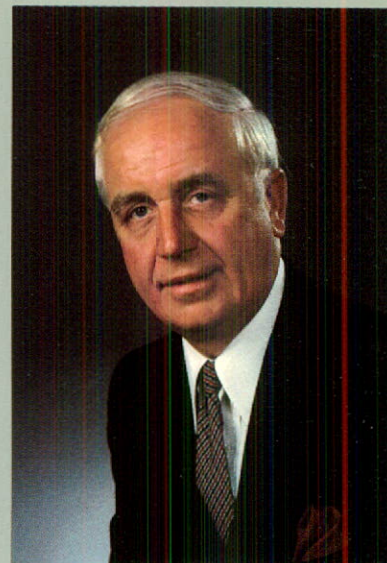
As the recession deepened through the year the reaction of the majority of the company's customers was to make drastic cutbacks in spending on new capital equipment and to restrict all non-essential purchases. In national terms for Canada, this development has resulted in a decline of more than 15 per cent in capital investment, a drop far in excess of the numbers indicated by investment intention surveys taken at the end of 1981.

As this trend became apparent, and with it little likelihood of early recovery, management moved quickly to introduce belt-tightening measures designed to lower operating costs, but not at the expense of our ability to respond should the economy turn around. These measures included:

- A reduction in the size of the work force. During 1981, in recognition that business conditions were tightening, employment was reduced from an initial 1,748 to 1,601 at year's end, and then reduced by a further 445 employees throughout 1982 to a final level of 1,156.
- A reduction in the number of branch premises. This was brought about by the elimination of branch operations in certain marginally profitable geographical locations, but more importantly by the consolidation of operations within some of the major metropolitan areas.
- Stringent control of all selling and administrative expenses. All variable costs, including compensation at all levels, were subjected to scrutiny and substantial downward pressure.

As a result of the foregoing initiatives, savings in selling and general administration expenses amounted to \$1,937,000, a reduction of 6.4%. In addition, tight asset control, with particular emphasis on accounts receivable coupled with the lower volumes and, in the latter part of the year, a lower trend in interest rates, resulted in a reduction of almost \$1,000,000 of interest cost.

The economic climate added to the cost of doing business in the area of collections, with bad debts write-offs this year being slightly more than double that of 1981, but still in all the charge was less than 1/2 of 1% of gross revenue. Inventory turnover problems were accentuated by the low volumes, but the size of the inventory was down and there has been no material deterioration of quality.



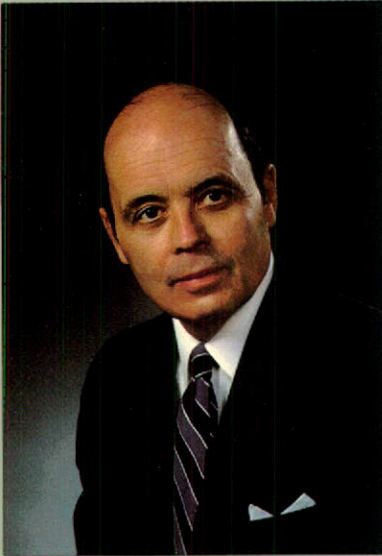
Gross margins were down slightly, the result of more competitive pricing, and pre-tax profit margins dropped from 8.0% to 4.6% due to the sharp decline in gross revenue. Thus, the profitability that was achieved was due in large part to the above-mentioned savings in selling and general administrative expenses and the significant drop in interest expense.

While 1982 was characterized by the sharp decline in gross revenue and the resulting decrease in net profit, the redeeming feature is the exceptionally strong balance sheet which is the product of the lower volume. The highlights are that equity is now greater than 50% of total assets and represents more than two thirds of the total capitalization including short term bank indebtedness. Bank indebtedness itself was below the \$10 million mark at the year end, the lowest it has been since 1976. Total assets have decreased by \$10.6 million since last year, bringing the total from \$134.4 million to \$123.8 million, and included in this latter figure is \$2 million of assets acquired July 1st in the purchase of the industrial lift truck division of City Machinery Limited, Winnipeg. The decrease is entirely attributable to accounts receivable which are down by \$8.4 million and inventories which are down \$3.7 million.

Additions to fixed assets totalled \$3.7 million, of which more than \$2.5 million related to land, buildings and leasehold improvements. This was primarily the purchase or modification and expansion of existing premises in order to vacate leaseholds and consolidate branch premises.

Shareholders' equity per common share at the year end amounted to \$7.10, up from \$6.90 the previous year.

Although the western operations of Wajax Industries Limited, comprising British Columbia and Alberta, were adversely affected by the seriously depressed state of the forest and base metal industries, the decline was not as severe as in Eastern Canada. The results were assisted by record deliveries of coal mining equipment, particularly in the new Tumbler Ridge coal fields in north-eastern British Columbia and also by the continuity of good mining equipment results from Alberta particularly those associated with the Tar Sands.



The operations of the Waterous Power Products Group covering Alberta, north-western British Columbia, Yukon and part of the North West Territories, produced sharply lower results as demand for new diesel engines and parts fell off steeply.

The principal markets served by Waterous – equipment involved in oil patch development and operation, trucking, and general construction – were all in a state of general decline. In view of the likelihood of slow business activity continuing in the northern Alberta area, it was decided to close the Edmonton West End truck shop and consolidate its operations with those in the southern section of the city. The building vacated was turned over to Wajax Industries.

The Eastern Region results of Wajax Industries were sharply down as demand fell in all of the major market areas, particularly in the mining division, an area of great strength in previous years.

A major restructuring of the Toronto and Montreal facilities was undertaken during the year, whereby two major facilities, one in Montreal and one in Toronto, were vacated and sub-let and the relevant divisions were consolidated with existing units in these cities.

We are confident that these moves will enhance efficiency as well as reduce overhead, and will have a significant impact on results in 1983.

The Fire Control Group results declined from the record levels attained in 1981, but were still the second best on record. Outstanding results were obtained from the Pump Division while the Hose Division suffered a sharp decline as demand for building hose slackened.

The Utility Equipment and Crane Division's performance declined as domestic demand both from the utility sector and the construction sector contracted sharply. Export shipments remained at a relatively high level. A significant development for this unit was the award of an order for 180 military truck cranes of Palfinger design to be supplied to the Canadian Armed Forces, mounted on Bombardier 2½ ton trucks. It is believed that our success in this instance may help us in obtaining similar, but larger orders from U.S. military establishments.

Although the main emphasis of management during the year under review was keeping on top of the diversified operations of Wajax as they coped with the recession, nevertheless we did not turn away from investigating logical acquisition opportunities. Although no major acquisitions were made during the year, three small developments were undertaken that could be of assistance to the growth of existing operating units. These were:

- The purchase of the industrial lift truck division of City Machinery Limited, Winnipeg. This business is now being carried on by our principal distributing subsidiary, Wajax Industries Limited, from premises previously occupied by City Machinery in Winnipeg and Saskatoon. The existing distribution operations of Wajax in these centres, comprising principally mining equipment, utility equipment and cranes, have been consolidated with our Materials Handling Division in the former City Machinery premises.

Concurrently with this acquisition, Wajax assumed the distributorship for Manitoba and Saskatchewan of the materials handling products of Hyster Canada Limited and certain other manufacturers previously represented by City Machinery. With respect to Hyster, the Wajax territory now comprises the whole of Canada, except Newfoundland.

- The procurement of the Quebec franchise for the Champion road grader line. Manufactured by Champion Road Machinery Limited of Goderich, Ontario, this is the only equipment of its kind made in Canada, enjoying a dominant position in the market.
- The acquisition of the fire hose manufacturing business of American Biltrite (Canada) Limited, which, along with all production machinery and equipment, includes the rights and design approvals to a fully developed product line of municipal and industrial fire hose. These well respected products are now being produced at Niedner Limited's plant in Coaticook, Quebec.

A source of great encouragement to management and to your Directors has been the response of employees at all levels to the difficulties and to the challenge presented by these troubled times. To all of these, we express our heartfelt gratitude on behalf of the shareholders and of the Board.

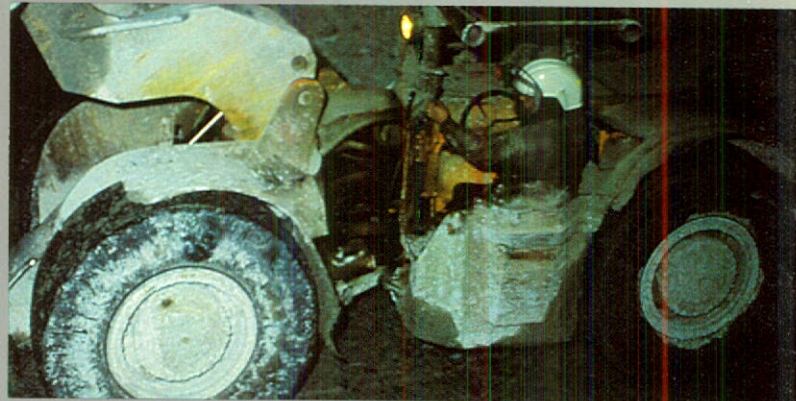
Although Canadian economic developments in the early part of 1983 hardly constitute grounds for general optimism about the balance of the year, we incline to the view that we are seeing the bottom of the recession and that the worst may be behind us. We firmly believe that Wajax is well positioned to take advantage of any improvement in the wide range of market areas it serves.

On behalf of the Board,

R.W. Chorlton
Chairman and Chief Executive Officer.

Ian B. Campbell
President and Chief Operating Officer.

Areas of Involvement



Steel

Slurry Pumps
Rubber Screens
Conveyors
Hydraulic System
Components &
Transmissions
Steam Turbines
Ventilating Systems
Industrial Vacuum Systems
Water & Lubricating Pumps
Straddle Carriers
Straddle Cranes
Yard Cranes
Truck Mounted Cranes
Fork Lift Trucks
Bearings and Oil Seals

Fire Control

Forest Fire Fighting Hand
Tools
Weather Instruments
Portable & Stationary High
Pressure Forestry Fire
Pumps
Back Pack Hand Pumps
Hydraulic Portable Rescue
Tools
Trailer Mounted Tankers
Forestry, Industrial &
Petrochemical Hose
Rural Fire Control Kits
Air Bags

Marine

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



Mining, Petroleum & Gas

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





Utility & Municipal

Service Line Trenchers
Road Graders
Digger Derricks
Truck Mounted Cranes
Hydraulic Tools
Hydraulic Cable Stringers
Hydraulic System
Components &
Transmissions
Aerial Work Platforms
Aerial Devices
Utility Truck Bodies
Industrial Vacuum Trucks
Diesel Engines &
Transmissions

Construction

Ditchers/Cable Layers
Fork Lift Trucks
Concrete & Mortar Mixers
Heaters, Vibrators,
Compactors, Trowels,
Rollers
Truck Mounted Telescoping
Cranes
Truck Mounted Articulating
Cranes
Road Graders
Blast Cleaning Systems
Hydraulic System
Components &
Transmissions
Aerial Work Platforms
Generators
Expansion Joints
Ventilating Systems
Industrial Vacuum Trucks
Diesel Engines &
Transmissions
Asphalt Recyclers



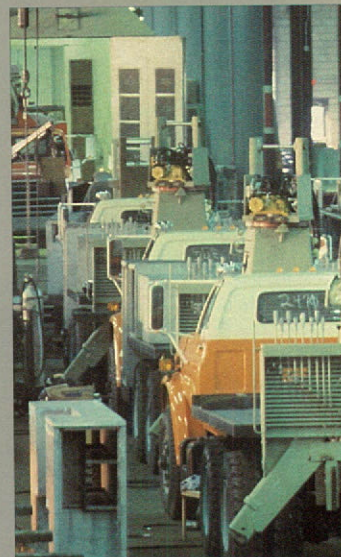
Forest Industries

Fire Fighting Equipment
Hydraulic Knuckle-Boom
Loaders
Jib Cranes
Truck Mounted Cranes
Tree Crushers
Debarkers
Road Graders
Electric Wheel Log Stackers
Fork Lift Trucks
Straddle Carriers
High Pressure Washing
Systems
Centrifugal & Metering
Pumps
Steam Turbines



Materials Handling

Belt & Chain Conveyors &
Drives
Fork Lift Trucks: Electric,
Propane, Gasoline, Diesel
Paper Roll Handlers
Container Handlers
Piggy-Back Handlers
Hydraulic System
Components &
Transmissions
Yard Cranes



Transportation

Bearings & Oil Seals
Diesel Engines &
Transmissions
Hydraulic System
Components &
Transmissions
Hydraulic Power Packs for
Flight Simulators
Truck Tractors
Jib Cranes & Straddle
Cranes
Truck Mounted Telescoping
Cranes
Truck Mounted Articulating
Cranes
Pallet Trucks
Industrial Vacuum Trucks

Locations



Yukon

- Whitehorse

British Columbia

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

Alberta

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

Saskatchewan

- Saskatoon

Manitoba

- Winnipeg

Ontario

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

Quebec

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

New Brunswick

- Saint John

Nova Scotia

- Dartmouth
- Sydney

Newfoundland

- Labrador City

United States

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

Operations Report

The operations of the Wajax group are conducted through the following principal subsidiaries:

Wajax Industries Limited is the principal equipment distribution unit and is subdivided as between the West (Alberta, B.C., and Yukon) and the East (the rest of Canada). Milling Division is a small manufacturing unit within Wajax Industries Limited.

Waterous Power Products Group holds the Detroit Diesel Allison franchise for Alberta, Yukon and part of the NWT, and comprises Waterous GM Diesel Limited based in Edmonton and Waterous Power Products Limited based in Calgary.

Wajax UEC Limited (Utility Equipment & Cranes) is the company's largest manufacturing unit, located in Markham, Ontario. Its domestic sales are handled by Wajax Industries Limited, but a significant production component is directed overseas through the unit's own export department, Wajax International.

Fire Control Group includes four manufacturing units: Wajax Manufacturing Limited and Wajax Pacific Fire Equipment Inc. producing fire pumps and accessories at Montreal, Quebec and Seattle, Washington, respectively; and Niedner Limited and Niedner Inc. manufacturing fire hose at Coaticook, Quebec and Colebrook, New Hampshire respectively. In Canada these products are distributed through Wajax Industries Limited as well as independent dealers, and in export markets by a wide distributor network including Wilco Fire Equipment Inc. of Portland, Oregon.

Elvins Equipment Sales Limited performs a vital sales and service function for diesel engines and truck tractors in Whitehorse, Yukon.

National Bearings Limited is a specialized distributor of ball and roller bearings, oil seals and power transmission products covering Quebec and part of Ontario through a network of small branches.

Affiliated Engineering Equipment Limited of Montreal, the company's most recent acquisition, is a leading assembler and distributor of hydraulic apparatus and industrial process components.

Operations in 1982

Almost without exception, the company's operations in 1982 were severely affected by the collapse of demand for industrial equipment generally. In the past, when capital spending faltered, our overall profitability was sustained by increased parts sales as users maintained their older equipment in service: in the current situation, however, much of this equipment is lying idle and therefore does not even require spare parts.

To cite one of our major markets, materials handling, for which we have fairly accurate statistical data, we reported last year a 22% decline in the total Canadian market for fork lift trucks in 1981 as compared with 1980. The total for 1982 represents a 58% decline from the 1980 level; a 68% decline from the 1979 level; and a 72% decline from that of the industry's best year, 1973.

Under conditions generally exemplified by the above, we are



Above: A Hyster S50E fork lift truck with 4-stage mast and carton handling attachment stacks freezers for warehousing.

not ashamed of a reduced level of profitability. Such profitability has been achieved only as a result of strenuous and dedicated effort at all levels to maximize sales and to reduce inventories, overhead and expenses.

Not all of our competitors have been able to remain in business under these conditions. This situation may give rise to opportunities for us to pick up additional profitable lines as and when the business climate begins to improve.

Wajax Industries Limited – East

Mining activity generally was at a low level, relieved only by some expansion in uranium at Elliot Lake, Ontario and a new potash development at Sussex, New Brunswick. Gold and silver producers received some stimulus from rising bullion prices toward the end of the year.

Significant orders processed by the Mining Division included a Voest-Alpine tunnelling machine delivered late 1982 (with three more to follow in 1983) and three Eimco 3.9 cubic metre electric load-haul-dump units, all for the Potash Corporation of America's Sussex mine, and two Reedrill rotary blast hole drills for the Detour Lake gold mine in north-east Ontario. Milling Division increased its sales of flexible screen decks to the Labrador iron ore range, and for

export, while new markets were developed for submersible pumps and torque converter conveyor drives. Four very large pieces of Marathon LeTourneau container handling equipment were sold for stevedoring operations in Halifax, Nova Scotia.

Operating in a severely truncated market as already noted, the Materials Handling Division experienced sharply reduced sales. It is to the credit of this Division, however, that it substantially outperformed the market generally, achieving increased market penetration. One very substantial order for 18 Hyster units was obtained in the Toronto area, and some comfort was afforded to our sales teams by the Hyster Company's introduction of a "no frills" line of fork lift trucks to compete with Japanese imports.

With the exception of its home base, Toronto, the Utility Equipment and Crane (UEC) Division was unable to generate tangible earnings in a severely depressed market. General Equipment showed some strength in Montreal, and made a contribution which would have been greater if not partly offset by losses in the severely depressed Atlantic region.

During the year, steps were taken to consolidate all the Toronto operations of Wajax Industries Limited (except Milling Division) at the company's plant in Mississauga. Space thus vacated at the Woodbine Avenue premises in Markham was occupied by Milling Division, enabling us to sub-lease the entire building on Steelcase Road and to effect substantial savings in personnel and occupancy costs.

In Montreal, the company purchased an industrial building adjacent to its existing Cote de Liesse premises, which had previously been leased in part by Wajax Manufacturing Limited. As a result, it was possible to expand the operations of Wajax Industries Limited to accommodate the newly acquired Champion grader line, and to consolidate the UEC activity previously carried on at a separate plant in Laval.

The acquisition of City Machinery's materials handling business in Winnipeg and Saskatoon provided further opportunities for rationalization of premises. Operations in both cities have been consolidated and one building owned by the company in Winnipeg has been sold.

Wajax Industries Limited – West

For most of our markets in Alberta and British Columbia, 1982 saw a rapid acceleration of the downturn begun in 1981, attaining proportions more dramatic than anyone had foreseen. Forest industries in B.C. in particular were severely depressed, while gas and oil activity in Alberta remained stagnant. Base metal mining, which is frequently counter-cyclical, was also at a low ebb.

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Materials Handling improved its percentage of market, but even so, orders were down to a mere trickle. The waterfront, lumber, transportation and manufacturing industries alike showed little sign of life.

The blackest commodity in the region was also the brightest – coal. The Quintette development at Tumbler Ridge in northeastern British Columbia contributed orders for five Demag H-241 hydraulic excavators as well as four



Marathon LeTourneau L800 electric wheel loaders. Other similar equipment was ordered for coal mining operations at Elkhorn, B.C. and Gregg River, Alberta.

In spite of reduced activity in the Beaufort Sea, Marconaflo high-powered water jet machines were sold for the construction of drilling islands in that area, and at the Roberts Bank bulk handling terminal near Vancouver, torque converter drives for new conveyor installations were ordered to a significant value.

Premises vacated by Waterous GM Diesel Limited in Edmonton were occupied by Wajax Industries, providing a much-needed upgrade for this company's important Edmonton branch.

Waterous Power Products Group

Oil and gas are the lifeblood of the Albertan economy and neither of these was spurting forcefully in 1982. The market for Detroit Diesel Allison engines and transmissions is not linked with exploration and development only, but with much of the peripheral spinoff from that activity. With this severe reduction in the demand for its products, the Power Products Group entered a retrenchment phase which was successful in preserving a measure of profitability. The separate truck shop opened three years ago in Edmonton was closed and the premises made available to Wajax Industries Limited. Both in Edmonton and Calgary, the work force was sharply reduced, and inventories trimmed.



Left: A Wajax Mark 3 pump system powers this fire break cooling jet at a forest fire near Geraldton, Ontario.

Opposite Page: Two Detroit Diesel Model 6-71 engines, twinned through a 1 : 1 gearbox and Allison torque converter, provide a total of 475 horsepower for this Alberta drilling rig.

Wajax UEC Limited

Manufacturing operations being more than ordinarily sensitive to variations in throughput, 1982 was an extraordinarily difficult year for this unit. Operating budgets were revised downward four times during the first and second quarters as the distribution group encountered an absolutely flat domestic market.

Gross margins suffered badly as competitors dropped prices to unload inventories. Fortunately, export sales sustained modest plant loading, but here again margins were under severe pressure as competitive manufacturers struggled for production volume.

Direct expense was reduced as a result of plant shut-downs totalling ten weeks (four of which were attributable to a strike), but this in turn gave rise to considerable unabsorbed overhead. We took advantage of the slow-down to upgrade tooling and streamline administrative systems.

During the year, export marketing was rationalized by consolidating Wajax International's operations with those of Wajax UEC. Vigorous promotion by the export group resulted in continuing sales to Saudi Arabia, largely related to the vast telecommunications projects in that country, and in the development of new markets in Latin America and the Caribbean.

The most significant marketing developments were a substantial order for VIVA® cranes to the specifications of

the Canadian Armed Forces, and the acceptance of related equipment for testing by the U.S. Department of Defense. These applications of our product have the potential to generate large volumes of profitable business, coupled with manageable rates of production.

Wajax UEC did well to finish the year with a positive profit contribution.

Fire Control Group

Volume and profit for the Fire Control Group were down from 1981 levels, but the decline was less severe than in other fields. Major fires were experienced during the year in Western Canada and the North West Territories, and in June the Niedner plant operated 24 hours a day, 7 days a week, to meet the tremendous emergency demand for forest fire hose.

Export markets were broadened with the acquisition of new business in Malaysia, New Zealand and Korea, as well as traditional shipments to Latin American and African countries.

Research and development programs resulted in the introduction of the following:

- Our own state-of-the-art lightweight hydraulic portable rescue tool, powered by a specially adapted Rotax engine.
- A new Mark 40D portable fire pump powered by a Deutz air-cooled diesel engine.

- An exclusive new line of diecast aluminum alloy instantaneous forest fire hose couplings.

In addition, Wajax Manufacturing completed in-plant testing of a lightweight Mark 4 portable fire pump, designed as a replacement for the Mark 3 which has been the standard of forest fire services world wide for over twenty years. Prototypes of the new model are now under production for field evaluation in 1983.

As noted earlier, Wajax has purchased the St-Laurent (Montreal) building previously occupied in part by Wajax Manufacturing on a long term lease. This acquisition, which provides ample scope for future expansion, has facilitated modernization of the Wajax Manufacturing plant and the transfer of some manufacturing operations formerly carried on at Wajax Pacific in Seattle.

An operational acquisition of some significance was that of American Bilrite (Canada) Limited's fire hose manufacturing business. The Bilrite line of industrial hose, formerly manufactured in Sherbrooke, Quebec, complements existing production to establish Niedner Limited as a full range hose manufacturer.

Elvins Equipment Sales Limited

The Yukon economy was hard hit by the recession, and with it the trucking industry which constitutes the principal market for this sales and service outlet in Whitehorse. Under these conditions the unit's performance was gratifying, as it maintained a positive contribution in spite of reduced volume.

National Bearings Limited

The ball and roller bearing market is characterized by high volumes and low margins, and a relatively minor shortfall in projected sales exerts a powerful leverage upon profitability. While economies were effected to meet these conditions, including the closing of one satellite branch in the Montreal area, the total overhead could not be absorbed and in consequence National did not quite break even. For 1983, diversification into the power transmission field is planned, with a view to broadening the market base.

Affiliated Engineering Equipment Limited

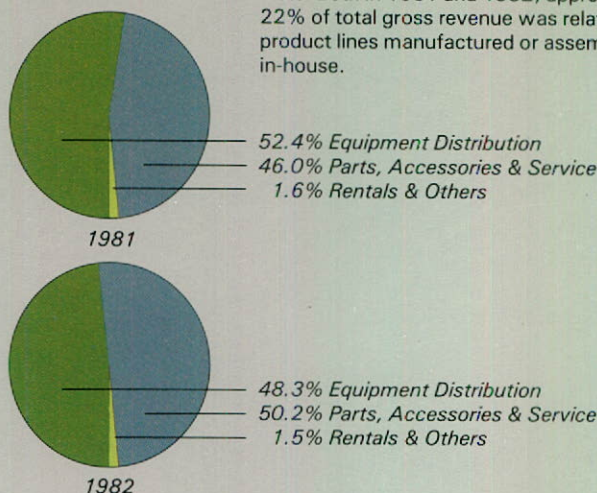
Affiliated had a most frustrating year, in that it operates on the periphery of a number of high technology industries, all of which have great potential but none of which actually took off in 1982.

The unit has expertise and represents first rank suppliers of pumps with special characteristics to meet the varied requirements of the petrochemical industry, food processing and the pulp and paper industry. Hydraulic power packs for drilling rigs and heat exchangers for solar heating systems are further examples of Affiliated's wide ranging involvement in technological development.

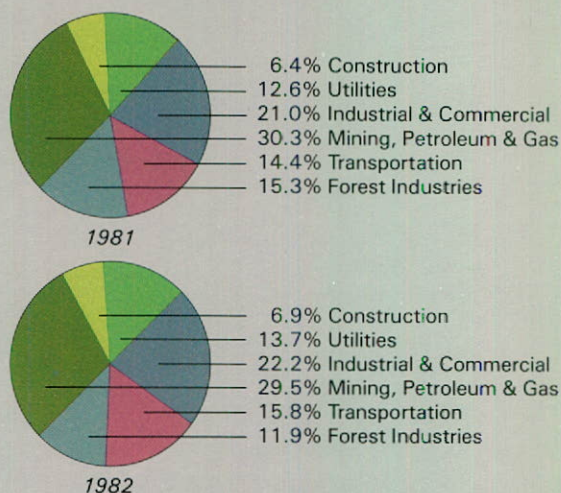
As part of the company's overall rationalization of premises and space, Affiliated's Toronto operation was moved into the Mississauga plant, and other economies effected. In spite of reduced sales volume, the unit's operations for the year approached a break-even.

Gross Revenue by Sales Category

Note: Both in 1981 and 1982, approximately 22% of total gross revenue was related to product lines manufactured or assembled in-house.

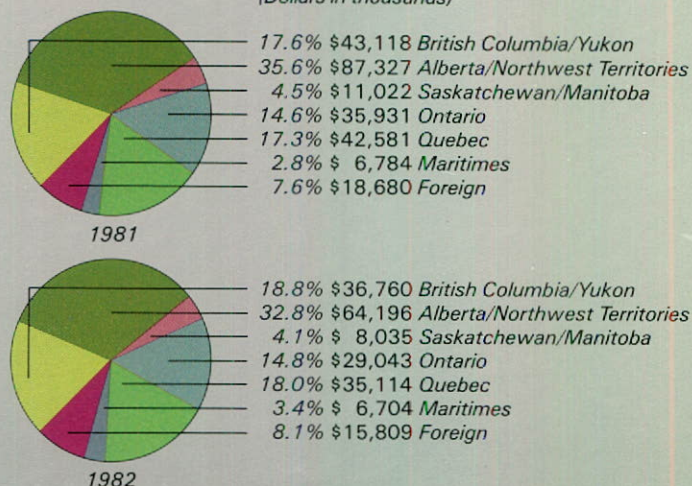


Approximate Breakdown of Gross Sales by End Use Market



Gross Sales by Geographical Area

(Dollars in thousands)



Consolidated Statement of Earnings

for the year ended December 31

(Dollars in thousands)	1982	1981
Gross revenue	\$195,661	\$245,443
Cost of sales	154,150	190,480
Gross profit	41,511	54,963
Selling and administrative expenses	28,120	30,057
Interest expense	4,318	5,284
	32,438	35,341
Earnings before income taxes	9,073	19,622
Income taxes	3,269	8,512
Net earnings	\$ 5,804	\$ 11,110
Net earnings attributed to:		
Preferred shares	\$ 1,285	\$ 1,302
Common shares	4,519	9,808
Net earnings	\$ 5,804	\$ 11,110
Basic earnings per common share – Note 2	\$0.65	\$1.42

Consolidated Statement of Retained Earnings

for the year ended December 31

(Dollars in thousands)	1982	1981
Retained earnings at beginning of year	\$ 37,470	\$ 30,979
Net earnings	5,804	11,110
	43,274	42,089
Dividends – Note 3	4,640	4,619
Retained earnings at end of year	\$ 38,634	\$ 37,470

Consolidated Balance Sheet as at December 31, 1982

Wajax Limited

(Incorporated under the Canada Business Corporations Act)

(Dollars in thousands)	1982	1981
Assets		
Current		
Accounts and notes receivable	\$ 29,859	\$ 38,298
Inventories	74,072	77,819
Prepaid expenses	267	372
Deferred income taxes	139	437
	<u>104,337</u>	<u>116,926</u>
Fixed – Note 4		
Fixed assets	26,568	23,393
Less accumulated depreciation	9,350	8,181
	<u>17,218</u>	<u>15,212</u>
Other		
Unamortized debenture issue expenses	282	303
Goodwill	1,965	1,984
	<u>2,247</u>	<u>2,287</u>
	<u>\$123,802</u>	<u>\$134,425</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, 1982 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.

(Dollars in thousands)	1982	1981
Liabilities		
Current		
Bank indebtedness – Note 5	\$ 8,893	\$ 19,534
Accounts payable and accrued liabilities	27,299	26,526
Income and other taxes payable	1,705	3,697
	<u>37,897</u>	<u>49,757</u>
Long-term debt – Note 6	19,850	20,300
	<u>57,747</u>	<u>70,057</u>
Shareholders' Equity		
Capital stock – Note 7	27,421	26,898
Retained earnings	38,634	37,470
	<u>66,055</u>	<u>64,368</u>
	<u>\$123,802</u>	<u>\$134,425</u>

Peter Paul Lunn

Director

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1982 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 18, 1983

Chartered Accountants

Consolidated Statement of Changes in Financial Position

for the year ended December 31

(Dollars in thousands)	1982	1981
Source of funds		
From operations		
Net earnings	\$ 5,804	\$ 11,110
Items not requiring an outlay of funds		
Depreciation	1,742	1,585
Amortization of other assets	40	40
	<u>7,586</u>	<u>12,735</u>
 Working capital of subsidiary at date of acquisition	 —	 770
Sale of fixed assets	—	1,649
Issue of common shares	523	613
	<u>8,109</u>	<u>15,767</u>
 Application of funds		
Acquisition of subsidiary	—	909
Purchase of fixed assets	3,748	5,304
Decrease in long-term debt	450	450
Dividends	4,640	4,619
	<u>8,838</u>	<u>11,282</u>
(Decrease) increase in working capital	<u>\$ (729)</u>	<u>\$ 4,485</u>
 Working capital at end of year	 <u>\$66,440</u>	 <u>\$67,169</u>

Notes to the Consolidated Financial Statements

December 31, 1982

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 are translated into Canadian dollars at the rates prevailing at the balance sheet date and any 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. Goodwill arising from acquisitions subsequent to 1973 is being amortized over the expected period of benefit, not to exceed forty years.

Class of business

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 by dividing net earnings attributed to common shares by the weighted average number of shares outstanding during the year of 6,988,376 (6,908,980 – 1981).

There would have been no dilution in basic earnings per common share in 1982 had all the preferred shares been converted.

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)	1982	1981
Preferred shares	\$ 1,285	\$ 1,302
Common shares	3,355	3,317
	<u>\$ 4,640</u>	<u>\$ 4,619</u>

Notes to the Consolidated Financial Statements

December 31, 1982

4. Fixed assets

(Dollars in thousands)	1982	1981
Land and buildings	\$12,475	\$10,517
Less accumulated depreciation	1,224	1,117
	11,251	9,400
Equipment and leasehold improvements	14,093	12,876
Less accumulated depreciation	8,126	7,064
	5,967	5,812
	\$17,218	\$15,212

5. Bank indebtedness

Bank indebtedness is secured by a general assignment of book debts and \$13,509,000 of inventories (\$13,335,000 – 1981).

6. Long-term debt

(Dollars in thousands)	1982	1981
8 ³ / ₄ % Sinking Fund Debentures, Series A, maturing March 1, 1993	\$ 3,500	\$ 3,750
11 ³ / ₄ % Sinking Fund Debentures, Series B, maturing October 15, 1995	2,800	3,000
11 ¹ / ₄ % Sinking Fund Debentures, Series C, maturing October 1, 1999	14,000	14,000
	20,300	20,750
Less current portion included in accounts payable and accrued liabilities	450	450
	\$19,850	\$20,300

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 \$2,233,000 (\$2,278,000 – 1981).

7. Capital Stock

Issued and fully paid:

	Number of shares		Amount (Dollars in thousands)	
	1982	1981	1982	1981
\$1.86 Cumulative redeemable convertible preferred shares, Series A	690,387	699,200	\$16,198	\$16,405
Common shares	7,024,926	6,947,082	11,223	10,493
			\$27,421	\$26,898

The preferred shares are convertible into common shares of either class at any time prior to October 15, 1989 on a one-for-two 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 62.5% 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.

As at December 31, 1982 there were outstanding 7,024,926 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.

Notes to the Consolidated Financial Statements

December 31, 1982

7. Capital Stock — continued

Changes in capital stock during the year were as follows:

	Preferred	Common	
		Class A	Class B
Shares outstanding at beginning of year	699,200	5,885,773	1,061,309
Conversion of preferred shares to common shares	(8,813)	17,326	300
Options exercised	—	12,000	—
Stock dividends on Class B common shares	—	—	48,218
Net conversion of common shares between classes	—	191,658	(191,658)
Shares outstanding at end of year	690,387	6,106,757	918,169

Options, which expire five years after date of grant, are outstanding to purchase 120,300 unissued shares of the Company as follows:

	To Officers	To Other Employees
Options granted November 15, 1978 at \$4.50 per share	3,500	8,800
Options granted November 13, 1980 at \$10.80 per share	18,000	—
Options granted November 10, 1982 at \$9.80 per share	90,000	—
	111,500	8,800

8. Commitments

Long term lease commitments amount to \$10,301,000 in total.

The lease requirements for the next five years are:

1983	\$1,570,000
1984	1,373,000
1985	1,118,000
1986	898,000
1987	863,000

9. Employees' pension plan

The latest actuarial review of the employees' pension plan as at December 31, 1980, showed that there was no unfunded liability. Amendments in 1981 to improve the plan created an unfunded liability of \$1,316,000 which is being funded over fifteen years by annual payments, including interest, of \$121,000.

Eleven Year Summary

Years ended December 31

(Dollars in thousands except per share data)	1982	1981	1980	1979
Earnings & Dividend Information				
Gross Revenue	\$195,661	\$245,443	\$236,565	\$193,935
Pre-tax Earnings	\$ 9,073	19,622	16,552	12,527
After Tax Earnings	\$ 5,804	11,110	9,241	7,031
Dividends Declared – Preferred	\$ 1,285	1,302	280	–
– Common	\$ 3,355	3,317	2,727	2,214
Depreciation	\$ 1,742	1,585	1,507	1,192
Funds Generated From Operations	\$ 7,586	12,735	10,789	8,461
Per Common Share Information (Note 1)				
Basic Earnings (Note 2)	\$.65	1.42	1.32	1.05
Dividends Paid (Note 3)	\$.48	.48	.40	.33
Equity	\$ 7.10	6.90	5.94	5.01
Balance Sheet Information				
Working Capital	\$ 66,440	67,169	62,684	42,897
Fixed Assets – Net	\$ 17,218	15,212	13,003	9,828
Long Term Debt	\$ 19,850	20,300	20,750	21,200
Shareholders' Equity	\$ 66,055	64,368	57,264	33,893
Total Assets	\$123,802	134,425	133,636	112,755
Rates of Return				
Pre-tax Earnings as a % of:				
Gross Revenue	4.6	8.0	7.0	6.5
Total Assets (average)	7.0	14.6	13.4	13.0
After Tax Earnings attributable to				
Common Shares as a % of				
average Common Share Equity	9.2	22.1	24.0	22.6
Other Information				
Number of Employees	1,156	1,601	1,748	1,742
Number of Shareholders	1,391	1,924	1,947	1,492
Shares Outstanding (Note 1)				
Preferred	690,387	699,200	700,000	–
Common	7,024,926	6,947,082	6,876,030	6,762,706
Weighted average number of				
Common Shares outstanding (Note 1)	6,988,376	6,908,980	6,812,456	6,709,278
Price Range of Shares (Notes 1 and 4)				
Preferred	\$25 – 16 ¹ / ₂	\$29 – 20	\$28 – 24	–
Common	\$12 – 7 ³ / ₈	\$14 – 9 ¹ / ₂	\$12 ¹ / ₂ – 8 ¹ / ₄	\$9 ¹ / ₈ – 5 ³ / ₄

Notes:

1. All data relating to common shares have been adjusted to reflect two-for-one stock splits in 1972, 1977 and 1981.
2. Per share earnings are based on the average number of common shares outstanding during the year, adjusted for stock splits as noted above. These and other per share items rounded to the nearest cent.

35% 1978	37% 1977	40% 1976	1975	1974	1973	1972
\$137,167	\$107,067	\$96,584	\$93,369	\$83,965	\$62,426	\$50,327
9,010	8,303	7,734	7,955	6,793	3,928	2,920
5,224	4,730	4,059	4,050	3,303	1,950	1,518
-	-	-	-	-	-	-
1,838	1,752	1,610	1,365	981	767	435
720	621	512	503	335	246	202
5,996	5,363	4,578	4,564	3,768	2,267	1,624
.80	.73	.63	.70	.59	.35	.29
.35	.26	.25	.21	.16	.13	.07
4.26	3.72	3.27	2.89	2.47	2.06	1.84
27,788	26,853	24,585	22,362	14,699	12,692	10,174
5,965	3,973	3,438	3,390	2,641	1,911	1,482
7,650	8,100	8,300	8,500	4,500	4,500	2,775
28,396	24,183	21,071	18,607	13,858	11,520	10,261
79,942	58,107	49,209	45,461	43,235	34,709	27,092
6.6	7.8	8.0	8.5	8.1	6.3	5.8
13.1	15.5	16.3	17.9	17.4	12.7	11.6
19.9	20.9	20.5	25.0	26.0	17.9	17.0
1,407	1,146	1,105	1,125	1,007	823	799
1,519	1,542	1,560	1,600	1,485	1,447	1,152
-	-	-	-	-	-	-
6,663,640	6,493,640	6,437,668	6,430,868	5,606,584	5,598,184	5,562,984
6,535,398	6,476,122	6,436,468	5,788,036	5,604,456	5,573,628	5,154,812
-	-	-	-	-	-	-
\$6 ¹ / ₄ - 4 ⁵ / ₈	\$5 ¹ / ₈ - 3 ¹ / ₈	\$3 ³ / ₄ - 3	\$3 ¹ / ₂ - 2 ¹ / ₄	\$3 - 2 ¹ / ₄	\$3 ⁵ / ₈ - 2 ³ / ₈	\$3 - 1 ³ / ₄

3. As a result of the alignment of dividend payment dates with the calendar quarters, five dividends of 7¢ per share (adjusted) were paid in 1978. On a regular quarterly dividend basis, however, the indicated annual rate for that year was 28¢ per share.

4. Price ranges rounded to the nearest ¹/₈ dollar.

Corporate Information

Directors

- * R. W. CHORLTON
*Chairman of the Board and Chief Executive Officer,
Wajax Limited*
- * IAN B. CAMPBELL
President and Chief Operating Officer, Wajax Limited
- P. R. GENDRON, C.C.
Corporate Director
- GOWAN T. GUEST
*Partner, Owen, Bird,
Barristers & Solicitors*
- † DEREK A. HANSON, Q.C.
*Partner, Clarkson, Tétrault,
Barristers & Solicitors*
- F. G. HARVEY
Vice President & Secretary, Wajax Limited
- THOMAS LOHNER, Dipl. Ing.
President, Trenaco AG
- H. W. MACDONELL, Q.C.
*Partner, McCarthy & McCarthy,
Barristers & Solicitors*
- * † PETER PAUL SAUNDERS
Chairman and President, Versatile Corporation
- * D. R. SOBEY
President, Empire Company Limited
- * D. C. H. STANLEY
Corporate Director
- * † D. L. TORREY
*President, Pitfield Mackay Ross
Limited, Investment Dealers*

Officers

- R.W. CHORLTON (57)
Chairman of the Board and Chief Executive Officer
- IAN B. CAMPBELL (54)
President and Chief Operating Officer
- F.G. HARVEY (65)
Vice President & Secretary
- P.G. SIMS (40)
Vice President, Treasurer and Chief Financial Officer
- J.A. CRAWFORD (51)
*Vice President – Eastern Distribution
(Resident: Toronto)*
- G.R. DONALDSON (48)
*Vice President – Western Distribution
(Resident: Vancouver)*
- R.H. GODFREY (53)
*Vice President – Mining Equipment
(Resident: Toronto)*
- B.W. SCOBIE (38)
Vice President – Manufacturing Group
- Y.L. THIBEAULT (43)
*Vice President – Power Products Group
(Resident: Edmonton)*

*Member of the Audit Committee

†Member of the Compensation Committee

Operating Subsidiaries

Distribution Group:

Wajax Industries Limited
Waterous GM Diesel Limited
Waterous Power Products Limited
Elvins Equipment Sales Limited
National Bearings Limited
Affiliated Engineering Equipment Limited

Manufacturing Group:

Wajax UEC Limited
Wajax International Limited
Wajax Manufacturing Limited
Wajax Industries Limited (Milling Division)
Niedner Limited
Wajax Pacific Fire Equipment Inc. — U.S.A.
Wilco Fire Equipment Inc. — U.S.A.
Wajax-Niedner Inc. — U.S.A.

Bankers:

Bank of Montreal
Bank of British Columbia
Royal Bank of Canada
Seattle-First National Bank

Registrars:

National Trust Company Limited

Transfer Agent:

Royal Trust

Legal Counsel:

Clarkson, Tétrault

Auditors:

Touche Ross & Co.

Stock Listings:

Montreal Stock Exchange
Toronto Stock Exchange

Head Office:

350 Sparks Street, Ottawa, Ontario K1R 7S8



Wajax Limited

350 Sparks Street, Ottawa, Ontario K1R 7S8