

ANNUAL REPORT 1983 WAJAX LIMITED







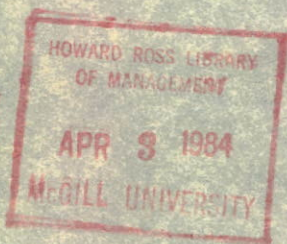


# WILSON, J. W.

Wilson, J. W. (1984). The role of the manager in the organization. In J. W. Wilson (Ed.), *The role of the manager in the organization* (pp. 1-10). New York: McGraw-Hill.

Wilson, J. W. (1984). The role of the manager in the organization. In J. W. Wilson (Ed.), *The role of the manager in the organization* (pp. 1-10). New York: McGraw-Hill.

Wilson, J. W. (1984). The role of the manager in the organization. In J. W. Wilson (Ed.), *The role of the manager in the organization* (pp. 1-10). New York: McGraw-Hill.





# 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 1983 gross revenue of \$198 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).





# Financial Highlights



## CONTENTS

Financial Highlights	1
Report to the Shareholders	2
Areas of Involvement	4
Locations	6
Statement of Earnings	7
Statement of Retained Earnings	7
Balance Sheet	8
Statement of Changes in Financial Position	9
Notes to the Financial Statements	10
Eleven Year Summary	14
Operations Report	15
Corporate Information	20

## ANNUAL MEETING OF SHAREHOLDERS

The Annual General Meeting will be held at the Sheraton Centre Hotel, Toronto, Ontario on Thursday, April 26, 1984 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.

	% Change	1983	1982
<b>Operations (thousands of dollars)</b>			
Gross Revenue	1.2	\$197,957	\$195,661
Net Earnings	2.2	5,930	5,804
<b>Financial Position (thousands of dollars)</b>			
Working Capital	(4.7)	\$ 63,294	\$ 66,440
Long-term Debt	(6.7)	18,525	19,850
Shareholders' Equity	2.6	67,742	66,055
<b>Per Common Share</b>			
Basic Earnings	1.5	\$ 0.66	\$ 0.65
Dividends	—	0.48	0.48
Equity	2.8	7.30	7.10

### Gross Revenue (Millions)

79	\$193.9
80	236.6
81	245.4
82	195.7
83	198.0

### Return on Common Share Equity (Per Cent)

79	22.6
80	24.0
81	22.1
82	9.2
83	9.2

### Net Earnings (Millions)

79	\$7.0
80	9.2
81	11.1
82	5.8
83	5.9

### Basic Earnings per Common Share (Dollars)

79	\$1.05
80	1.32
81	1.42
82	0.65
83	0.66

### Total Assets (Millions)

79	\$112.8
80	133.6
81	134.4
82	123.8
83	141.2

### Dividends Paid Per Common Share (Cents)

79	33¢
80	40¢
81	48¢
82	48¢
83	48¢

### Working Capital (Millions)

79	\$42.9
80	62.7
81	67.2
82	66.4
83	63.3

### Price Range Per Common Share (Dollars)

79	5¾-9½
80	8¼-12½
81	9½-14
82	7¾-12
83	10-16



## Report to the Shareholders



It is encouraging to report net earnings for 1983 of \$5,930,000 or 66 cents per common share, compared with \$5,804,000 or 65 cents per share for 1982. Fourth quarter volumes were up 20.6 per cent, resulting in net earnings of \$1,974,000 or 23 cents per share as against \$1,161,000 or 12 cents per share last year.

Second half earnings reflect a reversal of the year-long downward trend, with earnings 41.7 per cent ahead of the second half of 1982. It is noteworthy that this sharp improvement was attained on a gross revenue increase of only nine per cent. This arises from the lower base level of operating costs as well as the fact that demand began to pick up for higher margin spare parts.

The beginning of the year continued to reflect the severity of the recession which affected nearly all of the company's market areas. It was not until mid-year that the general business tempo picked up as the Canadian economy began to respond to the stimulus provided by dramatically improved economic conditions in the United States. Although the company's major market areas in natural resource based industries have not as yet felt significant improvement in demand, economic confidence began to re-emerge in the form of reduced money costs and a sharply reduced rate of inflation.

The financial condition of the company remains very strong and so dividends were maintained at the level paid for the previous year, namely 48 cents per Class A share, and equivalent stock dividends on the Class B shares total-

led .0339 share per Class B share held or approximately one new share for every 29½ shares held.

On page 19 of this report there is a chart illustrating the performance of Wajax common stock versus the Toronto Stock Exchange 300 Index in terms of the total cumulative rate of return from 1966 — the year Wajax was listed on the Toronto Stock Exchange — until the end of 1983. Total cumulative return is defined as the combined effect of dividend payments and capital appreciation, assuming that dividends were re-invested in the common shares. The chart illustrates the fact that for one hundred dollars invested in common shares of Wajax in 1966, an investor would have a total cumulative return of close to \$3,500 whereas for the Toronto Stock Exchange 300 index on the same basis the return would be about \$650.

The general business pick up in the second half of the year is reflected in the balance sheet with total assets amounting to \$141.2 million, up 14.1% over the previous year balance of \$123.8 million. Approximately half of this increase represents the assets relating to the two new operations which were acquired during the year. The balance sheet remains exceptionally strong with equity being 48% of total assets and 77% of total capitalization. The strength of the Company's financial position has been an important factor and will continue to play an essential role in the developing of plans for growth while maintaining stability and liquidity.

Fixed asset additions totalled \$5.0 million, of which approximately half related to land, buildings and leasehold improvements. Other than the new premises at Tumbler Ridge to service the coal fields in north-eastern British Columbia, the real estate additions were primarily a continuation of the move to purchase or to modify and expand existing premises in order to vacate leaseholds and consolidate operations. Other fixed asset additions were essentially for the purpose of modernizing systems and production equipment.

Shareholders' equity per common share amounted to \$7.30 at the year-end, up from \$7.10 the previous year.

From an overall operations viewpoint it is encouraging to observe that the sharp decline in demand for capital equipment, first seen in the first quarter of 1982, has bottomed out and recovery has begun in a number of the company's market areas. Additionally, because of the belt tightening measures undertaken last year we have been able to obtain improved bottom line performance from relatively small gross revenue gains.

The product groups showing the greatest improvement in profit performance were Materials Handling, Woodlands and Power Products, which all reacted favourably to some improvement in product mix and sharply lower operating costs.

The Mining Equipment Product Group as a whole obtained flat results with significant improvements in coal mining equipment being offset by the continuing low level of demand for equipment and spare parts in metal mining market areas.



The overall results from the Utility Equipment and Crane Groups, although flat, reflect the acquisition and subsequent reorganization costs relating to the Pitman Manufacturing unit in the United States, as noted below.

The Fire Control Equipment Group suffered a decline in earnings contribution as outstanding results from the Wajax Manufacturing Fire Pump Division were offset by poorer profit performance of the Niedner Fire Hose Division, which suffered from intensive price competition, particularly in the United States market.

The most noteworthy corporate development during the year was the acquisition effective June 1st of selected manufacturing and distribution assets of Pitman Manufacturing, a subsidiary of Emerson Electric Company of St. Louis, Missouri. Wajax has manufactured the Pitman product under licence for many years at its Wajax UEC plant in Markham, Ontario.

Following acquisition, the two operations were brought together under one management and both now function under the name of Pitman Manufacturing. The move has already begun to bring about significant economies of scale, rationalization in the manufacturing process and access to the large United States market through a countrywide network of dealers.

A much smaller, but potentially rewarding acquisition took effect in September when Wajax acquired all the outstanding shares of GAAM Pumps Pty. Limited, a leading Australian supplier of bush fire

fighting pumps and equipment. It is planned that the complete Wajax line of forest fire equipment will be aggressively marketed in the large Australian market commencing early 1984.

At the senior level of management a significant restructuring was carried out during the year which resulted in the following appointments:

- James A. Crawford as President of the newly formed Pitman unit, headquartered in Markham, Ontario.
- Richard H. Godfrey as Vice President, Corporate Marketing, resident in Ottawa.
- Bernard W. Scobie, resident in Ottawa, to remain as Vice President of all manufacturing operations, but in addition to assume a broader role in corporate development.
- Yvon L. Thibeault as Vice President, Eastern Operations of Wajax Industries Limited, based in Ottawa, with responsibility for all the company's Canadian distribution operations east of Alberta as well as continuing overall responsibility for the Power Products Group.

The Canadian economy as a whole has performed well during the past twelve months and the relatively fast growth rate appears to have influenced the February 15th Federal budget which holds close to the fiscal policy adopted in the budget ten months earlier. The greatest threat to Mr. Lalonde's forecast of five per cent real growth, falling unemployment and accelerating business capital expansion, is that the government's heavy cash requirements

may crowd out the financing of private sector activity and put upward pressure on interest rates.

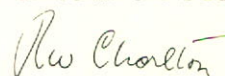
It is also regrettable that the new budget did not reinstate full capital cost allowance in the year of acquisition of new machinery and equipment as business capital spending continues to be a question mark in the recovery.

As we move into 1984 the outlook for improved earnings is promising, in part because we believe there will be an improvement in traditional markets served by Wajax and also because of structural changes effected in a number of our operating units.

The past two years have been very difficult ones for Wajax and it must be said that Wajax employees have performed in superb fashion. Their interest and dedication has been outstanding and we thank them for this most sincerely.

As this report was in preparation we were saddened by the passing of our colleague and friend, Dr. Pierre R. Gendron, C.C., F.R.S.C., F.C.I.C., who has served as a Director of your company since 1979. Dr. Gendron was an eminent Canadian and we were privileged to have him as a member of our Board; he will be sorely missed.

On behalf of the Board,



**R.W. Chorlton**

Chairman and Chief Executive Officer.



**Ian B. Campbell**

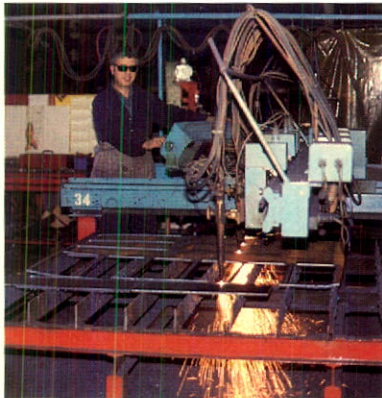
President and Chief Operating Officer.



## Areas of Involvement

### STEEL

Slurry Pumps  
Screens: Rubber  
Urethane  
Stainless Steel  
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



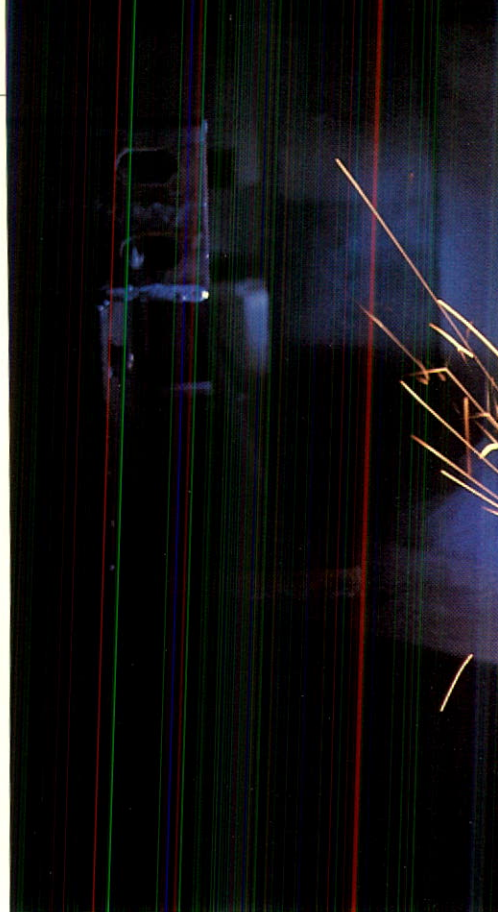
### FIRE CONTROL

Forest Fire Fighting Equipment  
Hose: Forestry  
Municipal  
Industrial  
Weather Instruments  
Portable & Stationery High Pressure Forestry Fire Pumps  
Back Pack Hand Pumps  
Trailer Mounted Tankers  
Rural Fire Control Kits

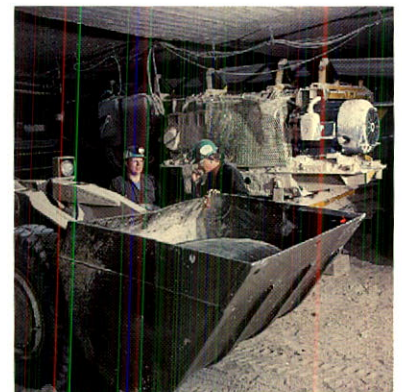


### MINING, PETROLEUM & GAS

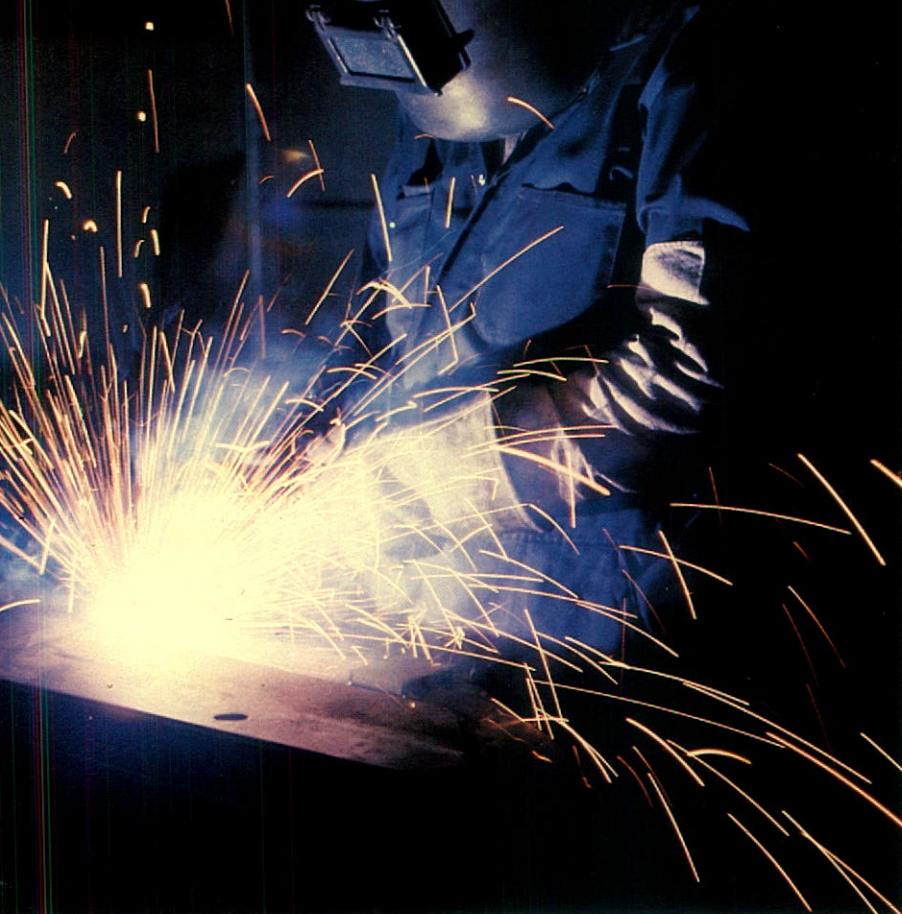
Mucking Machines  
Mine Cars  
Battery & Diesel Locomotives  
Load-Haul-Dump Units  
Electric Wheel Loaders  
Roadheading Machines  
Longwall Shearers  
Hydraulic Excavators  
Hydraulic Backhoes  
Belt & Chain Conveyors & Drives  
PVC Conveyor Belting  
Fluid Couplings  
Truck Mounted Cranes  
Yard Cranes  
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  
Impact Crushers  
Mineral Separation Jigs







Road Graders  
Electric Wheel Log Stackers  
Fork Lift Trucks  
Straddle Carriers  
High Pressure Washing Systems  
Centrifugal & Metering Pumps  
Steam Turbines

### **MATERIALS HANDLING**

Fork Lift Trucks: Electric, Propane, Gasoline, Diesel

Paper Roll Handlers  
Container Handlers  
Piggy-Back Handlers  
Yard Cranes  
Jib Cranes & Straddle Cranes

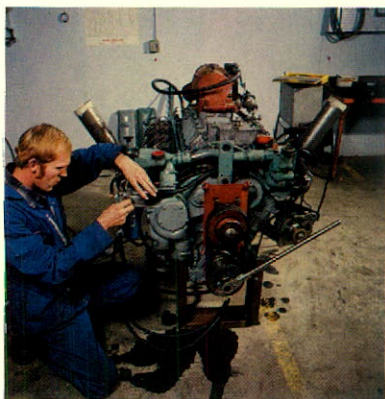
Truck Mounted Telescoping Cranes

Truck Mounted Articulating Cranes

Pallet Trucks  
Industrial Vacuum Trucks

### **TRANSPORTATION**

Bearings & Oil Seals  
Diesel Engines & Transmissions  
Truck Tractors  
Truck Mounted Cranes



### **UTILITY AND MUNICIPAL**

Service Line Trenchers  
Road Graders  
Digger Derricks  
Truck Mounted Cranes  
Hydraulic Tools  
Hydraulic Cable Stringers  
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  
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



# 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
- Thetford Mines
- Valleyfield

## NEW BRUNSWICK

- Saint John

## NOVA SCOTIA

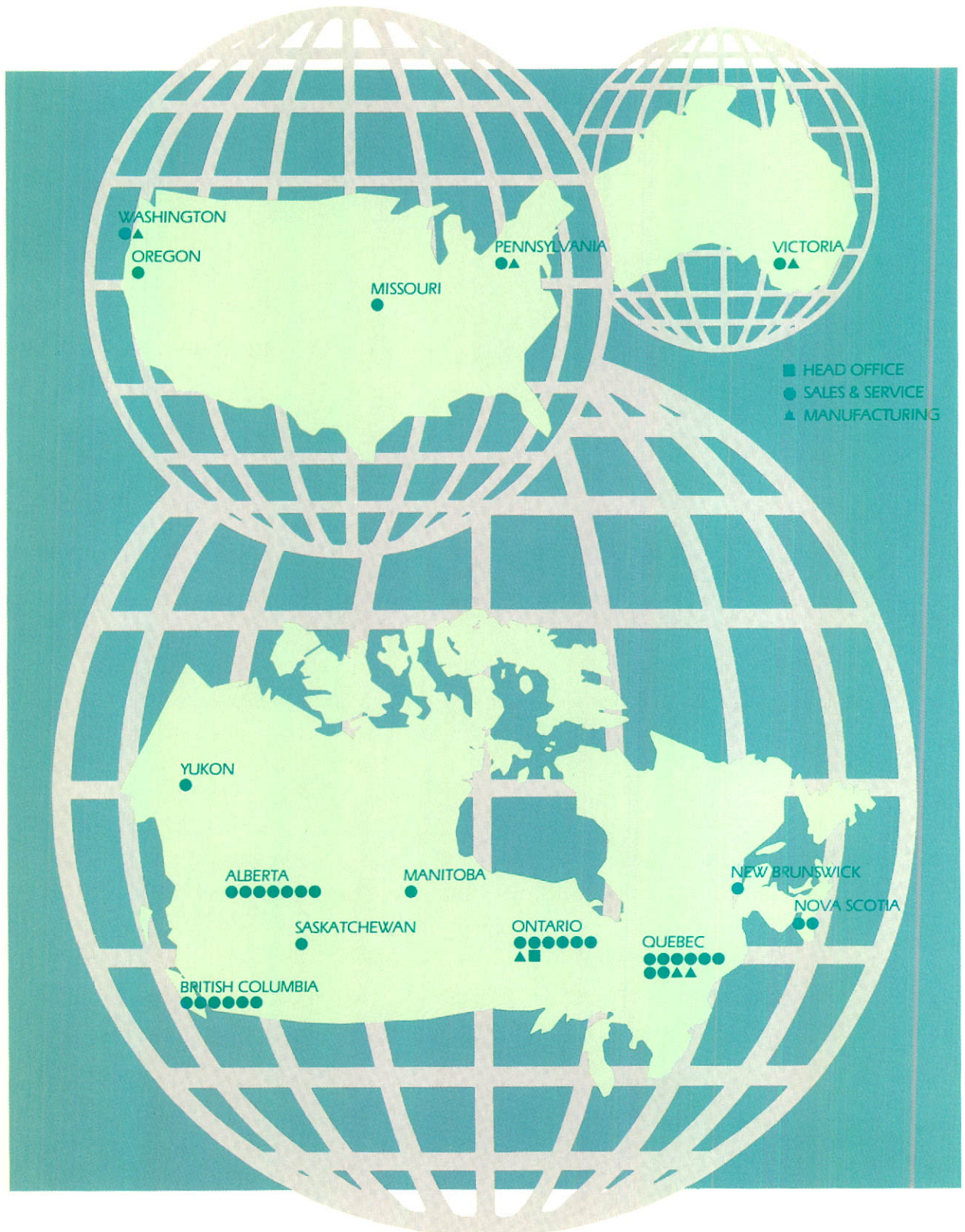
- Dartmouth
- Sydney

## UNITED STATES

- Portland, OR
- Seattle, WA
- York, PA
- Grandview, MO

## AUSTRALIA

- Melbourne, VICTORIA





For the year ended December 31  
(dollars in thousands)

<b>Consolidated Statement of Earnings</b>	<b>1983</b>	<b>1982</b>
Gross revenue	<b>\$ 197,957</b>	\$ 195,661
Cost of sales	<b>158,155</b>	154,150
Gross profit	<b>39,802</b>	41,511
Selling and administrative expenses	<b>27,275</b>	28,120
Interest expense	<b>3,119</b>	4,318
	<b>30,394</b>	32,438
Earnings before income taxes	<b>9,408</b>	9,073
Income taxes	<b>3,478</b>	3,269
Net earnings	<b>\$ 5,930</b>	\$ 5,804
Net earnings attributed to:		
Preferred shares	<b>\$ 1,284</b>	\$ 1,285
Common shares	<b>4,646</b>	4,519
Net earnings	<b>\$ 5,930</b>	\$ 5,804
Basic earnings per common share — Note 2	<b>\$0.66</b>	\$0.65

For the year ended December 31  
(dollars in thousands)

<b>Consolidated Statement of Retained Earnings</b>	<b>1983</b>	<b>1982</b>
Retained earnings at beginning of year	<b>\$ 38,634</b>	\$ 37,470
Net earnings	<b>5,930</b>	5,804
	<b>44,564</b>	43,274
Dividends — Note 3	<b>4,665</b>	4,640
Retained earnings at end of year	<b>\$ 39,899</b>	\$ 38,634



Wajax Limited  
(Incorporated under the Canada Business Corporations Act)

As at December 31, 1983  
(dollars in thousands)

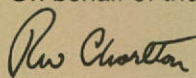
<b>Consolidated Balance Sheet</b>	<b>1983</b>	<b>1982</b>
<b>Assets</b>		
<b>Current</b>		
Accounts and notes receivable	\$ 38,085	\$ 29,859
Inventories	79,291	74,072
Prepaid expenses	462	267
Deferred income taxes	401	139
	<b>118,239</b>	<b>104,337</b>
<b>Fixed — Note 4</b>		
Fixed assets	30,763	26,568
Less accumulated depreciation	10,659	9,350
	<b>20,104</b>	<b>17,218</b>
<b>Other</b>		
Investment	662	—
Unamortized debenture issue expenses	262	282
Goodwill	1,945	1,965
	<b>2,869</b>	<b>2,247</b>
	<b>\$ 141,212</b>	<b>\$ 123,802</b>
<b>Liabilities</b>		
<b>Current</b>		
Bank indebtedness — Note 5	\$ 18,328	\$ 8,893
Accounts payable and accrued liabilities	34,150	27,299
Income and other taxes payable	2,467	1,705
	<b>54,945</b>	<b>37,897</b>
<b>Long-term debt — Note 6</b>	<b>18,525</b>	<b>19,850</b>
<b>Shareholders' Equity</b>		
Capital stock — Note 7	27,843	27,421
Retained earnings	39,899	38,634
	<b>67,742</b>	<b>66,055</b>
	<b>\$ 141,212</b>	<b>\$ 123,802</b>

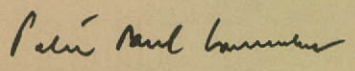


For the year ended December 31  
(dollars in thousands)

<b>Consolidated Statement of Changes in Financial Position</b>	<b>1983</b>	<b>1982</b>
<b>Source of funds</b>		
From operations		
Net earnings	\$ 5,930	\$ 5,804
Items not requiring an outlay of funds		
Depreciation	2,109	1,742
Amortization of other assets	40	40
	<b>8,079</b>	<b>7,586</b>
Working capital of subsidiary at date of acquisition	522	—
Issue of common shares	422	523
	<b>9,023</b>	<b>8,109</b>
<b>Application of funds</b>		
Acquisition of subsidiary	552	—
Investment	662	—
Purchase of fixed assets	4,965	3,748
Decrease in long-term debt	1,325	450
Dividends	4,665	4,640
	<b>12,169</b>	<b>8,838</b>
<b>Decrease in working capital</b>	<b>\$ 3,146</b>	<b>\$ 729</b>
<b>Working capital at end of year</b>	<b>\$ 63,294</b>	<b>\$ 66,440</b>

On behalf of the Board:

  
Director


  
Director

## Auditors' Report

The Shareholders  
Wajax Limited

We have examined the consolidated balance sheet of Wajax Limited as at December 31, 1983 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 include such tests and other procedures as we considered necessary in the circumstances.

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

  
Chartered Accountants

Ottawa, Ontario  
February 17, 1984



December 31, 1983

## Notes to Consolidated Financial Statements

### 1. Accounting policies

#### Principle of consolidation

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

#### Foreign currency translation

Assets and liabilities in foreign currencies are translated into Canadian dollars at the rates prevailing at the balance sheet date. Exchange gains and losses on completed transactions 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 and computer equipment	— 30%
Leasehold improvements	— straight-line over the expected term of lease

#### Other assets

The investment is recorded at cost and income is recognized as dividends are received.

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 7,041,886 (6,988,376 — 1982).

There would have been no dilution in basic earnings per common share in 1983 had all the preferred shares been converted.



December 31, 1983

## Notes to Consolidated Financial Statements

### 3. Dividends

(Dollars in thousands)	1983	1982
Dividends paid during the year were as follows:		
Preferred shares	\$ 1,284	\$ 1,285
Common shares	3,381	3,355
	<b>\$ 4,665</b>	<b>\$ 4,640</b>

### 4. Fixed assets

(Dollars in thousands)	1983	1982
Land and buildings	<b>\$14,108</b>	\$ 12,475
Less accumulated depreciation	<b>1,618</b>	1,224
	<b>12,490</b>	11,251
Equipment and leasehold improvements	<b>16,655</b>	14,093
Less accumulated depreciation	<b>9,041</b>	8,126
	<b>7,614</b>	5,967
	<b>\$20,104</b>	<b>\$ 17,218</b>

### 5. Bank indebtedness

Bank indebtedness is secured by a general assignment of book debts and \$17,938,000 of inventories (\$13,509,000 — 1982).



December 31, 1983

## Notes to Consolidated Financial Statements

### 6. Long-term debt

(Dollars in thousands)	1983	1982
8-¾% Sinking Fund Debentures, Series A, maturing March 1, 1993	\$ 3,250	\$ 3,500
11-¾% Sinking Fund Debentures, Series B, maturing October 15, 1995	2,600	2,800
11-¼% Sinking Fund Debentures, Series C, maturing October 1, 1999	14,000	14,000
	19,850	20,300
Less current portion included in accounts payable and accrued liabilities	1,325	450
	\$18,525	\$ 19,850

The debentures are secured by a floating charge on the assets of the Company. The annual sinking fund requirements are \$1,325,000.

Interest on long-term debt amounted to \$2,187,000 (\$2,233,000 — 1982).

### 7. Capital Stock

Issued and fully paid:	Number of shares		Amount (Dollars in thousands)	
	1983	1982	1983	1982
\$1.86 Cumulative redeemable convertible preferred shares, Series A	690,187	690,387	\$16,194	\$16,198
Common shares	7,065,827	7,024,926	11,649	11,223
			\$27,843	\$27,421

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. Had all the preferred shares been converted at January 1, 1983 the earnings per common share would have been \$0.70.

The preferred shares are non-redeemable prior to October 15, 1985, except in the period from October 15, 1983 to October 14, 1985 if the weighted average price of common shares during

thirty consecutive trading days immediately prior to any notice of redemption is not less than \$15.00. 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.



December 31, 1983

## Notes to Consolidated Financial Statements

As at December 31, 1983 there were outstanding 7,065,827 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:

	Preferred	Common	
		Class A	Class B
Shares outstanding at beginning of year	690,387	6,106,757	918,169
Conversion of preferred shares to common shares	(200)	400	—
Options exercised	—	19,300	—
Stock dividends on Class B common shares	—	—	21,201
Net conversion of common shares between classes	—	412,179	(412,179)
Shares outstanding at end of year	690,187	6,538,636	527,191

Options, to officers, which expire five years after date of grant, are outstanding to purchase 101,000 unissued shares of the Company as follows:

Options granted November 13, 1980 at \$10.80 per share	18,000
Options granted November 10, 1982 at \$9.80 per share	83,000
	101,000

### 8. Commitments

Long term lease commitments amount to \$9,409,000 in total.

The lease requirements for the next five years are:

1984	\$1,613,000
1985	1,271,000
1986	1,015,000
1987	948,000
1988	826,000

### 9. Employees' pension plan

The latest actuarial review of the employees' pension plan as at December 31, 1982, showed that the fund had a surplus. Amendments were made in 1983 to improve the plan by utilizing a portion of this surplus.



## Eleven Year Summary

Years ended December 31

(Dollars in thousands except per share data)	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973
<b>Earnings &amp; Dividend Information</b>											
Gross Revenue	\$ 197,957	\$ 195,661	\$ 245,443	\$ 236,565	\$ 193,935	\$ 137,167	\$ 107,067	\$ 96,584	\$ 93,369	\$ 83,965	\$ 62,426
Pre-tax Earnings	\$ 9,408	9,073	19,622	16,552	12,527	9,010	8,303	7,734	7,955	6,793	3,928
After Tax Earnings	\$ 5,930	5,804	11,110	9,241	7,031	5,224	4,730	4,059	4,050	3,303	1,950
Dividends Declared											
— Preferred	\$ 1,284	1,285	1,302	280	—	—	—	—	—	—	—
— Common	\$ 3,381	3,355	3,317	2,727	2,214	1,838	1,752	1,610	1,365	981	767
Depreciation	\$ 2,109	1,742	1,585	1,507	1,192	720	621	512	503	335	246
Funds Generated from Operations	\$ 8,079	7,586	12,735	10,789	8,461	5,996	5,363	4,578	4,564	3,768	2,267
<b>Per Common Share Information (Note 1)</b>											
Basic Earnings (Note 2)	\$ .66	.65	1.42	1.32	1.05	.80	.73	.63	.70	.59	.35
Dividends Paid (Note 3)	\$ .48	.48	.48	.40	.33	.35	.26	.25	.21	.16	.13
Equity	\$ 7.30	7.10	6.90	5.94	5.01	4.26	3.72	3.27	2.89	2.47	2.06
<b>Balance Sheet Information</b>											
Working Capital	\$ 63,294	66,440	67,169	62,684	42,897	27,788	26,853	24,585	22,362	14,699	12,692
Fixed Assets — Net	\$ 20,104	17,218	15,212	13,003	9,828	5,965	3,973	3,438	3,390	2,641	1,911
Long Term Debt	\$ 18,525	19,850	20,300	20,750	21,200	7,650	8,100	8,300	8,500	4,500	4,500
Shareholder's Equity	\$ 67,742	66,055	64,368	57,264	33,893	28,396	24,183	21,071	18,607	13,858	11,520
Total Assets	\$141,212	123,802	134,425	133,636	112,755	79,942	58,107	49,209	45,461	43,235	34,709
<b>Rates of Return</b>											
Pre-tax Earnings as a % of:											
Gross Revenue	4.8	4.6	8.0	7.0	6.5	6.6	7.8	8.0	8.5	8.1	6.3
Total Assets (average)	7.1	7.0	14.6	13.4	13.0	13.1	15.5	16.3	17.9	17.4	12.7
After Tax Earnings attributable to Common Shares as a % of average Common Share Equity	9.2	9.2	22.1	24.0	22.6	19.9	20.9	20.5	25.0	26.0	17.9
<b>Other Information</b>											
Number of Employees	1,362	1,156	1,601	1,748	1,742	1,407	1,146	1,105	1,125	1,007	823
Number of Shareholders	1,508	1,391	1,924	1,947	1,492	1,519	1,542	1,560	1,600	1,485	1,447
Shares Outstanding (Note 1)											
Preferred	690,187	690,387	699,200	700,000	—	—	—	—	—	—	—
Common	7,065,827	7,024,926	6,947,082	6,876,030	6,762,706	6,663,640	6,493,640	6,437,668	6,430,868	5,606,584	5,598,184
Weighted average number of Common Shares outstanding (Note 1)	7,041,886	6,988,376	6,908,980	6,812,456	6,709,278	6,535,398	6,476,122	6,436,468	5,788,036	5,604,456	5,573,628
Price Range of Shares (Notes 1 and 4)											
Preferred	\$33½-24½	\$25-16½	\$29-20	\$28-24	—	—	—	—	—	—	—
Common	\$16-10	\$12-7⅞	\$14-9½	\$12½-8¼	\$9⅛-5¼	\$6¼-4⅝	\$5⅛-3⅞	\$3¼-3	\$3½-2¼	\$3-2¼	\$3⅞-2⅜

### Notes:

- All data relating to common shares have been adjusted to reflect two-for-one stock splits in 1972, 1977 and 1981.
- 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.
- 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.
- Price ranges rounded to the nearest ⅛ dollar.



## Operations Report



The activities of the Wajax Group are conducted through the following principal subsidiaries. Each of the units has its own independent management and sales structure and operates with a high level of independence within broad policy and specific financial guidelines established at Head Office.

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). The continuing operations of Affiliated Engineering Equipment Limited are now conducted as a marketing division of Wajax Industries Limited, while Milling Division is a small manufacturing unit within Wajax Industries.

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.

PITMAN MANUFACTURING GROUP (formerly Wajax UEC Limited) embracing the Pitman utility equipment and crane manufacturing operations in Markham, Ontario and York, Pennsylvania, is the company's largest manufacturing unit. Its products are marketed in the United States by the York company, Pitman Manufacturing Company Inc., in Canada by

Wajax Industries Limited, and overseas through the unit's own export department, Wajax International.

FIRE CONTROL GROUP includes three 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 manufacturing fire hose at Coaticook, Quebec. In Canada these products are distributed through Wajax Industries Limited as well as independent dealers, and in world export markets by a wide distributor network.

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.

### OPERATIONS IN 1983

During 1983 the recessionary curve for our markets generally bottomed out, and, toward the end of the year, began to show signs of responding to the improvement in the overall economy. An exception to this generalization was the Province of Alberta, which continues to lag behind the national trend.

Major components of our business are linked to capital spending, which tends to trail the initial upswing evidencing economic recovery. As our operations were slow to experience the impact of recession at its outset, so also are they somewhat sluggish in reflecting the new buoyancy. However, in recent months there has been significant improvement in the parts business, the collapse of which affected us so severely during the latter part of 1982 and early 1983.

Management effort during this difficult period has been sharply focussed upon projects of re-trenchment, rationalization and consolidation. Supported by the dedication and tenacity of employees at all levels, these endeavours have borne fruit; with gross revenues throughout the year running almost uniformly lower than those of 1982, a negative bottom line comparison in the first half of 1983 was turned around to a positive improvement in the second half.

### WAJAX INDUSTRIES LIMITED — EAST

Mining activity trailed the recession/recovery curve in 1983, with demand for most of our products reaching a new low. Bright spots were Inco's return to work in Sudbury after a 10-month shutdown, and the delivery of a number of pieces of equipment ordered late in 1982.



At year end, a new sub-branch was opened in Timmins, Ontario, to serve the Porcupine, Detour Lake and Kirkland Lake areas.

Equipment delivered and started up during the year included two Reedrill rotary blast hole drills for the Detour Lake gold mine, and a Voest-Alpine tunnelling machine for the Denison potash mine near Sussex, New Brunswick.

The Mining Division's first order for gold concentrating equipment, comprising four Richards Yuba jigs, was received for the new Hemlo gold camp in north-western Ontario. Other significant orders, for Eimco equipment, were received from Les Mines Seleine on the Magdalen Islands, and from Devco at Sydney, Nova Scotia.

Milling Division also suffered from sluggish activity in both ferrous and non-ferrous mining, where the long life of rubber and urethane screens is of little consequence to plants operating at less than half capacity. Since the end of the year, negotiations have been concluded whereby Wajax will assemble and market stainless steel wedge wire screens produced by N. Greening Limited of Warrington, England, complementing the existing range of rubber and urethane products.

Materials Handling Division saw a modest upswing in demand during the second half,

with total unit sales for the year slightly higher than in 1982, and there was some improvement in the parts business. Margins, however, continued under heavy pressure as the industry struggled to reduce inventories. The Division achieved its first sale of Hyster's Rackloader, a sophisticated storage/retrieval unit, and is encouraged by the broadening of the Hyster XL series of fork lift trucks, designed specifically to meet Japanese competition.

Reflecting a similar trend, the crane activities of the Pitman Division (formerly UEC) experienced a slight upturn at the year's end, but this was not sufficient to offset flat conditions earlier and almost no activity in the utility sector. The Division's results for the year were poorer than in 1982, offset by good growth in our Municipal and General Equipment Division.

During the year, Eastern Region was reorganized into two sub-regions, comprising first Saskatchewan, Manitoba and On-



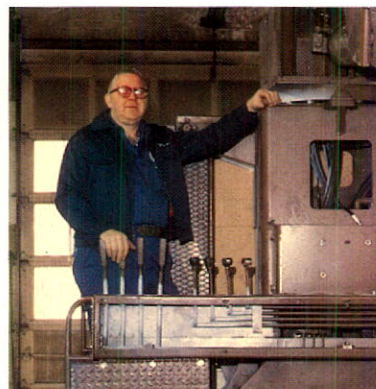
tario, and secondly Quebec and the Atlantic Provinces, while inventory and staff reductions continued. Tighter control produced a significant reduction in overall expenses, and although gross revenues for the Region as a whole declined marginally, there was a gratifying improvement in net earnings.

#### **WAJAX INDUSTRIES LIMITED — WEST**

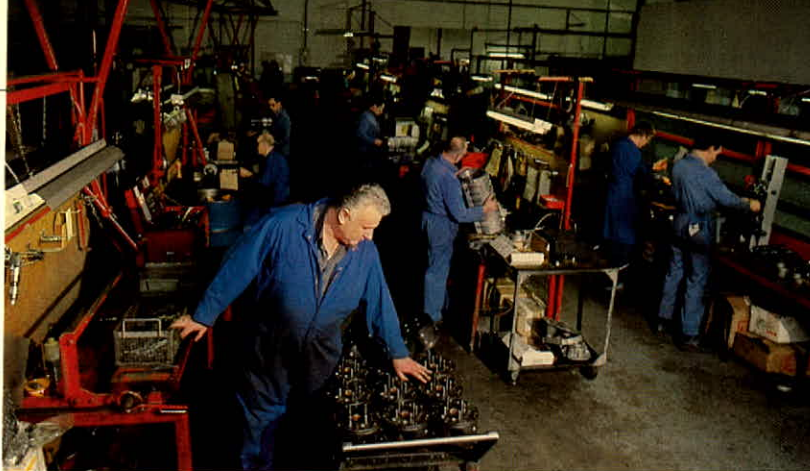
Western markets were characterized by divergent trends; while 1983 saw a modest turnaround in British Columbia, the Alberta economy continued its decline.

Forest industries in British Columbia showed definite signs of improvement, reflected in better operating results from our Materials Handling and Woodlands Divisions. Parts sales were stronger and there was renewed interest in the larger pneumatic tired Hyster fork lifts as well as the XL compact series.

Our major commitment to open pit coal mining equipment sales and service resulted in a very high level of activity for the related operations in Cranbrook and Tumbler Ridge, B.C. This was particularly the case at the latter location, where Wajax has built up an important participation in the Quintette coal mining development, and where a work force of up to 27 Wajax technicians has been







deployed under somewhat difficult conditions.

Aside from these highlights, markets in Alberta for the Pitman and Materials Handling Divisions were pitiful, and Fire Control activity reflected a subdued forest fire season throughout Western Canada.

#### **WATEROUS POWER PRODUCTS GROUP**

As noted previously, the Alberta economy failed to emulate generally favourable trends evident elsewhere, and consequently the Power Products Group experienced a further decline in revenue. Nevertheless, persistent and dedicated management was able to secure an improvement in net earnings. This was achieved by continued implementation of measures begun in 1982, including stringent expense controls and credit management, and further reductions in inventory and staff. Any significant upturn in the economy will trigger high levels of profitability within this lean and efficient Group.

#### **PITMAN MANUFACTURING GROUP**

During 1983, Wajax UEC Limited became Pitman Manufacturing Co. Inc., reflecting a change of major importance to the Company. For many years, Wajax UEC had manufactured cranes and aerial devices under licence from Pitman, a subsidiary of Emerson Electric Co., St. Louis,

Missouri, in June 1983, the Company acquired a major portion of the assets and all the ongoing business of Pitman on both sides of the border. In addition to a parts depot in Grandview, Missouri, manufacturing has been integrated and rationalized on an axis linking the Pitman plant in York, Pennsylvania, with the former UEC plant in Markham, Ontario.

By combining the strengths of the two former companies, and eliminating some of their weaknesses, we believe that we have created a viable North American manufacturing unit with respect to truck mounted hydraulic cranes, aerial devices and digger derricks, enjoying a strong distribution network both in the United States and Canada, as well as a world-wide marketing organization.

All the resources of the Group were called upon to meet the difficult market conditions which continued unabated during 1983. Softness in North America was paralleled by unresponsive markets abroad, due to the relatively strong Canadian dollar, the financial problems of many Latin American countries, and slackening demand from the OPEC group. As announced last October, the Pitman Group has received a four-year \$10 million contract (with possible overruns to \$20 million) to supply cranes for military vehicles manufactured

by Oshkosh Truck Corporation of Oshkosh, Wisconsin; while work on this contract is proceeding smoothly, it will not begin to affect earnings until late 1984.

In all the circumstances the Group did well to report 1983 earnings which, while still modest, were almost double those of 1982. New designs introduced by the Pitman engineering and marketing team are being well received and, together with the excellent product built under licence from Palfinger KG of Austria, should enjoy vigorous market penetration in 1984.

#### **FIRE CONTROL GROUP**

The 1983 fire season was not characterized by the intensity experienced in the three previous years, but advantage was taken of this period of relative calm for research and development, consolidation and, in two notable instances, expansion.



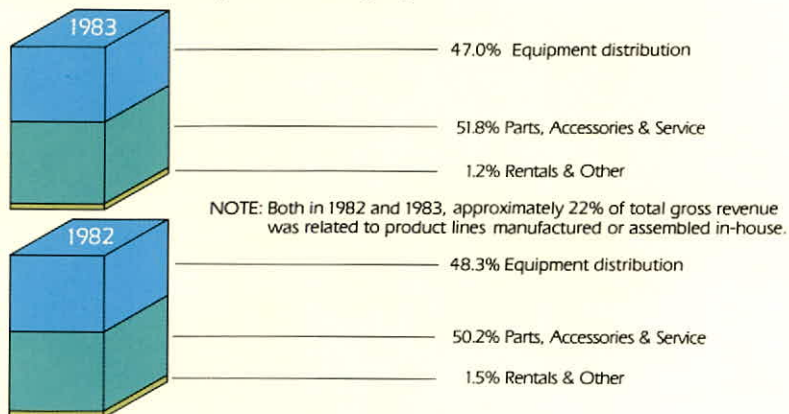


In September 1983, Wajax acquired all the outstanding shares of GAAM Pumps Pty. Limited, whose operation is located on the outskirts of Melbourne, Australia. GAAM is a long-established supplier of forest fire fighting equipment in Australia, working closely with the various Australian forest protection agencies, and the acquisition assures us of effective representation, in a market with great potential, for our Niedner hose product as well as the full range of Wajax forestry pumps and equipment.

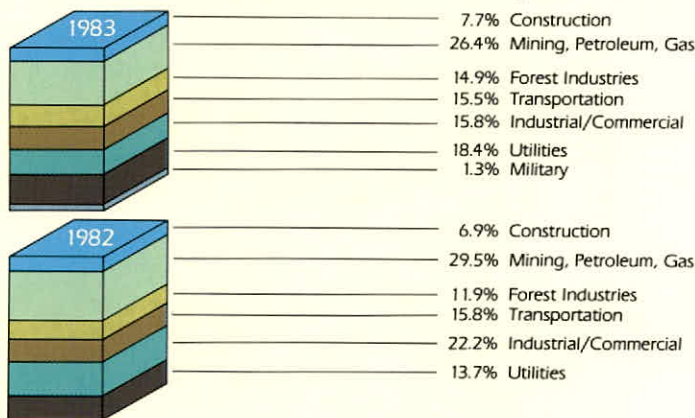
Our Niedner hose plant in Coaticook, Quebec, is in the final stages of a major expansion which will double manufacturing capacity and has eliminated the requirement for a satellite plant in neighbouring Colebrook, New Hampshire. New equipment installed includes machines for extruding fire hose linings, and modern looms for weaving a wide range of natural and synthetic fibres.

Wajax Manufacturing had another excellent year, due in part to significant increases in production efficiency. New products brought on stream include a range of instant fire hose couplings in metric sizes, a portable forestry hose retriever, and automated fire hose testing equipment. Development work is proceeding on new lightweight fuel-efficient high pressure forestry pumps and a number of in-line accessory items.

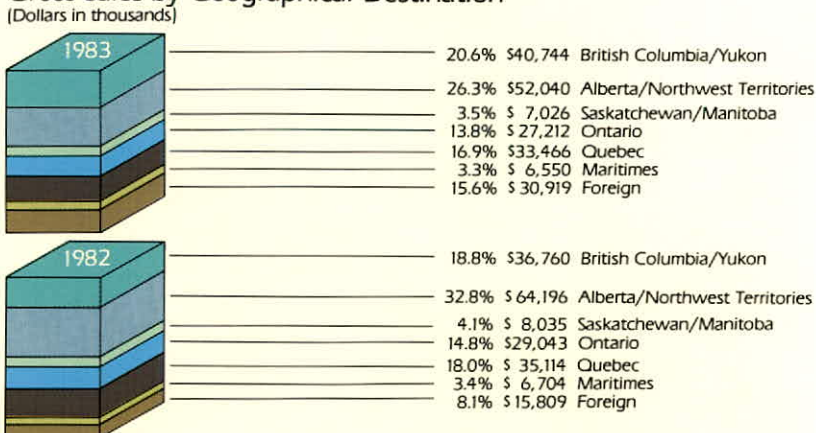
### Gross Revenue by Sales Category



### Approximate Breakdown of Gross Sales by End Use Market



### Gross Sales by Geographical Destination





Demand in the United States was not buoyant, and attention was focussed on rationalization of our operations in the Pacific Northwest, whereby the former Wilco Fire Equipment unit in Portland, Oregon was amalgamated corporately with Wajax Pacific Fire Equipment of Seattle, Washington, and branch operations were eliminated in Atlanta, Georgia and Framingham, Massachusetts, which are now covered by local representatives.

Overall performance of the Group fell short of that in 1982, but assuming no more than average forest fire activity in the coming season, we can look forward to a very good year.

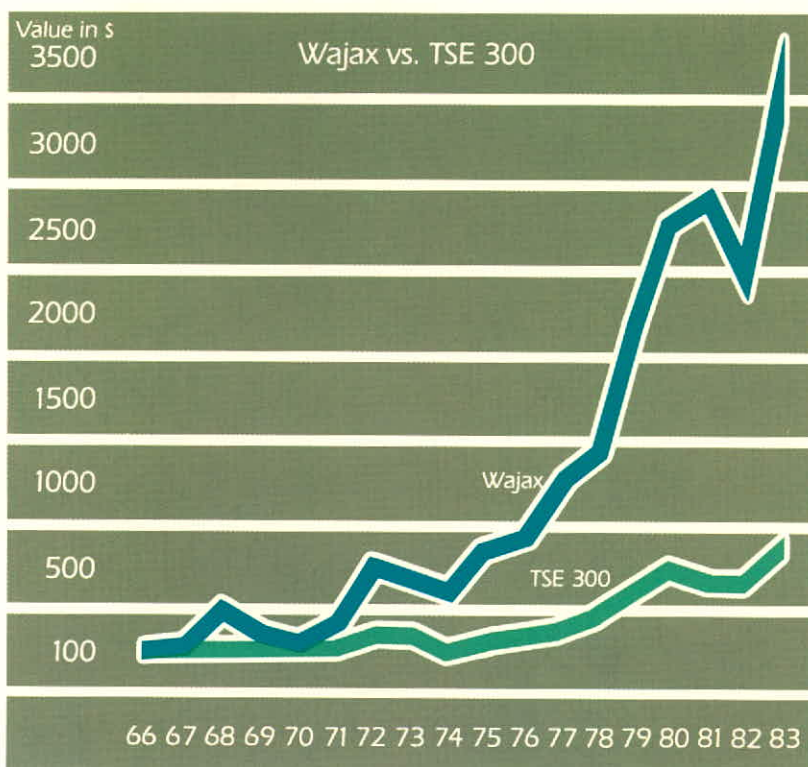
#### **ELVINS EQUIPMENT SALES LIMITED**

This unit suffered through another year of severe recession affecting the Yukon, whose basic mining industry is almost at a standstill. In spite of these conditions, meticulous cost control exercised by energetic local management once again secured a modest profit contribution.

#### **NATIONAL BEARINGS LIMITED**

As in 1982 the market for bearings and power transmission components lacked buoyancy and operating results were dis-

#### **Total Cumulative Return**



Comparison of return on initial investment of \$100 assuming re-investment of dividends at year-end market prices.

Courtesy of Loewen, Ondaatje, McCutcheon & Company Ltd.

appointing. Structural changes including strengthening of senior management have been undertaken to improve the performance of this unit.

#### **AFFILIATED ENGINEERING**

During 1983 it became apparent that under present economic conditions Affiliated was no longer viable as an independent corporation. Accord-

ingly, the hydraulics component of the business was sold off, and the activity in the field of specialized industrial process pumps was assimilated into Wajax Industries Limited where it continues as the Affiliated Engineering Division.



# Corporate Information

\* Member of the Audit Committee

† Member of the Compensation Committee

## DIRECTORS

R.W. CHORLTON\*  
Chairman of the Board and  
Chief Executive Officer, Wajax  
Limited

IAN B. CAMPBELL\*  
President and Chief Operating  
Officer, Wajax Limited

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  
Chairman of the Board and Chief  
Executive Officer

IAN B. CAMPBELL  
President and Chief Operating  
Officer

F.G. HARVEY  
Vice President & Secretary

P.G. SIMS  
Vice President, Treasurer and Chief  
Financial Officer

J.A. CRAWFORD  
Vice President — President, Pitman  
Manufacturing (Resident: Toronto)

G.R. DONALDSON  
Vice President — Western  
Distribution (Resident: Vancouver)

R.H. GODFREY  
Vice President — Corporate  
Marketing

B.W. SCOBIE  
Vice President — Manufacturing  
Group

Y.L. THIBEAULT  
Vice President — Eastern  
Distribution and Power Products  
Group

## HEAD OFFICE:

350 Sparks Street, Ottawa, Ontario  
K1R 7S8

## OPERATING SUBSIDIARIES

### Distribution Group:

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

### Manufacturing Group:

Pitman Manufacturing Co. Inc.  
Wajax Manufacturing Limited  
Wajax Industries Limited (Milling  
Division)  
Niedner Limited  
Pitman Manufacturing Company  
Inc. — U.S.A.  
Wajax Pacific Fire Equipment Inc.  
— U.S.A.  
Wajax-Niedner Inc. — U.S.A.  
GAAM Pumps Pty. Limited  
— Australia

### 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



**Wayne Piper,**  
Sales, Materials  
Handling, Wajax  
Industries,  
Winnipeg

**Lindsay Lemire,** Sales  
Representative, Wajax  
Industries, Ottawa

**Harlan  
Vanderpool,**  
National Sales  
Manager,  
Commercial  
Products,  
Pitman, York,  
Pennsylvania

**Ray Brough,**  
Elmco Product  
Manager, Wajax  
Industries, Sudbury

Left to right: **Barbara Tunney,**  
**Jack Knaub, Jay Rehmyer,**  
Marketing Applications/Quotation  
Specialists, Pitman, York,  
Pennsylvania.

**Rudy Lunter,**  
Major Accounts  
Representative  
Materials Handling  
Division, Wajax  
Industries,  
Coquitlam

**Hyster Service Staff,**  
Wajax Industries,  
Mississauga

**Gail Wood,**  
Office Manager,  
Hyster Parts,  
Forestry Parts,  
Wajax  
Industries,  
Saint John, N.B.

Left to right: **Larry  
Keeseey,** Drafting  
Supervisor, **Rodger  
Van Ness,** Body  
Sales Specialist,  
Pitman, York,  
Pennsylvania

**Doris Frick,**  
Executive Sales  
Secretary, Pitman,  
York, Pennsylvania

**Dick Lelke,** Service  
Manager, Wajax  
Industries, Tumbler  
Ridge

**Sid Albin,** Service  
Manager, Wajax Industries,  
Dartmouth

**George Geurts,** Parts Manager,  
Materials Handling Division, Wajax  
Industries, Coquitlam

**Stanley Moore,**  
Hydraulic Assembler,  
Pitman, Toronto







Some of Our  
People

