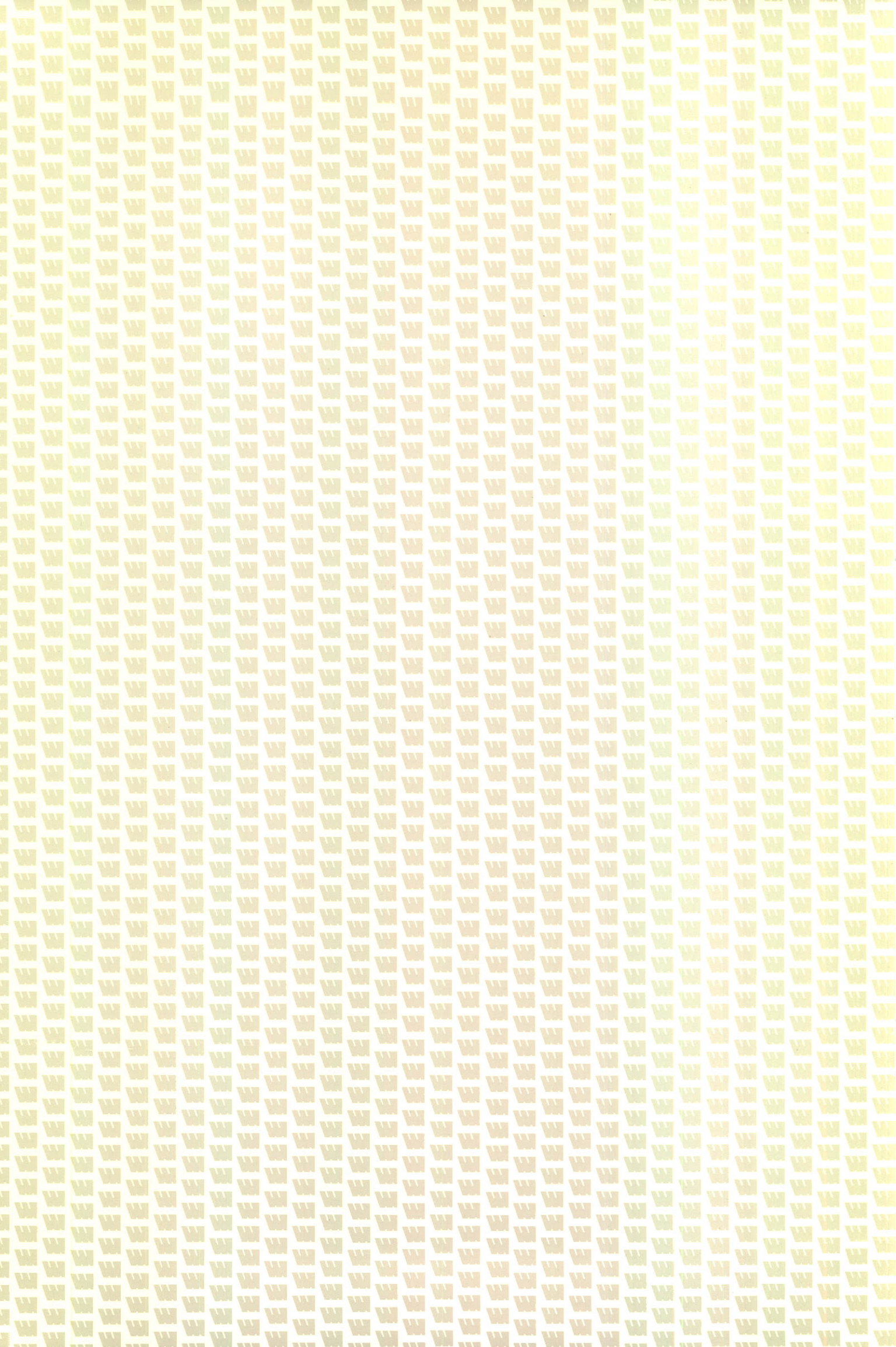


WAJAX LIMITED 1984 ANNUAL REPORT



Wajax Limited

Wajax Limited is a diversified Canadian Corporation serving the mining, forestry, petroleum, public utilities, transportation, manufacturing and construction industries through a coast-to-coast network of sales and service branches.

About 23.8 % of the Company's 1984 gross revenue of \$ 231 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. The Shares of Wajax Limited are traded publicly and are listed on the Toronto and Montreal Stock Exchanges under the symbols WJX.A (Class A Common), WJX.B (Class B Common) and WJX.PR.A (\$1.86 Preferred).

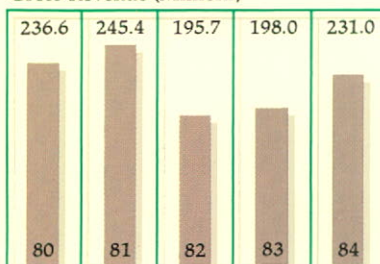




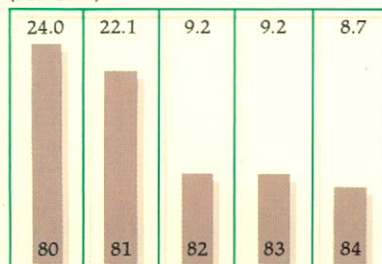
Financial Highlights

	% Change	1984	1983
Operations (thousands of dollars)			
Gross Revenue	16.7	\$ 230,978	\$ 197,957
Net Earnings	(1.6)	5,837	5,930
Financial Position (thousands of dollars)			
Working Capital	(1.4)	\$ 62,409	\$ 63,294
Long-term Debt	(7.2)	17,200	18,525
Shareholders' Equity	2.3	69,313	67,742
Per Common Share			
Basic Earnings	(3.0)	\$ 0.64	\$ 0.66
Dividends	—	0.48	0.48
Equity	2.7	7.50	7.30

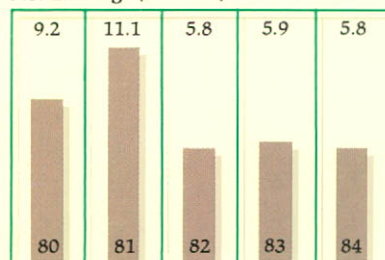
Gross Revenue (Millions)



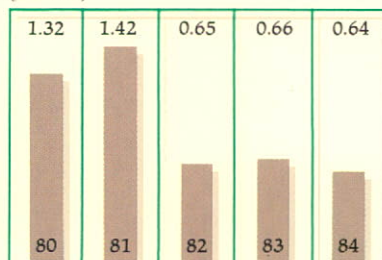
Return on Common Share Equity (Per Cent)



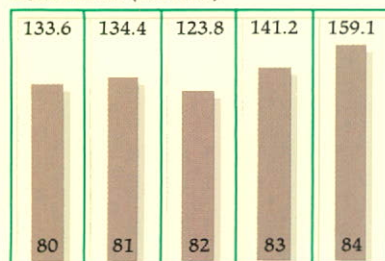
Net Earnings (Millions)



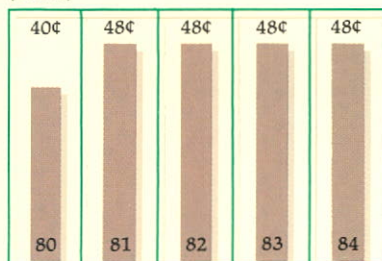
Basic Earnings Per Common Share (Dollars)



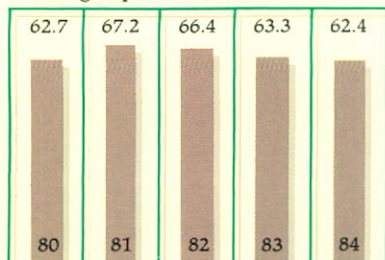
Total Assets (Millions)



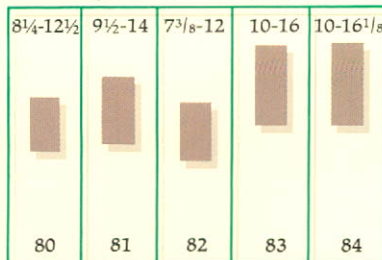
Dividends Paid Per Common Share (Cents)



Working Capital (Millions)



Price Range Per Common Share (Dollars)



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ANNUAL MEETING OF SHAREHOLDERS

The Annual General Meeting will be held at l'Hotel, Toronto, Ontario on Thursday, April 25, 1985 at 11:00 am. 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.



Report to the Shareholders

The year 1984 for Wajax Limited was a year of contrasts.

The core distribution business of the company produced solid gains in gross revenues and earnings in all parts of Canada but these gains were offset by losses in the recently formed Pitman Manufacturing Group resulting from unanticipated start up difficulties during the year.

Net earnings for the financial year ended December 31, 1984, amounted to \$5,837,000, roughly the same as the previous year. Earnings per share were \$0.64 compared with \$0.66 and the consolidated gross revenue was \$230,978,000 against \$197,957,000 in 1983.

Dividends were paid at the same level as for the previous year, 48 cents per Class A share and equivalent stock dividends on the Class B shares totalled .0372 shares per Class B share held, or approximately one share for every 27 shares held.

It became apparent during the second quarter of 1984 that the costs and complexity of the work of rationalizing product designs and of efficiently scheduling new product of the Pitman Manufacturing Group had been underestimated. The problems were further aggravated by a substantially lower level of demand in Canadian and overseas markets.

Pitman was formed in 1983 through the merging of the U.S.-based truck crane and aerial devices manufacturing and distribution assets acquired from Emerson Electric, with the company's Canadian manufacturing assets.

By year's end a program of significant structural and personnel changes was completed and these, together with a noticeable improvement in demand and the elimination of 1984 non-recurring costs, lead us to expect a marked improvement in the Pitman

Manufacturing Group results in 1985.

The company's key distribution operations throughout Canada performed ahead of expectations, registering an earnings improvement in excess of fifty per cent on a sales improvement of 16 per cent. Key reasons for the improved performance included:

- The realization of a long term program to make the western Canadian operations of Wajax Industries a significant supplier to tar sand and coal producers provided a substantial volume of new unit and service parts sales which, coupled with some firming of demand in Alberta unrelated to mining, led to record results.

- Structural changes in eastern Canadian operations of Wajax Industries in 1983 eliminated loss-creating operations and there was a substantial pick-up in demand for material handling equipment in southern Ontario.

- A third quarter improvement in the demand for units and parts benefited the operations of Waterous Power Products.

Two other developments have enhanced the outlook for sustained improvement in the distribution business. The first is the assumption of an exclusive western Canadian distribution franchise for the Marathon LeTourneau Titan line of large off-highway open pit mining trucks.

The second is the signing of an exclusive agreement with Kawasaki Heavy Industries Ltd., of Japan, to distribute the Kawasaki line of Super Shovels in Canada.

The new distribution agreements are a logical extension of our policy of diversifying into broadly specialized market areas and should contribute to profitable growth within our distribution business.

The low incidence of forest fires in North America limited the Fire Control Group to satisfactory

but not outstanding results. The outlook for 1985 is positive, in part because of the expanded Niedner product line which now includes industrial hose and the innovative Snow Hose® for artificial snow creation. GAAM Pumps Pty. Limited, acquired by Wajax in 1983, enjoyed satisfactory results in the sale of forest fire fighting equipment in 1984 and further improvements are anticipated for 1985.

An important senior management change in 1984 was the appointment of Bernard W. Scobie as President of the Pitman Manufacturing unit, resident in Toronto. In addition to the Pitman operation, Mr. Scobie will continue to have Group responsibilities for the other manufacturing operations.

We are also pleased to announce the election of Robert Després, O.C., M. Comm; FCGA, FSMAC., to the Wajax Board of Directors. Mr. Després is currently Chairman of the Board of Atomic Energy of Canada and a director of a number of other Canadian corporations.

Wajax is sustained by its dedicated employees. Through their commitment to the demanding company standards, they are the driving force for the expansion and development of our business.

Looking ahead, we are encouraged by the strong prospects of our distribution business and we are confident of marked improvement in the results for the Pitman Group.

On behalf of the Board,



R.W. Chorlton
Chairman and Chief Executive Officer



Ian B. Campbell
President and Chief Operating Officer



Consolidated gross revenue was up for the year by 16.7% to \$231 million as compared to \$198 million for 1983. The significant aspect of this growth is that the after sales segment of the business, parts and service, has again increased proportionately as illustrated in the chart on page 19. In fact, during the recessionary years when there had been less demand for capital goods, the parts and service element of the company's overall business grew steadily each year from 43% in 1980 to 53% in 1984. This has provided a larger base of repetitive sales which are largely independent of the cyclical swings in demand for capital equipment.

The increased activity in 1984 is also reflected in the balance sheet with total assets up 12.7% to \$159.1 million as compared with the previous year's balance of \$141.2 million. The increase, which is financed by short term bank borrowings, is mainly for working capital purposes in support of the higher volumes. The company's strong balance sheet continues to be one of the important focuses highlighted by the fact that the shareholders' equity amounts to more than 43% of total assets and 79% of the total

capitalization. As a policy, the company remains committed to maintain conservative debt leverage ratios in order to support stable growth and preserve liquidity. This commitment has benefited the company significantly. Its strong financial position has been responsible for attracting new product lines and suppliers and allowed it to act upon new growth opportunities as they have arisen. This financial strength has also provided the company with the ability to maintain dividend payments despite the earnings set back during the years of the recession.

Shareholders' equity per common share at the year end was up \$0.20 from the previous year to \$7.50.

Funds generated from operations amounted to \$8.5 million compared to \$8.1 million in 1983. These funds were primarily used to pay dividends of \$4.7 million and purchase fixed assets totalling \$3.8 million. As well, sinking fund repayments of \$1.3 million were made with respect to the long term debentures. While the overall effect was that working capital decreased by approximately \$900,000, the debt-equity ratio improved as a result. As at the year end

working capital stood at \$62.4 million, which on a per share basis, amounted to \$7.37.

The \$3.8 million fixed asset additions are primarily related to the replacement and modernization of equipment and service vehicles, as well as approximately \$800,000 which pertains to land, buildings and leaseholds, most of which was for new branch premises in Prince George and for the completion of the plant expansion at Niedner Limited in Coaticook, Quebec.

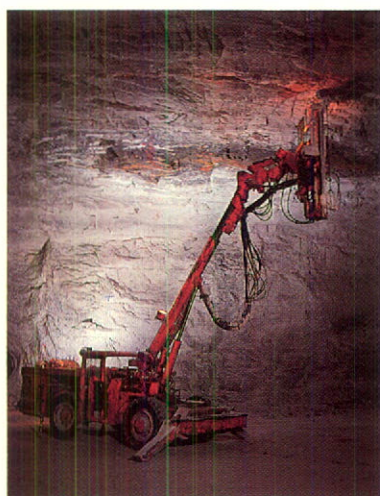
Although net earnings are roughly the same as last year, interest expense has increased by \$2.3 million on the added short term bank borrowings used to support the higher working capital requirements. Selling and general administrative expenses have been kept under tight control, such that the operating profit before interest and taxes is 6.5% of gross revenue, up from 6.3% in 1983.

In all, the company's financial outlook appears encouraging by virtue of a strong balance sheet, tight expense control, the confidence of improved performance for Pitman and strong prospects for the Wajax distribution businesses.

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
Wheel Loaders



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
Wheel Loaders
Roadheading Machines
Longwall Shearers
Hydraulic Excavators
Hydraulic Backhoes
Rotary Blasthole Drills
Belt & Chain Conveyors & Drives
Off-Highway Trucks
PVC Conveyor Belting
Fluid Couplings
Truck Mounted Cranes
Yard Cranes
Hydraulic Drill Jumbos & Roof Bolters
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

UTILITY AND MUNICIPAL

Service Line Trenchers
Road Graders
Road Sweepers
Digger Derricks
Truck Mounted Cranes
Wheel Loaders
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
Wheel Loaders
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
Wheel Loaders
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

Wheel Loaders
Pallet Trucks
Industrial Vacuum Trucks

TRANSPORTATION

Bearings & Oil Seals

Diesel Engines &
Transmissions

Truck Tractors
Truck Mounted Cranes





The business of Wajax Limited is conducted through its family of strategically located subsidiary companies in Canada, the United States and Australia.

Each subsidiary, with its own management and its own sales structure, operates with a high level of independence under the Wajax Limited umbrella and is subject only to the broad policy and specific financial guidelines established by Head Office. The principal subsidiaries of Wajax Limited are:

WAJAX INDUSTRIES LIMITED (WIL) is the corporation's main equipment distribution unit with its Eastern and Western regional headquarters in Toronto and Vancouver.

WATEROUS POWER PRODUCTS GROUP (WPPG) holds the Detroit Diesel Allison franchise for Alberta, the Yukon, North Eastern British Columbia and part of the Northwest Territories and comprises Waterous GM Diesel Limited, of Edmonton and Waterous Power Products Limited, in Calgary.

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

Industries Limited is the Pitman distributor while Wajax International is the company's export arm responsible for overseas sales.

FIRE CONTROL GROUP. Four major units make up the Fire Control Group: Wajax Manufacturing Limited at Montreal, Quebec and Wajax Pacific Fire Equipment Inc. at Seattle, Washington, manufacture fire pumps and accessories; Niedner Limited manufactures fire and special purpose hose at Coaticook, Quebec; GAAM Pumps Pty. Limited, at Melbourne Australia distributes fire pumps, Niedner hoses and other fire fighting equipment. In Canada the Group products are distributed through Wajax Industries Limited and independent dealers, while a wide distributor network covers the world export markets other than Australia.

ELVINS EQUIPMENT SALES LIMITED, based in Whitehorse, responsible for sales and service of diesel engines and truck tractors in the 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 1984

The signs of economic recovery which began to be evident in 1983 continued through 1984 and, while its strength varied widely across the country, the overall trend in Wajax product markets was upward. A parti-

cularly heartening sign was the growth in our parts sales.

In all areas, however, intense competition for a limited market continued to exert ongoing pressure on both capital equipment and spare parts margins.

During the year management again focused attention on expense and inventory control and on the consolidation of operations where there were opportunities for cost reduction.

WAJAX INDUSTRIES LIMITED - EAST

The doubling of net earnings and the achievement of the best results since 1980 reflected the rising level of industrial activity and the effectiveness of the improved organizational structures and operational controls introduced during 1983.

A significant share of a strong fork lift truck market was maintained by the Materials Handling Division, which doubled unit sales and substantially increased parts sales. The year was also marked by the first sales of the Remstar Computerized Vertical Storage and Retrieval Systems.

The level of activity in the mining sector remained low as the industry continued to struggle with marginal mineral prices and weak demand. In spite of the extremely competitive market, the Mining Division maintained its 1983 level of unit sales and showed appreciable improvement in the sale of parts, all of which



combined to produce the Division's best return on sales since 1980.

Among the larger orders in 1983 were a third Reedrill unit at Detour Lake Mine; Eimco load haul dump units for Inco; Voest-Alpine tunnelling machines for two New Brunswick potash mines; Dowty Meco longwall chain conveyor systems for Devco and Marathon LeTourneau container handling equipment for use on the Montreal Docks.

The resumption of demand in both Canada and the U.S. for the products of the Milling Division resulted in its return to marginal profitability even after the absorption of relocation costs is taken into consideration. The outlook for 1985 in this Division is positive.

Pitman Division results were less encouraging with flat sales and continued downward pressure on 1984 gross product margins. While the Division's overall results were poorer than in 1983, an improvement in profitability is forecast for 1985.

The extremely low incidence of forest fires in 1984 held results for the Fire Control Division at a break-even level although there was an improved sales volume by the Municipal and General Equipment Division from new products introduced during the year.

Net earnings were approximately unchanged as the increased marketing costs associated with the new product line offset increased volumes. An upward trend in net earnings is anticipated for 1985.

WAJAX INDUSTRIES - WEST

Although Western Canada did not enjoy the same measure of economic recovery experienced

by most parts of North America, the net earnings of Wajax Industries West, led by the Mining Division, showed significant improvement. Deliveries of large surface mining equipment were made to coal and tar sands operations. In British Columbia, three Marathon LeTourneau L-1000 twelve cubic metre electric wheel loaders were commissioned in an open pit coal mine while repeat orders



B.W. Scobie with Pitman PK Series crane at Pitman's modern plant in Markham, Ontario.

Wearing Quebec Hydro livery, this Pitman Hydralift crane will be used as a two-man aerial work station.



in Alberta and British Columbia resulted in the delivery of five Mannesmann Demag H-241 hydraulic excavators. The backup parts and service requirements of these fleets of heavy equipment resulted in high levels of activity in the WIL branch operations at Cranbrook, Tumbler Ridge and Fort McMurray.

The failure of the British Columbia forest industry to rebound from the doldrums was a major disappointment. Although there were marginal improvements over 1982 and 1983, these were insufficient to raise the industry out of its depressed economic state. The effects of this stagnant situation were reflected in the results of the Materials Handling and Woodlands Divisions.

In Western Canada as elsewhere, 1984 was a quiet year for the Fire Control Division. However modest growth in sales volumes, stringent attention to expense reduction and lower interest rates combined to produce improved results in all other major market divisions.

Indicative of the company's commitment to its tar sands customers was the major expansion of the Fort McMurray branch. In Prince George, the WIL branch moved to new premises from those it had occupied for the past 13 years.

WATEROUS POWER PRODUCTS GROUP

A late summer strengthening of activity in the resource industries carried through into the fall of the year and resulted in the Power Products Group recording its first increase in annual revenues since 1981. Together with tight management control over costs, the improved business climate resulted in improved profitability for 1984. Current forecasts call for this higher level of economic activity to continue in 1985 and with it, the expectation of improved net earnings.

Although the mining sector is still under considerable restraint, deliveries of six new mine haulage trucks with 1800 h.p. Detroit Diesel Allison engines were made to Gregg River Resources, forming the first 1800 h.p. haulage fleet in Alberta. Oil Patch activity increased both in the areas of conventional drilling and drilling for in-situ extraction of heavy oil.

In the tar sands, new haulers powered by 1600 h.p. Detroit Diesel Allison engines were purchased by Syncrude. The generator set market remained firm with increases in the sales of both Detroit Diesel Allison and Isuzu powered units.

A highlight of the company's export business was the sale of both transmissions and engines to local manufacturers of equipment packages destined for England and India.

PITMAN MANUFACTURING GROUP

The Pitman Group is composed of a substantial manufacturing facility, previously known as Wajax UEC Limited, in Markham, Ontario and certain assets of the Emerson Electric Company's former subsidiary, Pitman Manufacturing Company, which were acquired on favorable terms by Wajax in June, 1983. A program of integration and rationalization under the new Canadian company, Pitman Manufacturing Co., Inc., was immediately implemented to combine the strengths of the two companies and to eliminate some of their weaknesses.

We believe that the result is the emergence of a viable North American manufacturer of truck-mounted hydraulic cranes, aerial devices and digger derricks which has a strong distribution network in Canada and the United States and an efficient worldwide marketing organization. The start-up costs of melding the two original companies, however, were underestimated and losses were sustained in the first full year of operation. It is against these losses that the accomplishments – some of which are described below – must be measured.

One of these is the complete redesign of the major utility product line to meet stringent U.S. requirements. The result of this considerable engineering accomplishment has been



broad acceptance of the line by U.S. industry including, to date, five major U.S. utility companies.

Pitman's manufacturing potential has been greatly enhanced by the rationalization of production in the Markham plant; the automation of many vital production operations and the addition of a 1400 square metre facility to accommodate a 100 per cent pre-shipment testing centre.

Tooling for a major military crane procurement under subcontract to Oshkosh Truck Corporation is now completed and production will begin in 1985 following completion of acceptance testing now underway by the U.S. Marine Corps.

The integration of marketing forces on both sides of the border and the retention of a strong U.S. dealer body has greatly increased sales effectiveness complemented by recent orders from 20 foreign countries, at least six of which are substantial.

Administratively, controls and efficiency have been improved by extensive automation of data processing including production scheduling, procurement and inventory controls and financial reporting programs.

Tangible evidence, in the form of a healthier order book,

began to emerge during the last quarter of the year and we believe the stage is set for a return to profitability for Pitman as it responds to the anticipated increased demand for its products in the Canadian, U.S. and international export markets in 1985.

FIRE CONTROL GROUP

Notwithstanding the low worldwide level of forest fire incidence, the company's

decision to concentrate its market efforts in the export field paid handsome dividends. Our export business in 1984 was double that of the previous year. Orders were received from China, a number of African countries and from our traditional customers in Argentina, Chile and Venezuela. GAAM Pumps Pty. Limited, the company's recently acquired Australian subsidiary, obtained orders for

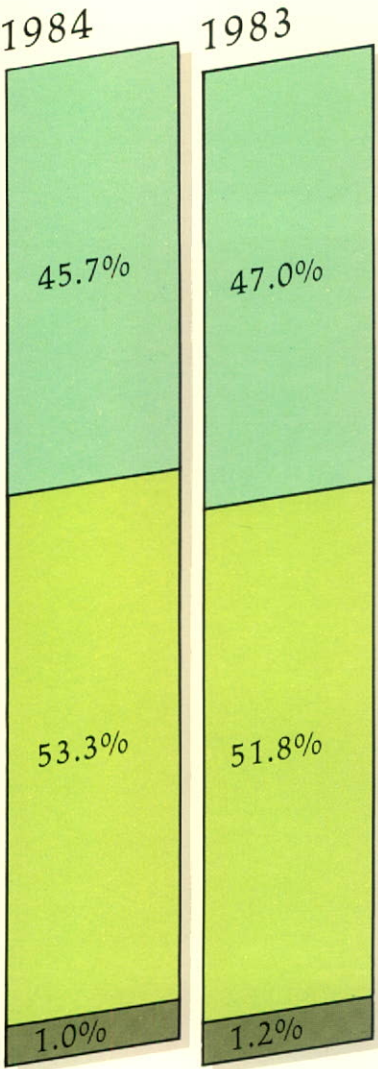


With an Eimco Secoma roof-bolting jumbo in the background, Richard H. Godfrey tours Les Mines Seleine Inc. salt mine on the Magdalen Islands.

Pitman Military Projects Manager Dennis Black displays a Model PK 19000 vehicle-mounted folding crane designed for the U.S. Marine Corps at its Integrated Logistics Support facility in Detroit.



Gross Revenue by Sales Category



- Equipment Distribution
- Parts, Accessories & Service
- Rentals & Other

Approximate Breakdown of Gross Sales by End Use Market



- Construction
- Mining, Petroleum, Gas
- Forest Industries
- Transportation
- Industrial/Commercial
- Utilities
- Military

Gross Sales by Geographical Destination (Dollars in thousands)



- British Columbia/Yukon
- Alberta/Northwest Territories
- Saskatchewan/Manitoba
- Ontario
- Quebec
- Maritimes
- Foreign



Wajax pumps and Niedner hose from a number of Australian bush fire authorities as well as winning a major order for Godiva pumps from the Australian military.

The expansion of the Niedner hose plant at Coaticook, Que., was completed and brought on line during 1984. This was accompanied by a 30 per cent increase in sales over 1983 and record levels of production are expected for 1985.

Partially fuelling these high levels of production are two new hose products introduced during the year.

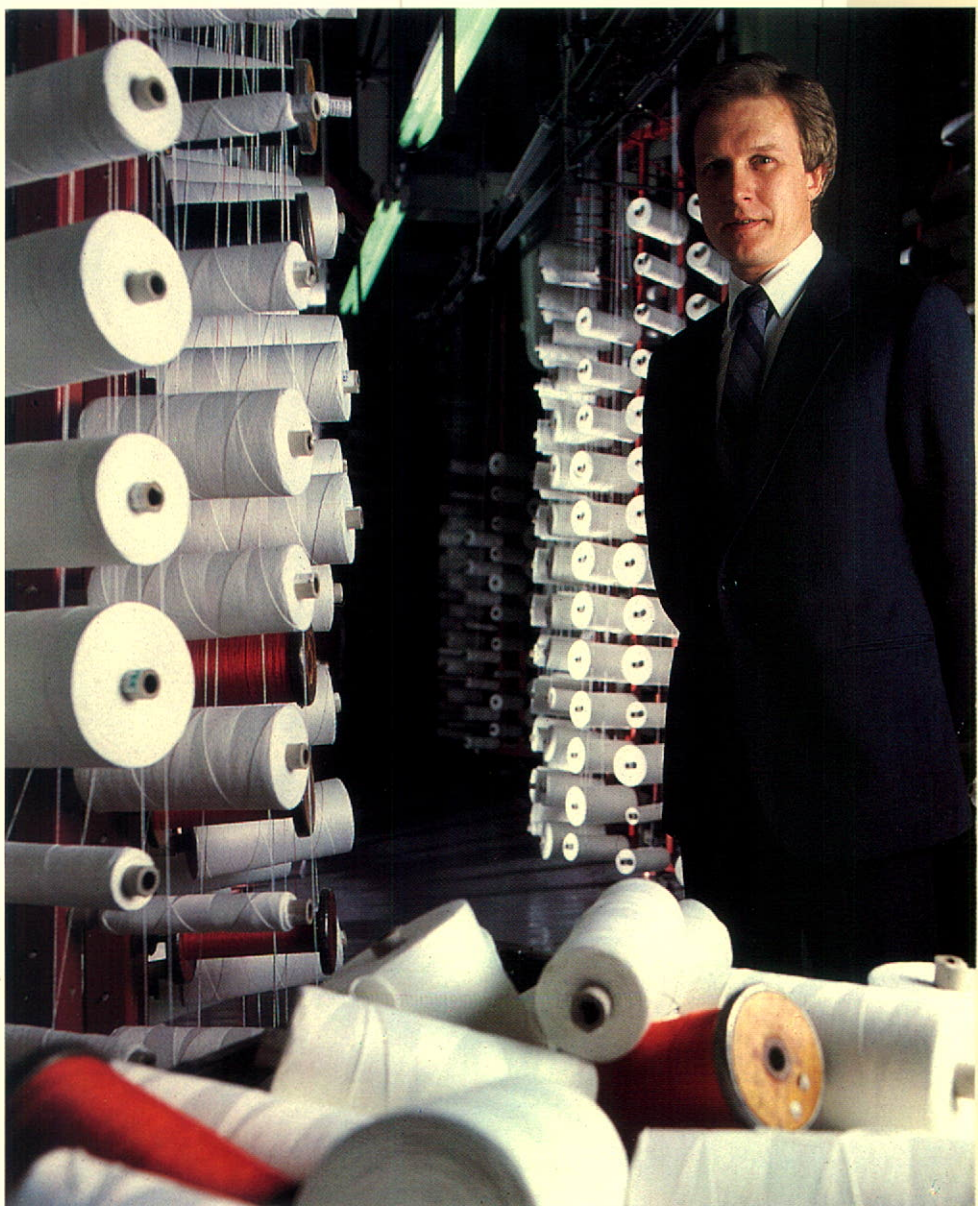
WAJAX HOTLINE®, a computer designed hose was introduced to Canadian and U.S. forest agencies last year. The new lightweight hose has superior self-protection qualities and abrasion resistance which are expected to make it the international standard for forest fire hose. SNOW HOSE® was successfully introduced to ski hill operators at trade shows and through the trade press. This distinctive yellow hose is specifically designed for snow making operations and has already been installed at a number of leading Canadian and U.S. ski resorts.

ELVINS EQUIPMENT SALES

Despite the continuing depressed business conditions in the Yukon Territory, Elvins Equipment Sales Limited once again made a modest contribution to corporate profits. Little change is expected in the Yukon economy in 1985 but we are confident that Elvins has the right people, facilities and products to continue to take advantage of every opportunity that arises.

NATIONAL BEARINGS LIMITED

The structural changes and the strengthening of senior management mentioned in the 1983 annual report were completed during 1984. While the results of these changes are not yet evident in improved contribution to profit, sales volume was up and the outlook for 1985 is promising.



Pictured beside a Hyster R3CH Rack-loader II in the CAMCO distribution warehouse in Mississauga is Wajax Industries Limited Vice-President G.A. Cunningham.

Niedner Limited Vice-President R.L. Richardson at the company's recently expanded hose plant in Coaticook, Quebec.

Locations

- HEAD OFFICE
- SALES & SERVICE
- ▲ MANUFACTURING

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
- London
- Timmins

QUEBEC

- Chicoutimi
- ▲ Coaticook
- Drummondville
- Granby
- ▲ Montreal
- Quebec
- Seven Islands
- Sherbrooke
- Thetford Mines
- Valleyfield
- Val D'Or

NEW BRUNSWICK

- Saint John

NOVA SCOTIA

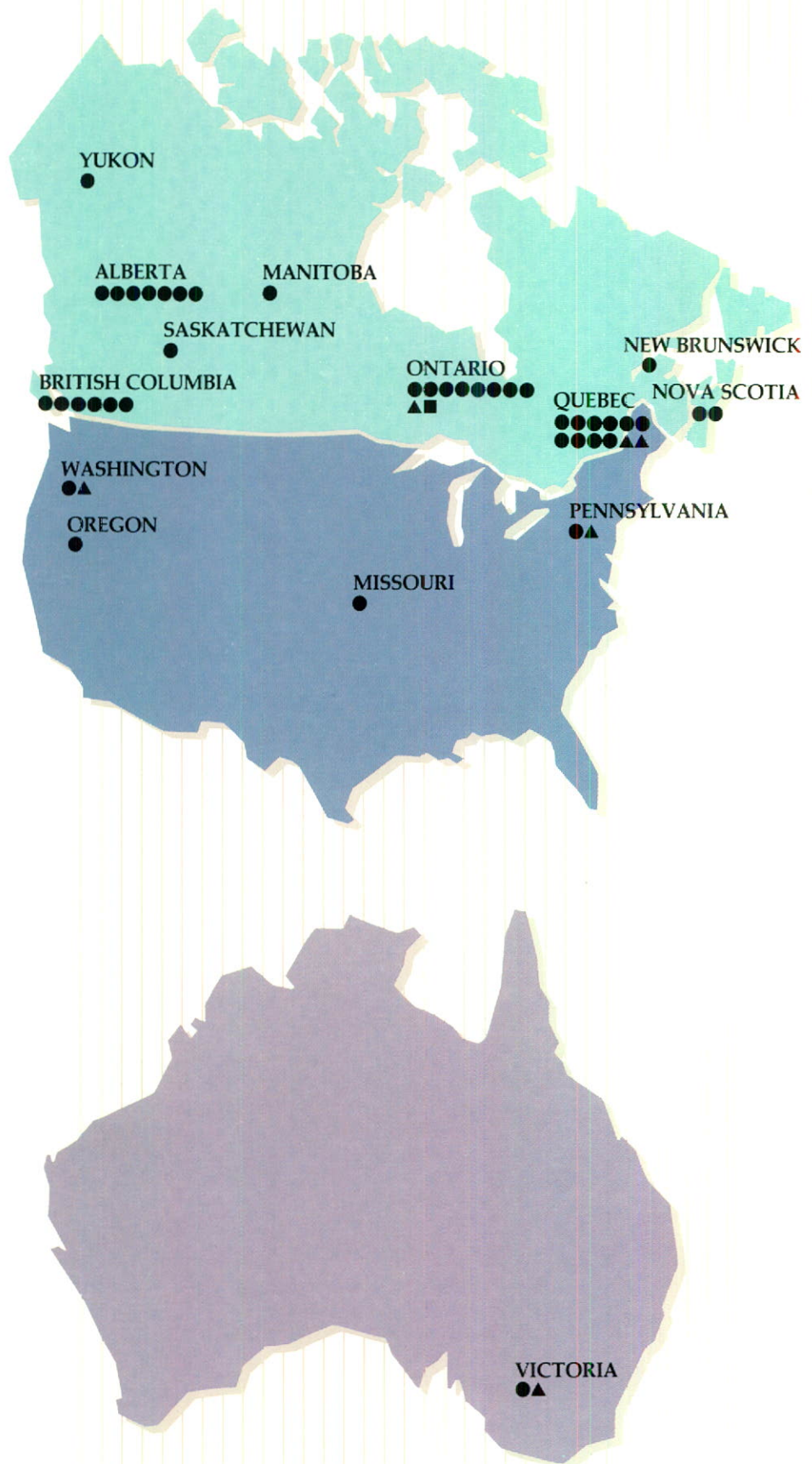
- Dartmouth
- Sydney

UNITED STATES

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

AUSTRALIA

- ▲ Melbourne, VICTORIA



Consolidated Statement of Earnings

For the year ended December 31
(Dollars in thousands)

1984

1983

Gross revenue	\$ 230,978	\$ 197,957
Cost of sales	185,112	158,155
Gross profit	45,866	39,802
Selling and administrative expenses	30,904	27,275
Interest expense	5,462	3,119
	36,366	30,394
Earnings before income taxes	9,500	9,408
Income taxes - Note 2	3,663	3,478
Net earnings	\$ 5,837	\$ 5,930
Net earnings attributed to:		
Preferred shares	\$ 1,264	\$ 1,284
Common shares	4,573	4,646
Net earnings	\$ 5,837	\$ 5,930
Basic earnings per common share - Note 3	\$ 0.64	\$ 0.66

Consolidated Statement
of Retained EarningsFor the year ended December 31
(Dollars in thousands)

1984

1983

Retained earnings, beginning of year	\$ 39,899	\$ 38,634
Net earnings	5,837	5,930
	45,736	44,564
Dividends - Note 4	4,675	4,665
Retained earnings, end of year	\$ 41,061	\$ 39,899

Consolidated Balance Sheet

As at December 31
(Dollars in thousands)

1984

1983

Assets

Current

Accounts and notes receivable	\$ 41,392	\$ 38,085
Inventories	90,109	79,291
Prepaid expenses	834	462
Deferred income taxes	2,648	401
	134,983	118,239

Fixed - Note 5

Fixed assets	34,052	30,763
Less accumulated depreciation	12,777	10,659
	21,275	20,104

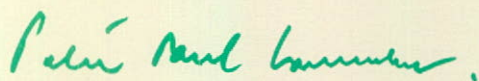
Other

Investment	662	662
Unamortized debenture issue expenses	242	262
Goodwill	1,925	1,945
	2,829	2,869
	\$ 159,087	\$ 141,212

On behalf of the Board:



Director



Director

1984

1983

Liabilities**Current**

Bank indebtedness - Note 6	\$ 38,777	\$ 18,328
Accounts payable and accrued liabilities	31,920	34,150
Income and other taxes payable	1,877	2,467

72,574

54,945

Long-term debt - Note 7

17,200

18,525

Shareholders' Equity

Capital stock - Note 8	28,252	27,843
Retained earnings	41,061	39,899
	69,313	67,742
	\$ 159,087	\$ 141,212

Auditors' Report

The Shareholders
Wajax Limited

We have examined the consolidated balance sheet of Wajax Limited as at December 31, 1984 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.

In our opinion, these consolidated financial statements present fairly the financial position of the

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

Donche Ross & Co.

Chartered Accountants

Ottawa, Ontario
February 22, 1985

Consolidated Statement of Changes in Financial Position

For the year ended December 31
(Dollars in thousands)

1984

1983

Source of funds		
From operations		
Net earnings	\$ 5,837	\$ 5,930
Items not requiring an outlay of funds		
Depreciation	2,593	2,109
Amortization of other assets	40	40
	8,470	8,079
Working capital of subsidiary at date of acquisition	—	522
Issue of common shares	409	422
	8,879	9,023
Application of funds		
Purchase of fixed assets	3,764	4,965
Decrease in long-term debt	1,325	1,325
Dividends	4,675	4,665
Acquisition of subsidiary	—	552
Investment	—	662
	9,764	12,169
Decrease in working capital	\$ 885	\$ 3,146
Working capital at end of year	\$ 62,409	\$ 63,294

Notes to Consolidated Financial Statements

December 31, 1984

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

Notes to Consolidated Financial Statements

December 31, 1984

1. Accounting policies (continued)

Other assets

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

Debt 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 acqui-

sitions 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. Income taxes

1984

1983

The consolidated effective income tax rate is 38.6% (37.0% - 1983) and is made up as follows:

Combined statutory income tax rate

48.1 %

48.9 %

Inventory allowance

(10.6)

(10.9)

Other

1.1

(1.0)

38.6 %

37.0 %

3. 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 7,106,030 (7,041,886 - 1983).

There would have been no dilution in basic earnings per common share in 1984 had all the preferred shares been converted.

4. Dividends (Dollars in thousands)

1984

1983

Dividends paid during the year were as follows:

Preferred shares

\$ 1,264

\$ 1,284

Common shares

3,411

3,381

\$ 4,675

\$ 4,665

Notes to Consolidated Financial Statements

December 31, 1984

5. Fixed assets <i>(Dollars in thousands)</i>	1984	1983
Land and buildings	\$ 14,918	\$ 14,108
Less accumulated depreciation	2,038	1,618
	12,880	12,490
Equipment and leasehold improvements	19,134	16,655
Less accumulated depreciation	10,739	9,041
	8,395	7,614
	\$ 21,275	\$ 20,104

6. Bank indebtedness

Bank indebtedness is secured by a general assignment of book debts and \$22,275,000 of inventories (\$17,938,000 – 1983).

7. Long-term debt <i>(Dollars in thousands)</i>	1984	1983
8-3/4% sinking fund debentures, series A, maturing March 1, 1993	\$ 3,000	\$ 3,250
11-3/4% sinking fund debentures, series B, maturing October 15, 1995	2,400	2,600
11-1/4% sinking fund debentures, series C, maturing October 1, 1999	13,125	14,000
	18,525	19,850
Less current portion included in accounts payable and accrued liabilities	1,325	1,325
	\$ 17,200	\$ 18,525

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

Interest on long-term debt amounted to \$2,117,000 (\$2,187,000 – 1983).

8. Capital stock

	Number of Shares		Amount <i>(Dollars in thousands)</i>	
	1984	1983	1984	1983
Issued and fully paid:				
\$1.86 Cumulative redeemable convertible preferred shares, Series A	675,987	690,187	\$ 15,861	\$ 16,194
Common shares	7,129,726	7,065,827	12,391	11,649
			\$ 28,252	\$ 27,843

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, 1984 the earnings per

common share would have been \$0.69.

The preferred shares are non-redeemable prior to October 15, 1985, except if the weighted

Notes to Consolidated Financial Statements

December 31, 1984

8. Capital stock (continued)

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 \$25.00 per share on or after October 15, 1984 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, 1984 there were outstanding 7,129,726

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	690,187	6,538,636	527,191
Conversion of preferred shares to common shares	(14,200)	28,400	—
Options exercised	—	17,000	—
Stock dividends on Class B common shares	—	—	18,499
Net conversion of common shares between classes	—	(26,898)	26,898
Shares outstanding at end of year	675,987	6,557,138	572,588

Options, to officers, which expire five years after date of grant, are outstanding to purchase 84,000

unissued common shares of the Company as follows:

Options granted November 13, 1980 at \$10.80 per share	12,000
Options granted November 10, 1982 at \$9.80 per share	72,000
	84,000

9. Commitments

Long term lease commitments amount to \$9,222,000 in total.

The lease requirements for the next five years are:

1985	\$ 1,549,000
1986	1,323,000
1987	1,204,000
1988	1,058,000
1989	978,000

10. 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)

1984

1983

1982

1981

Earnings & Dividend Information

Gross Revenue	\$ 230,978	\$ 197,957	\$ 195,661	\$ 245,443
Pre-tax Earnings	\$ 9,500	9,408	9,073	19,622
After Tax Earnings	\$ 5,837	5,930	5,804	11,110
Dividends Declared				
— Preferred	\$ 1,264	1,284	1,285	1,302
— Common	\$ 3,411	3,381	3,355	3,317
Depreciation	\$ 2,593	2,109	1,742	1,585
Funds Generated from Operations	\$ 8,470	8,079	7,586	12,735

Per Common Share Information (Note 1)

Basic Earnings (Note 2)	\$.64	.66	.65	1.42
Dividends Paid (Note 3)	\$.48	.48	.48	.48
Equity	\$ 7.50	7.30	7.10	6.90

Balance Sheet Information

Working Capital	\$ 62,409	63,294	66,440	67,169
Fixed Assets — Net	\$ 21,275	20,104	17,218	15,212
Long Term Debt	\$ 17,200	18,525	19,850	20,300
Shareholders' Equity	\$ 69,313	67,742	66,055	64,368
Total Assets	\$ 159,087	141,212	123,802	134,425

Rates of Return

Pre-tax Earnings as a % of:

Gross Revenue	4.1	4.8	4.6	8.0
Total Assets (average)	6.3	7.1	7.0	14.6

After Tax Earnings

attributable to Common Shares
as a % of average

Common Share Equity	8.7	9.2	9.2	22.1
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Other Information

Number of Employees	1,388	1,362	1,156	1,601
Number of Shareholders	1,371	1,508	1,391	1,924
Shares Outstanding (Note 1)				
Preferred	675,987	690,187	690,387	699,200
Common	7,129,726	7,065,827	7,024,926	6,947,082
Weighted average number of				
Common Shares outstanding (Note 1)	7,106,030	7,041,886	6,988,376	6,908,980
Price Range of Shares (Note 1 and 4)				
Preferred	\$33-21½	\$33½-24½	\$25-16½	\$29-20
Common	\$16⅛-10	\$16-10	\$12-7⅜	\$14-9½

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.
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 ⅛ dollar.

1980	1979	1978	1977	1976	1975	1974
\$ 236,565 16,552 9,241 280 2,727 1,507 10,789	\$ 193,935 12,527 7,031 — 2,214 1,192 8,461	\$ 137,167 9,010 5,224 — 1,838 720 5,996	\$ 107,067 8,303 4,730 — 1,752 621 5,363	\$ 96,584 7,734 4,059 — 1,610 512 4,578	\$ 93,369 7,955 4,050 — 1,365 503 4,564	\$ 83,965 6,793 3,303 — 981 335 3,768
1.32 .40 5.94	1.05 .33 5.01	.80 .35 4.26	.73 .26 3.72	.63 .25 3.27	.70 .21 2.89	.59 .16 2.47
62,684 13,003 20,750 57,264 133,636	42,897 9,828 21,200 33,893 112,755	27,788 5,965 7,650 28,396 79,942	26,853 3,973 8,100 24,183 58,107	24,585 3,438 8,300 21,071 49,209	22,362 3,390 8,500 18,607 45,461	14,699 2,641 4,500 13,858 43,235
7.0 13.4 24.0	6.5 13.0 22.6	6.6 13.1 19.9	7.8 15.5 20.9	8.0 16.3 20.5	8.5 17.9 25.0	8.1 17.4 26.0
1,748 1,947 700,000 6,876,030 6,812,456 \$28-24 \$12½-8¼	1,742 1,492 — 6,762,706 6,709,278 — \$9½-5¾	1,407 1,519 — 6,663,640 6,535,398 — \$6¼-4⅝	1,146 1,542 — 6,493,640 6,476,122 — \$5⅛-3⅛	1,105 1,560 — 6,437,668 6,436,468 — \$3¾-3	1,125 1,600 — 6,430,868 5,788,036 — \$3½-2¼	1,007 1,485 — 5,606,584 5,604,456 — \$3-2¼

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

ROBERT DESPRÉS, O.C.
Chairman
Atomic Energy of
Canada Limited

GOWAN T. GUEST, Q.C.
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 **
Vice Chairman
Dominion Securities
Pitfield Limited

CORPORATE 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

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

R.H. GODFREY
Vice President – Marketing

B.W. SCOBIE
Vice President –
President Manufacturing
Group (Resident: Toronto)

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
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:

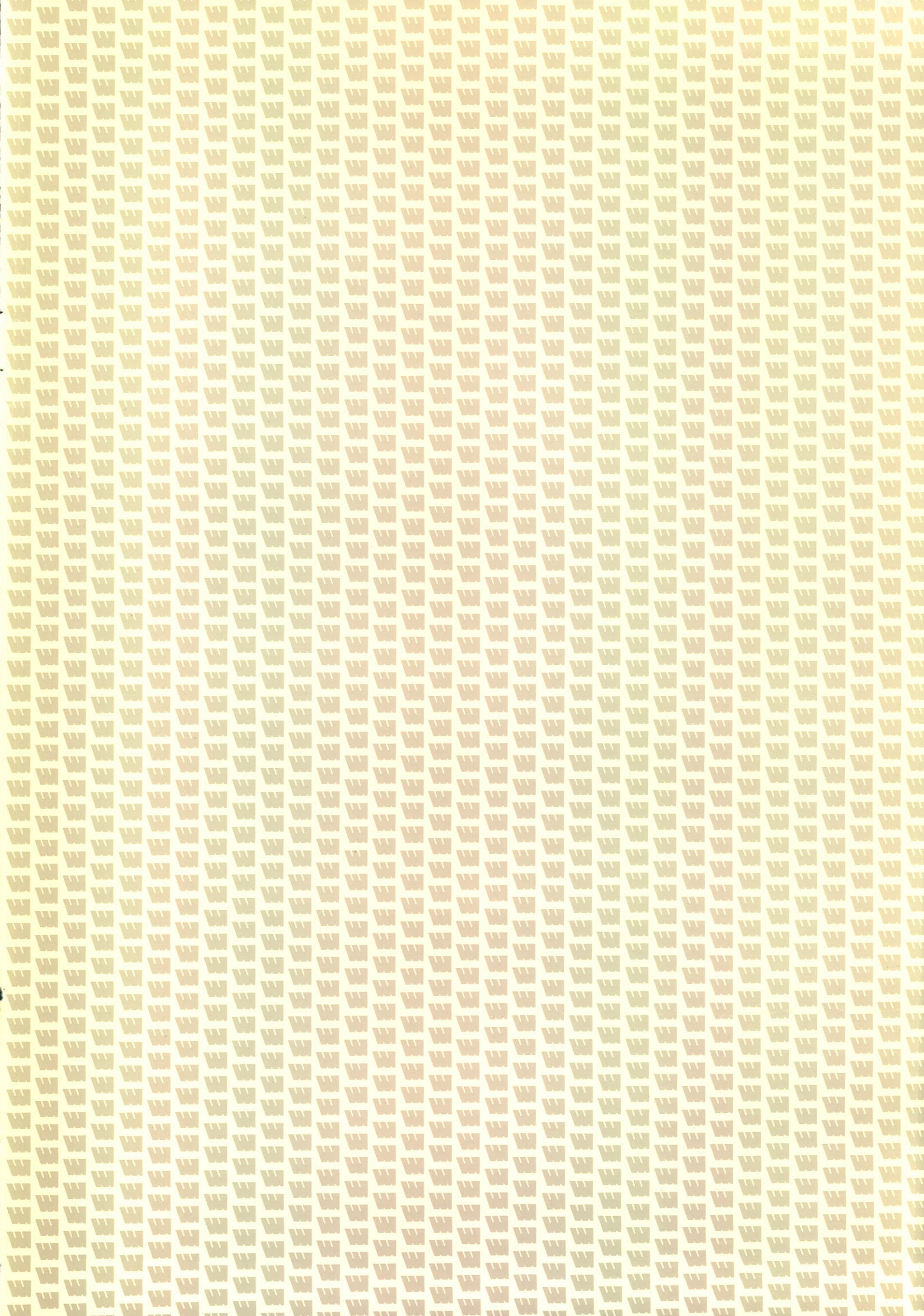
Clarkson, Tétrault

AUDITORS:

Touche Ross & Co.

STOCK LISTINGS:

Montreal Stock Exchange
Toronto Stock Exchange





Wajax Limited 350 Sparks Street, Ottawa, Ontario K1R 7S8