



ANNUAL REPORT 1979



CORPORATE DIRECTORY

DIRECTORS

- *IAN B. CAMPBELL
President and Chief Operating Officer, Wajax Limited
- *R. W. CHORLTON
Chairman of the Board and Chief Executive Officer, Wajax Limited
- P. R. GENDRON, C.C., F.R.S.C., F.C.I.C.
Deputy Chairman of the Board, Pulp & Paper Research Institute of Canada
- GOWAN T. GUEST
Partner, Alexander, Guest, Holburn & Beaudin, Barristers & Solicitors
- DEREK A. HANSON, Q.C.
Partner, Courtois, Clarkson, Parson & 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 Cornat Corporation
- *D. R. SOBEY
President, Empire Company Limited
- *D.C.H. STANLEY
Corporate Director
- *D. L. TORREY
Senior Vice-President and Director, Pitfield Mackay Ross Limited, Investment Dealers
- *Member of the Audit Committee

CORPORATE MANAGEMENT

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

BANKERS:	Bank of Montreal • Bank of British Columbia • Royal Bank of Canada • Seattle-First National Bank
REGISTRARS:	National Trust Company Limited
TRANSFER AGENT:	The Royal Trust Company
LEGAL COUNSEL:	Courtois, Clarkson, Parsons and Tétrault
AUDITORS:	Touche Ross & Co.
STOCK LISTINGS:	Montreal Stock Exchange • Toronto Stock Exchange
HEAD OFFICE:	350 Sparks Street, Ottawa, Ontario K1R 7S8

Annual Meeting of Shareholders

The Annual General Meeting will be held at the Sheraton Centre Hotel, Toronto, Ontario on Thursday, April 24, 1980 at 11:00 a.m. A buffet luncheon will be served following the meeting.

Valuation Day

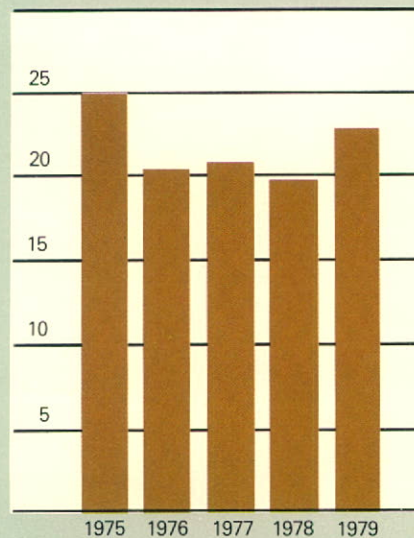
The value for capital gains tax attributed to Wajax Limited common stock on Valuation Day (December 22, 1971) was \$13.63, which by virtue of 2-for-1 stock splits in 1972 and 1977 is now equivalent to \$3.4075 per Class A share.

FINANCIAL HIGHLIGHTS

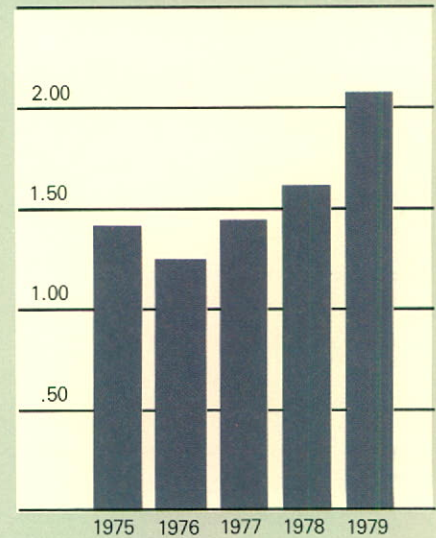
Operations (thousands of dollars)	% Change	1979	1978
Gross Revenue	41.4	\$193,935	\$137,167
Net Earnings	34.6	7,031	5,224
Financial Position (thousands of dollars)			
Working Capital	54.4	42,897	27,788
Long-term Debt	177.1	21,200	7,650
Shareholders' Equity	19.4	33,893	28,396
Per Common Share			
Net Earnings	31.3	\$ 2.10	\$ 1.60
Dividends	*	.66	.70
Shareholders' Equity	17.6	10.02	8.52

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

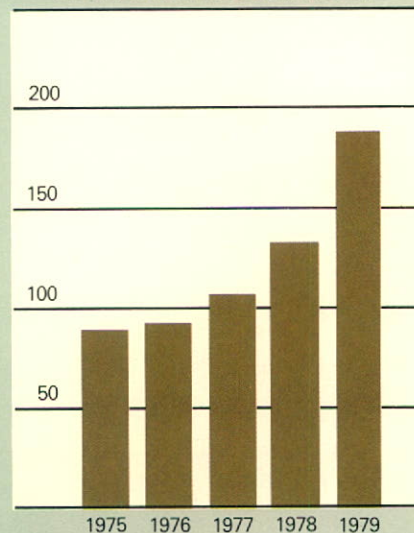
RETURN ON EQUITY (Percent)



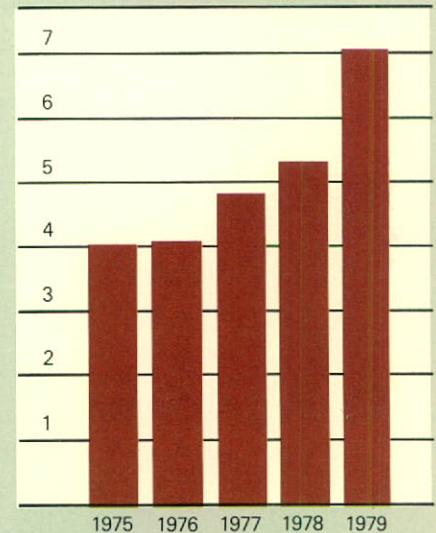
EARNINGS PER SHARE (Dollars)



GROSS REVENUE (Millions)



NET EARNINGS (Millions)



REPORT TO THE SHAREHOLDERS



It is pleasing to be able to report on a year of solid achievement with financial results markedly better than those of 1978. Net earnings at \$7,031,000 on gross revenues of \$194 million were ahead of last year 34.6% and 41.4% respectively.

The results, which are better than we anticipated a year ago, are due in very large measure to the continued loyalty and hard work of the Wajax employees at all levels, and it is fitting early in this report to record the Directors' and Shareholders' appreciation for a job well done.

All major product groups, with the exception of Power Products, contributed to the improvement in earnings. Regionally the strongest performance came from the resource oriented operations in Western Canada, while Eastern Canada produced marginal improvements in line with the much slower pace of economic activity there.

Regular quarterly dividends of 16¢ per Class A share were paid on March 30, June 29 and September 28, 1979; for the dividend payable December 28, 1979, this was raised 12 1/2 % to 18¢, and the dividend March 31, 1980 has been declared payable at 20¢ per share, a further increase of 11%. Equivalent stock dividends on the Class B shares for the year 1979 totalled .0453 share per Class B share held, or one new share for every 22 shares held. We are pleased to note that a number of



our smaller shareholders, as well as major investors, have chosen this means of re-investing their dividends on a tax-deferred basis.

Much media space has been devoted in the early months of 1980 to stories reflecting disappointment in the economic development of Canada during the past decade and making unfavourable comparisons with the achievements of the 1960's. From Wajax' standpoint the 1970's, while not without their significant challenge, were in fact a decade of substantial profitable growth. In 1970 total corporate gross revenue reached \$27,810,000, and after tax profit was \$769,000: ten years later gross revenues had increased approximately sevenfold, and after tax profit and dividends more than ninefold. It is worthwhile to note that during this period growth came primarily from internal sources, as the last major acquisition took place early in 1971 with the addition of Mine Equipment Company. In 1979 four of the five major Wajax profit centres each generated gross revenues and net profits larger than the total consolidated results of 1970.

The relative success we have enjoyed in the past decade can be attributed to the fact that the diversified geographical and product division structure of the Company has been linked to the high growth areas of the Canadian economy — mining, petroleum and gas development, transportation industry and forest industry — all

sectors of significant growth. Our optimism regarding the decade ahead lies in the fact that we believe these will continue to be the outstanding Canadian growth areas.

The strong overall growth of our business throughout 1979 presented special challenges to operating management as inventories and accounts receivable grew sharply in keeping with the pace of sales growth. Inflation at the wholesale price level outstripped that of the general cost of living and continues to be a source of concern, while fluctuation in the level of the rate of exchange for Canadian currency adds to the complexities as it applies to the cost of imported goods. Not the least of the operating challenges has been the extremely rapid rise in short term interest rates and attendant operating cost.

During the year we continued to increase our investment in fixed assets primarily by way of upgrading facilities and acquiring properties in key market areas. This program resulted in an addition to our fixed assets of approximately \$4 million, including such major additions as the erection of a truck engine overhaul centre in Edmonton and the purchase of related facilities in Fort St. John, acquisition of leased premises in Vancouver and the construction of a branch operation in Sudbury.

This rapid growth of our business and the related increased investment in inventories and fixed assets, together with the uncertainties of inflation, dollar values and interest rates made us conclude we should strengthen the financial base of the Company. Accordingly, on October 1, 1979, the Company completed the private placement of twenty-year 11-1/4% Sinking Fund Debentures, Series C, to a principal amount of \$14 million. Reduction of bank loans effected in consequence of this move will reduce interest costs under present conditions and contribute to the maintenance of sound balance sheet ratios over the longer term.

While a great deal of activity took place during the year in all of the Company's operating divisions, two developments were of significance to the ongoing development of the Company. The first of these moves was to strengthen the effectiveness of the operations of the Edmonton based Waterous GM Diesel Limited. This important division distributes General Motors diesel engines and Allison power transmissions in Alberta, Northeastern British Columbia and the Yukon and Northwest Territories. In order to provide a closer management identification with the market areas served, it was decided to hive off two extra companies, namely Waterous Power Products headquartered in Calgary, to serve Alberta from Red Deer south, and Elvins Power Products to serve Northwestern Alberta, Northeastern British Columbia and the Yukon Territory from its headquarters in Fort St. John.

These three diesel engine companies together form the Waterous Power Products Group. Although the start-up expense associated with these moves had the effect of reducing the bottom line performance in 1979, we are satisfied that they will be of great assistance in the future profitable growth of this business.

The other major item was the substantial expansion of the manufacturing operations of the Utility Equipment and Crane Division. This Division enjoyed rapid development of its business in late 1978 and 1979, partly because of the introduction of new products, but principally because of a substantial improvement in its market penetration in Canada and in certain export markets. As we anticipate further growth, we have purchased a new building to accommodate the distribution operations currently carried out in the Markham manufacturing plant, thus freeing up space for the expansion of the manufacturing operations.

As noted in earlier interim reports, two small acquisitions were made during the year. The first, Watts

Mechanical Services, a Fort St. John, B.C. dealer for Detroit Diesel, was acquired to become the headquarters base for the recently formed Elvins Power Products, and it will be of great assistance in covering the Northeastern B.C. market area. The second, Maritime Hydraulics and Machinery Limited, with a plant in Dartmouth and a branch in St. John's, Newfoundland, is a highly specialized designer and distributor of labour saving mechanical equipment and deck machinery for the fishing industry. The acquisition will give Wajax a stronger identification in the Atlantic Provinces, long lacking, and an entry into the sizeable growing market for new fishing equipment in Canada and the United States.

As a reflection of the corporate changes and the delegation of the responsibilities outlined above, the following senior appointments were made during the year:

- G. R. Donaldson
Vice President and General Manager, British Columbia and Alberta
- Y. L. Thibeault
Vice President, Wajax Industries Limited and General Manager, Waterous Power Products Group
- E. A. Kobe
President, Waterous GM Diesel Limited
- R. Homersham
President, Waterous Power Products Limited
- G.E. Elvins
President, Elvins Power Products Limited
- J. S. Fleming
Treasurer, Wajax Industries Limited
- K. D. Jolliffe
Vice President, Fire Control Group

The Annual General Meeting of Shareholders, as noted in the material accompanying this report, is to be held in Toronto on April 24, 1980, and we hope that this will be

well attended by our shareholders and friends.

Despite generally negative forecasts for the economy as a whole, we are optimistic about the prospects for improved earnings in 1980 as order backlog, particularly in our natural resource oriented divisions, remains high. Our optimism is tempered by continuing record high interest rates and the general inertia prevailing in the Eastern Canada economy.

On behalf of the Board,



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



Ian B. Campbell,
President and Chief Operating Officer.

OPERATIONS REPORT

Wajax Limited is a diversified Canadian company, with operating divisions located across Canada and extending into the United States. Its principal activities are the distribution and increasingly the manufacture of diversified mechanical equipment linked with vital Canadian growth areas in Mining, Oil and Gas; Forest Industries; Transportation; Utilities; Manufacturing; and Construction.

The operating divisions whose activities are described below attained results during the year varying from a strong performance in Western Canadian distribution and in our principal manufacturing operations, to much weaker distribution activity in Eastern Canada.

Wajax Industries Limited - East

In the Eastern Region, by reason of the complexity and size of the markets, we are organized for management along market division lines. Much of the past year's activity centred around the redefinition of management structure to ensure the efficient operation of the individual market subdivisions.

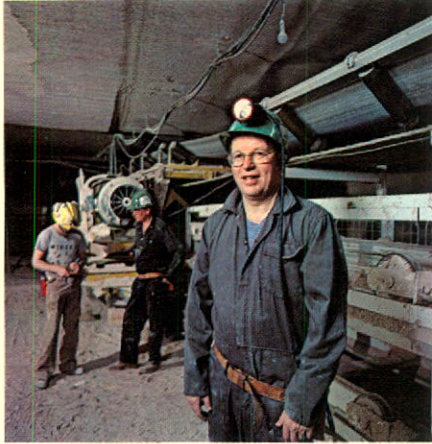
The Mining Division enjoyed a continuation of the modest upward trend first noted in the last quarter of 1978. Resolution of the labour strife in the iron ore range of Labrador was accompanied by a return to strong profit performance of our Sept Iles branch — principally in the line of milling products. While stronger base metal prices contributed to an upswing in mining machinery orders from Northern Ontario and Quebec, the residual effect of the work stoppage in the Nickel Belt continued to have an adverse effect on profit growth. Early in the year we moved our Northern Ontario base from North Bay to new premises in Sudbury and Elliot Lake, giving us better access to the major markets in those areas. Our Milling Division, based in Toronto, produces rubber and synthetic abrasive-resistant screens and linings principally for the mining and extractive industries,



and markets pumping and power transmission systems for the same applications. Satisfactory results for the year reflected the renewed activity in these fields.

The Materials Handling Division experienced a significant expansion in its total market with a higher penetration level attained, but as a result of strong competitive pressures profit margins were at a lower level than the previous year. Added production facilities at Hyster Canada broadened the model range and the volume of products available from a Canadian source, but even so supply was not always equal to the demand. A major effort during the year was directed toward strengthening the parts and service facilities throughout the major market areas in all of Eastern Canada, by the formation of more branch outlets and through the implementation of improved marketing techniques — changes that are not without a substantial increase in general overhead but which are designed to improve the profitability of this unit in the long run. More comprehensive coverage has already contributed to new successes in the penetration of markets such as the auto manufacturing support industry in southwestern Ontario, and the forest products industry in the Maritime provinces. Additionally, substantial additions to our rental fleet capacity will enable us to make a strong bid for the sizeable supplemental and temporary replacement market.





The Utility Equipment and Crane (UEC) Division, the third largest marketing group in Eastern Canada, went through a major management re-organization which, it is believed, will ensure the retention of a relatively large market share for the traditional products, while successfully setting the stage for improved penetration with a number of new lines including significant new developments from our own manufacturing resources. While the utility equipment sector of this division maintained its position, greater emphasis was laid on the broad market for truck-mounted hydraulic cranes as well as for the VIVA® line of knuckle boom loaders. A more complete description of the product development affecting this Division is described later in the section relating to the manufacturing unit, Wajax UEC Limited.

Overall sales volumes in Quebec maintained an upward trend, but net returns trailed somewhat due to higher operating costs in a rather flat market. Our continuing policy of internal development and growth has resulted in the emergence of highly qualified and predominantly francophone management and staffing for these operations.



Wajax Industries Limited - West

In Western Canada we are more deeply involved in products related to the development of resource industries. Our organizational emphasis has been less on specific marketing divisions, leaning instead toward a branch network, reporting through a Western head office in Vancouver, that permits us to give excellent sales and service coverage to the forest industries, the mining industries, and the industries related to petroleum and gas. In British Columbia and Alberta every branch, and every major product group within each branch, established new highs in volume and profitability for 1979, and in aggregate contributed very substantially towards the growth in profitability of the Company as a whole.

The Mining Division sales environment was broadly favourable, increased activity in B.C. stemming from firmer metal prices, particularly copper and molybdenum, and the coal producers in an expansion and re-equipping phase. In response to this demand, five 15 cubic yard Marathon LeTourneau front-end loaders, averaging around \$600,000 apiece, were sold during the year. Natural resource based industry maintained high levels of activity in Alberta, where a 20 cubic yard Demag hydraulic bucket excavator, the largest production unit of its kind, was ordered by Suncor (formerly Great Canadian Oil Sands). In Saskatchewan, expansion of potash mines production gave rise to profitable conveyor and

belting business, and uranium operations in northern areas are expected to create additional demand during the current year.

The Materials Handling Division maintained its strong position in British Columbia and improved its position in Alberta. Forest products industries constitute the major market, favouring the larger types of Hyster pneumatic-tired fork lifts which are recognized as the industry standard; but real progress has been made in carving out a market for the smaller cushion-tired gas and electric powered machines. Formed to meet the unique requirements of Western logging, the Woodlands Division is an extension of Materials Handling, offering the Marathon LeTourneau log stacker and Barko log handling equipment. Strong demand produced record results for both these lines in 1979.

The UEC Division made its first really significant impact on Western markets, taking full advantage of the availability of superior Canadian and imported product. This development is all the more striking in a region not noted for the industrial concentration which creates a major demand for this equipment.

The Ditch Witch line of self-propelled ditching and trenching machines has found a wide variety of applications in the expanding Alberta economy, and our Ditch Witch Division in that province had an outstanding year.

Waterous Power Products Group

As noted in the Report to Shareholders, the Waterous Power Products Group now comprises three companies, offering substantially improved coverage of the large territory formerly served by Waterous G.M. Diesel Limited alone, consisting of Alberta, northeastern British Columbia, the Yukon and part of the Northwest Territories.

Waterous G.M. Diesel Limited now operates the Group's largest plant,

in Edmonton, Alberta, with branches in Fort McMurray and Hinton and dealers elsewhere. The Edmonton operations have been further expanded by the opening of a new 24,000 sq. ft. building in the west end of the city, dedicated exclusively to the rapidly growing engine service requirements of the trucking industry, and this facility has been fully utilized almost from day one. With Syncrude operations now on stream in the Fort McMurray area, that branch had an excellent year; the Hinton shop has also made good progress, limited only by some difficulty in attracting sufficient highly skilled diesel mechanics. In 1980, the territory now served by Waterous G.M. Diesel Limited is expected to produce sales equal to those of the entire Waterous operation in 1978.

Serving southern Alberta out of Calgary with a branch in Red Deer, and dealers elsewhere, Waterous Power Products Limited increased its business over 50% in 1979. The new Red Deer branch and addition to the Calgary premises, mentioned in last year's report, have been operating close to full capacity, and a further addition in Calgary is planned for 1980. The strong service business is sustained by the high level of oil field and exploration activity, and new engine sales have also shown dramatic growth.

Elvins Power Products Limited, headquartered in Fort St. John, B.C., is also responsible for the Grande Prairie branch in northwestern Alberta, and for the Detroit Diesel Allison component of the Elvins operation in Whitehorse, Yukon. The Fort St. John establishment, acquired in 1979 from Watts Industrial Mechanics Ltd., has required some restructuring but is expected to move into the black during 1980; its future potential is excellent. Grande Prairie had a good year, based on steady demand from one major mine and a number of lumber mills in the area, and the Whitehorse branch came through with a good result despite some inertia in the Yukon economy.



Wajax UEC Limited

Smith Bros. Motor Bodies Limited, acquired by Wajax in 1970, was founded in 1843 and entered the custom auto body business before World War 1, establishing a fine reputation for craftsmanship and quality. With declining demand for custom bodies, however, the company diversified away from this field, and over the last ten years has become the principal supplier of the hydraulic cranes and aerial devices marketed through the UEC Division of Wajax Industries Limited. With



some regret, therefore, it was decided to change the time-honoured Smith Bros. name to one more closely reflecting current activity, namely Wajax UEC Limited which was adopted as of November 28, 1979.

In addition to the U.S.-designed Pitman aerial devices and cranes manufactured under licence, Wajax UEC has engineered and developed its own line of VIVA[®] auxiliary truck cranes, to the extent that product conceived, designed and built in Canada now constitutes a substantial proportion of the plant's output. The year 1979 saw the introduction of another new Canadian model, the 6-ton VIVA[®] 500, while the range was augmented at the high end by two new heavy duty models imported from Italy. At the same time, modifications and improvements based on Canadian experience are being continually incorporated into the Pitman product.

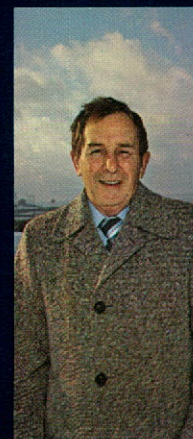
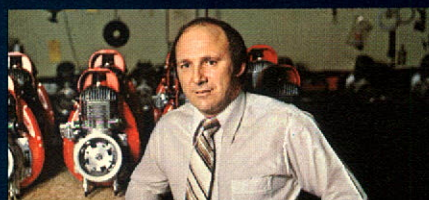
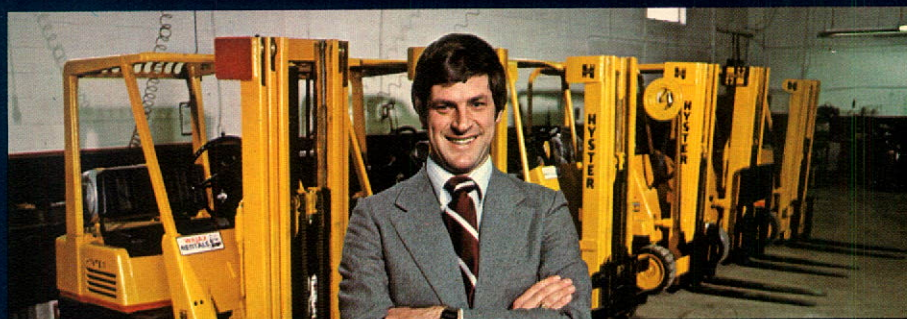
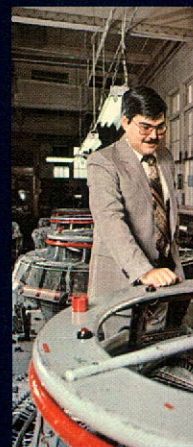
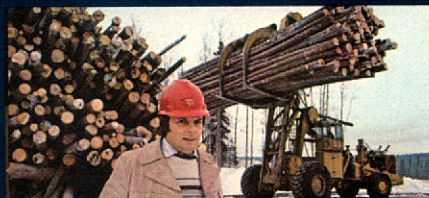
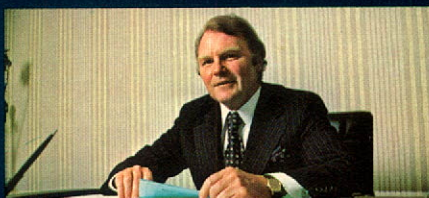
The outstanding performance of the UEC product line, together with the vigorous marketing activity of our distributing organization, has created some problems for us in meeting the current demand. To improve this situation, we have acquired 42,500 sq. ft. of additional plant space on 3.9 acres in Mississauga; this will accommodate our Ontario UEC distribution operations, freeing up the Markham facility for greater manufacturing output.

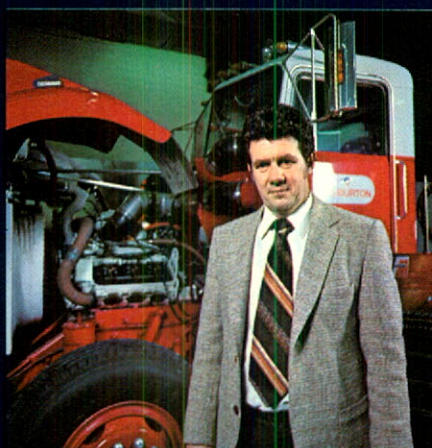
Fire Control Group

Niedner Limited, our fire hose manufacturing unit in Coaticook, Quebec enjoyed a further substantial increase in volume; more high speed looms were added to keep pace with the demand, but it has still been necessary to operate the plant on a three shift basis throughout the year. We are achieving significant penetration of the U.S. industrial hose market, and to meet this requirement a new plant is being brought on stream across the border in New Hampshire.

For Wajax Manufacturing Limited, producing forest fire fighting pumps and allied equipment in Montreal, a "good" year has traditionally signified a period of heavy fire loss. Such was not the case in 1979, but nevertheless sound inventory control and aggressive management contributed to improvement in the bottom line performance. New products were introduced, including a self-contained forest fire-fighting trailer and a free-flow siamese ball valve of innovative design, while the high-powered Mark 75 pump first offered in 1978 firmly established its place in the market. Export sales continued to reflect Wajax' world reputation in forest fire control.

To maximize acceptance of the Wajax name in the United States, we have changed the names of our principal U.S. manufacturing and distributing subsidiaries; on the West Coast, Pacific Pumpers has become Wajax Pacific Fire Equipment Inc., while in the East,





Pacific Fire Control is now Wajax Pacific Fire Control Inc. These operations made a positive contribution to our results for the year.

Wajax International Limited

Operating as the export trading company for the Wajax group, Wajax International attained sharply higher levels of sales and profitability in 1979. Export sales consisted largely of Fire Control and UEC products of our own manufacture, destined for markets which are literally worldwide. Major new penetrations occurred in the OPEC countries and in Mexico, involving substantial volumes of our specialized electrical utility maintenance equipment. There are strong indications that the extensive network of export contacts established over the past few years will result in a continuing upward trend.

Elvins Equipment Sales Limited

As noted earlier, the Detroit Diesel Allison segment of the Elvins business in Whitehorse is now part of Elvins Power Products Limited, reporting to the Watrous Power Products Group. Elvins Equipment Sales Limited continues to provide Yukon sales and service for the Kenworth truck, Cummins diesel and Champion road grader lines. Economic conditions in 1979 were not strong, but the base metal mines provided a solid basic demand and under these conditions the Whitehorse operations did well to increase both volume and profitability.

National Bearings Limited

Serving the Quebec, Labrador and Eastern Ontario market for replacement bearings and allied products, National Bearings was acquired in 1978, and in 1979 completed its first full year of participation in the Wajax group. Despite setbacks caused by ongoing labour unrest in the areas served by several Quebec branches, and in particular by the closing of the Rayonier plant in Port Cartier,

Quebec, the year was one of major progress for National.

Record sales volumes were attained, accompanied by the opening of branches in new locations including Labrador City and Toronto, and by the establishment of a Power Transmission Division.

Competition in this field is tough and likely to remain so; nevertheless we are confident that the excellent record established by National with both customers and suppliers, augmented by a dedicated sales group and expanding market coverage, constitutes a solid base of support for continued growth and profitability.

Maritime Hydraulics & Machinery Limited

Acquired in July, 1979, MHM has not yet fulfilled our earlier expectations. Some re-structuring is in progress, and we are in the process of evaluating the impact of the 200-mile fishing limit on MHM's product line. In the interim, operations are being sustained at a normal level, and maximum effort is being applied to realize the potential which we still see in this business.

Outlook

There is little room for complacency under today's economic conditions. Nevertheless we are heading into 1980 with a strong order book, a highly experienced and motivated group of people at all levels, and a product mix further refined to match those areas of the economy in which we see the greatest development potential. From such a point of departure, we face the challenges of the coming year with enthusiasm and optimism.

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31

(Dollars in thousands)

	1979	1978
Gross revenue	\$193,935	\$137,167
Cost of sales	<u>152,709</u>	<u>107,304</u>
Gross profit	<u>41,226</u>	<u>29,863</u>
Selling and administrative expenses	25,005	18,664
Interest expense	<u>3,694</u>	<u>2,189</u>
	<u>28,699</u>	<u>20,853</u>
Earnings before income taxes	12,527	9,010
Income taxes	<u>5,496</u>	<u>3,786</u>
Net earnings	<u>\$ 7,031</u>	<u>\$ 5,224</u>
Earnings per common share	<u>\$2.10</u>	<u>\$1.60</u>
Weighted average number of shares outstanding	<u>3,354,639</u>	<u>3,267,699</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31

(Dollars in thousands)

	1979	1978
Retained earnings at beginning of year	\$ 19,928	\$ 16,542
Net earnings	<u>7,031</u>	<u>5,224</u>
	26,959	21,766
Dividends - Note 7	<u>2,214</u>	<u>1,838</u>
Retained earnings at end of year	<u>\$ 24,745</u>	<u>\$ 19,928</u>

WAJAX LIMITED

(Incorporated under the Canada Business Corporations Act)

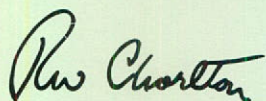
CONSOLIDATED BALANCE SHEET

(Dollars in thousands)

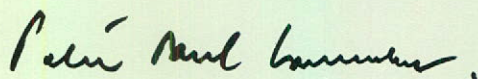
ASSETS

	1979	1978
Current		
Cash	\$ 166	\$ 265
Accounts and notes receivable	33,194	26,190
Inventories	65,930	44,399
Prepaid expenses	371	240
Deferred income taxes - Note 2	898	590
	<u>100,559</u>	<u>71,684</u>
Fixed - Note 3		
Fixed assets	15,409	10,897
Less accumulated depreciation and amortization	<u>5,581</u>	<u>4,932</u>
	<u>9,828</u>	<u>5,965</u>
Other		
Unamortized debenture issue expenses	344	190
Goodwill - Note 4	<u>2,024</u>	<u>2,103</u>
	<u>2,368</u>	<u>2,293</u>
	<u>\$112,755</u>	<u>\$79,942</u>

On behalf of the Board:



Director



Director

The Shareholders
Wajax Limited

We have examined the consolidated balance sheet of Wajax Limited as at December 31, 1979 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.

AUDITORS'

STATEMENT AS AT DECEMBER 31, 1979

(in thousands)

LIABILITIES

Current

Bank indebtedness - Note 5

1979

\$ 20,613

1978

\$16,729

Accounts payable and accrued liabilities

28,231

20,436

Notes payable - Note 5

2,945

2,945

Income and other taxes payable

5,873

3,786

57,662

43,896

Long-term debt - Note 6

21,200

7,650

SHAREHOLDERS' EQUITY

Capital stock - Note 7

9,148

8,468

Retained earnings

24,745

19,928

33,893

28,396

\$112,755

\$79,942

REPORT

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1979 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, 1980

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31

(Dollars in thousands)

	1979	1978
Source of funds		
From operations		
Net earnings	\$ 7,031	\$ 5,224
Items not requiring an outlay of funds		
Depreciation and amortization of fixed assets	1,192	720
Amortization of other assets	238	52
	<u>8,461</u>	<u>5,996</u>
Working capital of subsidiaries at dates of acquisition	213	1,446
Issue of long-term debt	14,000	-
Issue of shares	680	827
	<u>23,354</u>	<u>8,269</u>
Application of funds		
Acquisition of subsidiary	420	2,718
Purchase of fixed assets	4,993	2,328
Decrease in long-term debt	450	450
Debenture issue expenses	168	-
Dividends	2,214	1,838
	<u>8,245</u>	<u>7,334</u>
Increase in working capital	<u>\$15,109</u>	<u>\$ 935</u>
Working capital at end of year	<u>\$42,897</u>	<u>\$27,788</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1979

1. Accounting Policies

Principle of Consolidation

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

Foreign Currency Translation

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

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

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

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

Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1979

1. Accounting Policies (continued)

Fixed Assets and Depreciation

Fixed assets are recorded at cost. Depreciation, on the diminishing balance basis, and amortization are provided at the following rates:

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

Other Assets

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

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

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. Deferred Income Taxes

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

3. Fixed Assets

	1979	1978
Land and buildings	\$6,496,000	\$3,684,000
Less accumulated depreciation	824,000	748,000
	<u>5,672,000</u>	<u>2,936,000</u>
Equipment and leasehold improvements	8,913,000	7,213,000
Less accumulated depreciation and amortization	4,757,000	4,184,000
	<u>4,156,000</u>	<u>3,029,000</u>
	<u>\$9,828,000</u>	<u>\$5,965,000</u>

4. Acquisition

During the year the Company acquired all of the outstanding shares of Maritime Hydraulics and Machinery Limited. This acquisition has been accounted for under the purchase method. Goodwill of \$145,000 arising from this acquisition has been amortized in full during the current year.

5. Bank Indebtedness and Notes Payable

Bank indebtedness is secured by a general assignment of book debts and inventories of \$10,281,000 (\$6,350,000 in 1978).

Notes payable to suppliers and financial institutions amount to \$2,945,000 (\$2,945,000 in 1978) of which \$2,684,000 (\$2,371,000 in 1978) is secured by inventories.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1979

6. Long-Term Debt

	1979	1978
8-3/4% Sinking Fund Debentures, Series A, maturing March 1, 1993	\$ 4,250,000	\$4,500,000
11-3/4% Sinking Fund Debentures, Series B, maturing October 15, 1995	3,400,000	3,600,000
11-1/4% Sinking Fund Debentures, Series C, maturing October 1, 1999	14,000,000	-
	<u>21,650,000</u>	<u>8,100,000</u>
Less current portion included in accounts payable and accrued liabilities	450,000	450,000
	<u>\$21,200,000</u>	<u>\$7,650,000</u>

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

Interest on long-term debt amounted to \$1,202,000 (\$848,000 in 1978).

7. Capital Stock

As at December 31, 1979 there were outstanding 3,381,353 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. As at December 31, 1979, 26,017 Class B shares are reserved for this purpose. The Class A and Class B shares are fully convertible from either class to the other on a share-for-share basis.

Changes in capital stock during the year were as follows:

	Class A	Class B
Common shares outstanding at beginning of year	2,793,764	538,056
Options exercised	3,550	-
Shares issued at a stated value of \$14 each, as part consideration for the acquisition of a subsidiary	22,000	-
Stock dividends on Class B shares	-	23,983
Net conversion of Class B shares to Class A shares	34,450	(34,450)
Common shares outstanding at end of year	<u>2,853,764</u>	<u>527,589</u>

Dividends declared during the year were as follows:

Class A shares	\$1,865,000
Class B shares	349,000
	<u>\$2,214,000</u>

Options, which expire five years after date of grant, are outstanding to purchase 60,150 unissued shares of the Company as follows:

	To Officers	To Other Employees
Options granted November 17, 1977 at \$8.78 per share	-	5,000
Options granted November 15, 1978 at \$9.00 per share	39,250	15,900
	<u>39,250</u>	<u>20,900</u>

8. Commitments

Long term lease commitments amount to \$10,172,000 in total.

The lease requirements for the next five years are:

1980	\$1,200,000
1981	1,103,000
1982	996,000
1983	864,000
1984	740,000

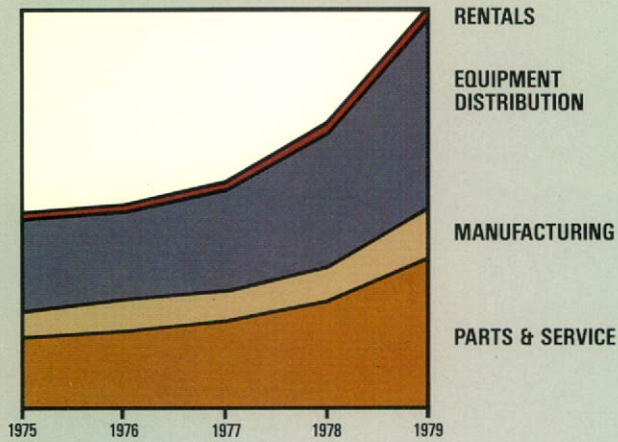
The Company has committed to purchase land and buildings for \$950,000. The purchase was completed in January, 1980.

9. Employees' Pension Plan

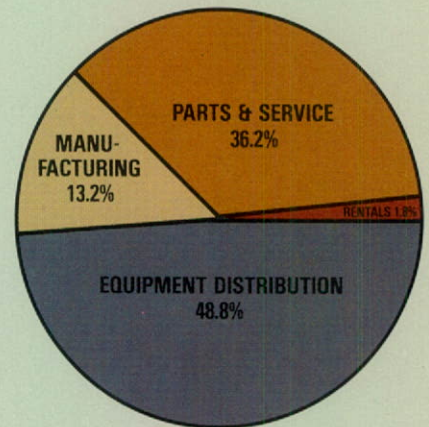
The latest actuarial review of the employees' pension plan as at December 31, 1978, showed that the plan had a small surplus. Amendments in 1979 to improve the plan have created an unfunded liability of \$1,340,000 which is being funded over fifteen years by annual payments, including interest, of \$121,000.

CHARTS

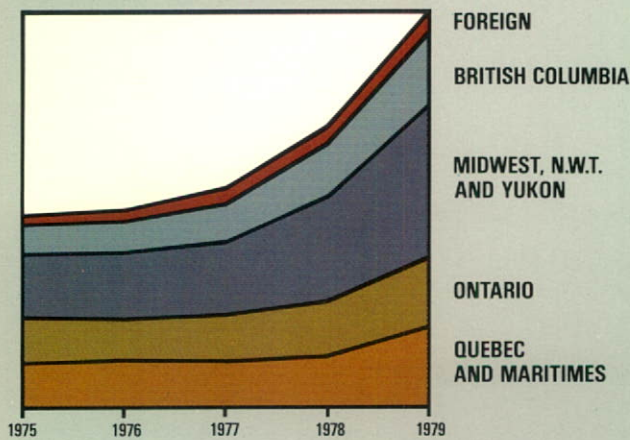
**FIVE YEAR SALES
CATEGORY BREAKDOWN**



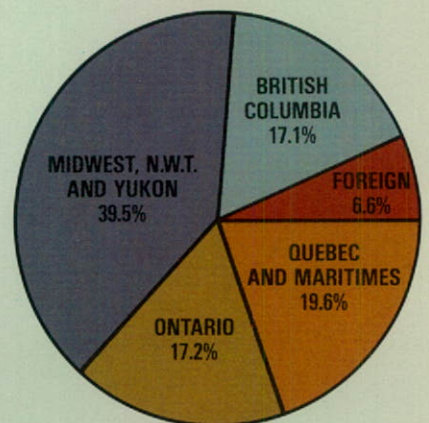
**GROSS REVENUE BY
SALES CATEGORY, 1979**



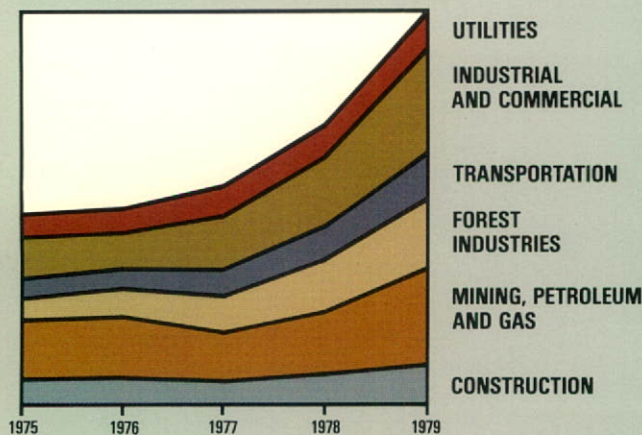
**FIVE YEAR
GEOGRAPHICAL BREAKDOWN**



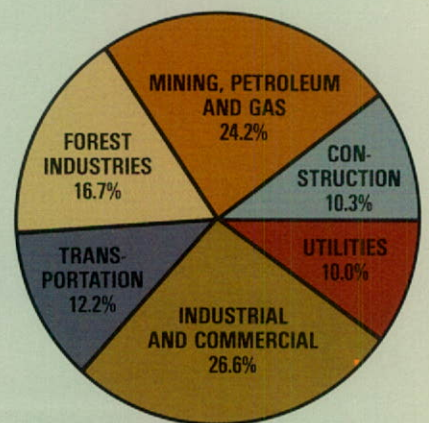
**GROSS SALES BY
GEOGRAPHICAL AREA, 1979**



**FIVE YEAR
END USE MARKET BREAKDOWN**



**APPROXIMATE BREAKDOWN
OF GROSS SALES BY
END USE MARKET, 1979**



TEN YEAR SUMMARY

(Dollars in thousands except per share data)

	Years ended			
	1979	1978	1977	1976
Gross Revenue	\$193,935	\$137,167	\$107,067	\$96,584
Pre-tax Earnings	\$ 12,527	\$ 9,010	8,303	7,734
After Tax Earnings	\$ 7,031	\$ 5,224	4,730	4,059
Income Taxes	\$ 5,496	\$ 3,786	3,573	3,675
Dividends Declared	\$ 2,214	\$ 1,838	1,752	1,610
Total Assets	\$112,755	\$ 79,942	58,107	49,209
Working Capital	\$ 42,897	\$ 27,788	26,853	24,585
Fixed Assets - Net	\$ 9,828	5,965	3,973	3,438
Long Term Debt	\$ 21,200	\$ 7,650	8,100	8,300
Shareholders' Equity	\$ 33,893	\$ 28,396	24,183	21,071
After Tax Earnings as a % of:				
Total Assets	6.2	6.5	8.1	8.2
Shareholders' Equity	22.6	19.9	20.9	20.5
Gross Revenue	3.6	3.8	4.4	4.2
Shares Outstanding (Note 2)	3,381,353	3,331,820	3,246,820	3,218,834
Per Share:				
Earnings (Note 3)				
Pre-tax	\$ 3.73	\$2.76	\$2.56	\$2.40
After Tax	\$ 2.10	\$1.60	1.46	1.26
Dividends Paid (Note 4)	\$.66	\$.70	.525	.50
Equity	\$10.02	\$8.52	7.45	6.55
Working Capital	\$12.69	\$8.34	8.27	7.64
Number of Employees	1,742	1,407	1,146	1,105
Number of Shareholders	1,492	1,519	1,542	1,560
Price Range of Shares (Note 2)	\$18¼ - 11½	\$12½ - 9⅞	\$10¼ - 6¼	\$7½ - 6

Note

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

December 31

1975	1974	1973	1972	1971	1970
\$93,369	\$83,965	\$62,426	\$50,327	\$33,997	\$27,810
7,955	6,793	3,928	2,920	1,863	1,462
4,050	3,303	1,950	1,518	910	769
3,905	3,490	1,978	1,402	953	693
1,365	981	767	435	272	222
45,461	43,235	34,709	27,092	23,434	17,311
22,362	14,699	12,692	10,174	8,115	6,424
3,390	2,641	1,911	1,482	1,461	1,002
8,500	4,500	4,500	2,775	3,150	1,826
18,607	13,858	11,520	10,261	7,578	6,481
8.9	7.6	5.6	5.6	3.9	4.4
25.0	26.0	17.9	17.0	12.9	12.4
4.3	3.9	3.1	3.0	2.7	2.8
3,215,434	2,803,292	2,799,092	2,781,492	2,334,936	2,222,536
\$2.75	\$2.42	\$1.41	\$1.13	\$0.83	\$0.66
1.40	1.18	.70	.59	.40	.35
.43	.33	.25	.14	.11	.10
5.79	4.94	4.12	3.69	3.25	2.92
6.95	5.24	4.53	3.66	3.48	2.89
1,125	1,007	823	799	775	640
1,600	1,485	1,447	1,152	815	873
\$7 - 4½	\$6 - 4¾	\$7 ⅞ - 4⅝	\$6 - 3¾	\$3 ⅞ - 2¼	\$2 ½ - 1½

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

AREAS OF INVOLVEMENT



Materials Handling

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

Utility

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

Fire Control

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

Construction

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



Mining, Petroleum & Gas

Mucking Machines
 Mine Cars
 Battery & Diesel Locomotives
 Load-Haul-Dump Units
 Electric Wheel Loaders
 Roadheading Machines
 Hydraulic Excavators
 Hydraulic Backhoes
 Belt & Chain Conveyors
 PVC Conveyor Belting
 Truck Mounted Cranes
 Yard Cranes

Electric Vibrating Feeders
 Shotcrete Systems
 Hydraulic Powered Supports
 Rubber Linings: Skips, Chutes,
 Mills, Truck Boxes
 Rubber Screen Cloth
 Underground Trucks & Service
 Vehicles
 Aerial Work Platforms
 Pneumatic & Hydraulic Hammers
 Mine Drainage Pumps
 Centrifugal, Diaphragm &
 Reciprocating Slurry Pumps
 Fork Lift Trucks
 Dust & Noise Control Systems
 Industrial Vacuum Systems
 Bearings and Oil Seals
 Diesel Engines

Forestry

Hydraulic Knuckle-Boom Loaders
 Jib Cranes
 Truck Mounted Cranes
 Tree Crushers
 Debarkers
 Electric Wheel Log Stackers
 Fork Lift Trucks

Steel

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



CORPORATE INFORMATION

OPERATING MANAGEMENT

WAJAX INDUSTRIES LIMITED

Eastern Region

*Vice President and General Manager
*Vice President, Utility Equipment & Cranes
*Vice President, Mining Division
Vice President, Quebec
General Manager, Materials Handling Division
General Manager, Milling Division

R. G. Willox
J. A. Crawford
R. H. Godfrey
J-P. Vinet
G. A. Cunningham
G. D. Kennedy

Western Region

Vice President and General Manager
†Vice President, Alberta

G. R. Donaldson
Y. L. Thibeault

WATEROUS POWER PRODUCTS GROUP

†Group President
President, Waterous GM Diesel Limited
President, Waterous Power Products Limited
President, Elvins Power Products Limited

Y. L. Thibeault
E. Kobe
R. Homersham
G.E. Elvins

WAJAX UEC LIMITED

*President
Vice President, Marketing
Vice President, Manufacturing

R. G. Willox
J. A. Crawford
R. Jones

FIRE CONTROL GROUP

Group President
Vice President, Wajax Pacific Fire Equipment Inc.
Vice President, Wilco Fire Equipment Inc.
Vice President, Niedner Limited
General Manager, Wajax Manufacturing Limited

B. W. Scobie
E. Engelhardt
C. H. Stratton
K. D. Jolliffe
J-G. Bouchard

WAJAX INTERNATIONAL LIMITED

Executive Vice President
Vice President and General Manager

G. H. Good
G. A. A. Hunter

ELVINS EQUIPMENT SALES LIMITED

President
General Manager

G. E. Elvins
M. M. Walker

NATIONAL BEARINGS LIMITED

President

D. L. Elliott

MARITIME HYDRAULICS & MACHINERY LIMITED

Vice President and General Manager

D. H. Kirby

*Also Vice President, Wajax Limited

† Also Assistant Treasurer, Wajax Limited



