



**Wajax Limited**

## **Annual Report 1990**

Wajax believes that service

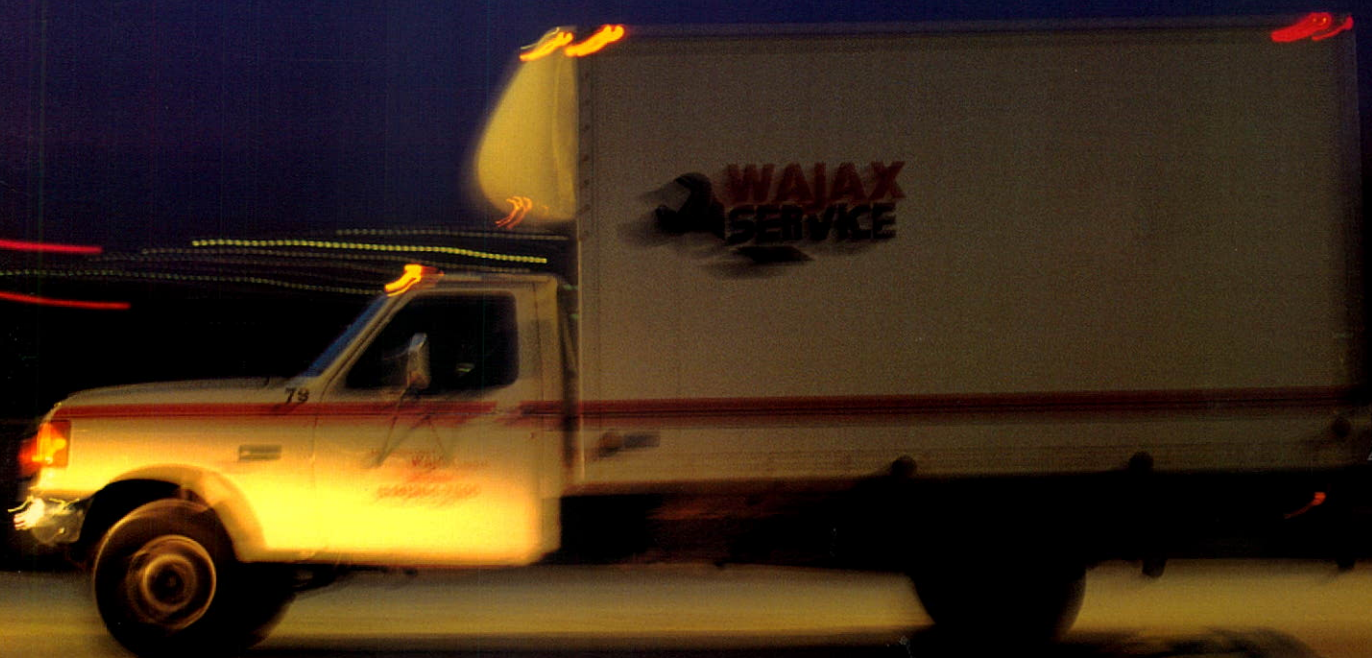
isn't just a program or a

department. It's a commitment—

a commitment by employees

at all levels of the corporation

to go that extra mile.





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## Corporate Profile

*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 18.8% of the Company's 1990 gross revenue of \$296,913,000 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) and WJX.B (Class B Common).*

## Financial Highlights

	% Change	1990	1989
<b>Operations</b> (Dollars in thousands)			
Gross revenue	(5.9)	\$ 296,913	\$ 315,613
Earnings from continuing operations	(44.2)	5,153	9,232
Net earnings	69.2	1,083	640
<b>Financial Position</b> (Dollars in thousands)			
Working capital	7.1	\$ 74,946	\$ 69,966
Long-term debt	7.0	40,188	37,575
Shareholders' equity	(4.7)	65,212	68,394
<b>Per Common Share</b>			
Earnings from continuing operations	(44.4)	\$ 0.60	\$ 1.08
Net earnings	85.7	0.13	0.07
Dividends	(12.5)	0.49	0.56
Equity	(4.5)	7.61	7.97

### Annual Meeting






The Annual Meeting will be held at the Royal York Hotel, Toronto, Ontario on Wednesday, May 1, 1991 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 2-1 stock splits in 1972, 1977 and 1981 is now equivalent to \$1.70375 per Class A share.

**W**ajax's commitment to quality service has tremendous longevity. It has been an intrinsic part of our management philosophy for over 120 years – contributing greatly to our success. We believe it will continue to be the competitive edge that paves our way into the future. We are dedicated to meeting or exceeding the expectations of our customers – both in our products and in the way we deliver service. This attitude about quality and the importance of the customer permeates every level of the company. It affects every decision and the manner in which each employee handles his or her work.





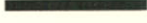
**Total Assets**  
(Dollars in millions)

90		187.9
89		211.3
88		191.1
87		185.2
86		179.1

**Dividends Paid Per Common Share**  
(Cents)

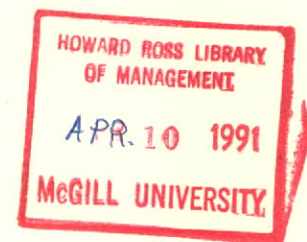
90		49c
89		56c
88		56c
87		56c
86		56c

**Price Range Per Common Share**  
(Dollars)

90		6¼-11½
89		11¾-14¼
88		9½-15
87		9½-17
86		13¼-21½

**Working Capital**  
(Dollars in millions)

90		74.9
89		70.0
88		83.3
87		92.8
86		91.1







The net earnings from the continuing operations for the year ended December 31, 1990 were \$5,153,000 or 60 cents per share, compared with \$9,232,000 or \$1.08 per share the previous year. Gross revenues for the year were \$296,913,000, compared with \$315,613,000 last year.

Fourth-quarter earnings from continuing operations were \$991,000, being 11 cents per share on gross revenues of \$75,389,000, compared with \$2,119,000 or 25 cents per share and gross revenues of \$72,143,000 on a corresponding basis for 1989.

All of our continuing operations experienced a slowdown in demand as recessionary conditions were encountered in all of our major markets.

Regrettably, it was determined in the third and fourth quarter that additional reserves were required relating to the liquidation of the Pitman business. An amount, net of income tax, of \$2,650,000 or 31 cents per share was already reflected in the third quarter and an additional \$1,420,000 or 16 cents per share has now been provided in the fourth quarter, for a total of \$4,070,000 or 47 cents per share in 1990. Accordingly, net earnings for 1990 were reduced from \$5,153,000 to \$1,083,000 or 13 cents per share.

A number of factors inhibited our ability to properly identify and provide for the final costs of the Pitman liquidation at year end 1989, but by far the most serious were the consequences arising from the rapid deterioration of the economy, particularly in Southern Ontario, and its negative effect on estimated realizable value of the remaining Pitman assets.

The disposition of Pitman has had a significant effect on the Company's earnings and capital. The charges relating to liquidation of \$2.78 per share have virtually wiped out the earnings for the past three years, and placed a heavy demand on management's time and energies.

In view of the current level of earnings and the uncertain outlook for the Canadian economy, the Directors reduced the dividend for the fourth quarter to 7 cents per share from the 14 cents declared for the same period last year. For the year as a whole, dividends amounted to 49 cents per share, or an equivalent stock dividend of .0557 share per Class B share held. In 1989, 56 cents were paid or an equivalent stock dividend on Class B shares of .0427 share per Class B share held.

Significant changes to the balance sheet have taken place during the year, the most notable being a reduction in inventories of \$23.1 million including \$14.2 million from the liquidation of the discontinued Pitman operations. Working capital improved by \$5.0 million and at the year end was equivalent to \$8.74 per common share. The book value of shareholders' equity on a per share basis as at December 31, 1990 was \$7.61, compared to \$7.97 the previous year.

## **Chairman's Report to the Shareholders**

As we move along into 1991, we do so with some significant changes in senior management, as follows.

First, we are pleased to announce the appointment of Roger J. Short as President and Chief Operating Officer to succeed Ian B. Campbell effective January 7, 1991. Mr. Campbell has been appointed Deputy Chairman. Additionally, Mr. Short will assume my responsibility as Chief Executive Officer after the Annual General Meeting, May 1, 1991. I will remain as Chairman of the Board.

Mr. Short comes to Wajax from a highly successful background in Canadian and international business.

Additional senior management changes are as follows:

- Jean C. Belec has been appointed President of Wajax Industries Limited, the Company's largest distribution unit. In addition, he has had his responsibility broadened to encompass the operational responsibility for all of Wajax's distribution units.

- Christopher J. Keogh has been appointed Vice President of Wajax Limited. He joined Wajax in June 1989 as a Management Consultant, having previously been President of Eimco Jarvis Clark. He will be responsible for the operational and corporate accountability of all Fire Control units, as well as business development.

The outlook for 1991 is clouded by slowing demand in many of Wajax's major markets and it is unrealistic to expect short-term improvement in earnings linked to market growth. To help compensate for the drop in demand, vigorous plans to reduce expenses were initiated in the middle of 1990 and continue in 1991. With the Pitman disposal now complete, the Company's financial and human resources can be devoted to fostering the profitable growth of the continuing operations.

On behalf of the Directors, I want to thank all of the Wajax work force for a job well done in the stringent circumstances of 1990 – they will serve us well in 1991.

From left to right,  
Mr. Ian B. Campbell, Deputy Chairman;  
Mr. Roger J. Short, President and Chief Operating Officer;  
Mr. Ronald W. Chorlton, Chairman of the Board  
and Chief Executive Officer.

## Chairman's Report to the Shareholders



**Mr. Ronald W. Chorlton**

Chairman of the Board  
and Chief Executive Officer







**Wajax Limited** is the controlling entity in a family of subsidiary companies engaged in the distribution and servicing of industrial equipment and heavy machinery in the forestry, mining, steel, construction, oil and gas, and utility sectors.

The core of the company is Wajax Industries Limited, a large national distribution network that comprises the Eastern and Western Divisions. Wajax Industries Limited sells and services both imported products as well as those manufactured by Wajax.

Also under the umbrella of Wajax Industries are the Milling Division, manufacturing various types of screening used in the mining and aggregate industries in North America, and its associate, Affiliated Engineering, a distributor of industrial equipment.

The Fire Control Group includes Wajax Manufacturing Limited, Niedner Limited, Wajax Pacific Fire Equipment, Inc., Wajax (Australasia) Pty. Ltd., and The Bar-Way Manufacturing Company. This group manufactures and distributes a wide range of fire hoses and equipment especially to meet the needs of the forest fire equipment market.

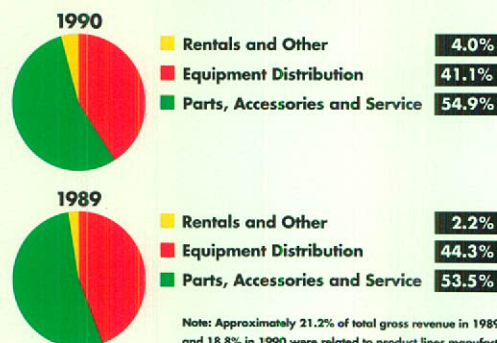
Waterous Detroit Diesel-Allison Inc. centres its operations in Edmonton and Calgary. It holds the Detroit Diesel engine and Allison transmission franchise for Alberta, the Yukon, northeastern British Columbia and part of the Northwest Territories, and has branches throughout these areas.

National Bearings Limited is a specialized retail distributor of bearings, seals and power transmission products with outlets throughout Quebec and Eastern Ontario.

Elvins Equipment Sales Limited, based in the Yukon, sells and services trucks, motor graders and diesel engines to the mining industry and the Territorial Government.

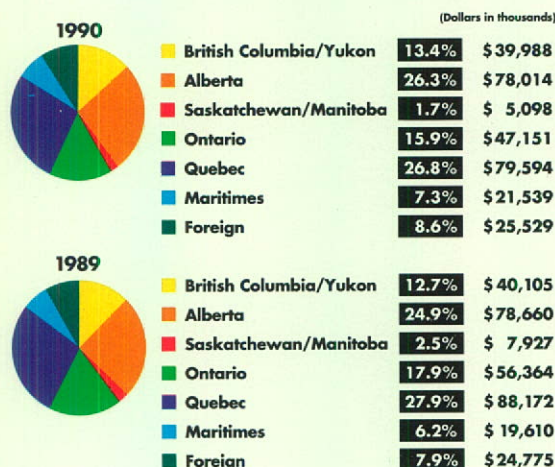
Each of the foregoing subsidiaries operates as an autonomous profit centre with its own management structure, subject to the overall policy and financial guidelines established by Wajax's executive office in Montreal.

## Gross Revenue by Sales Category

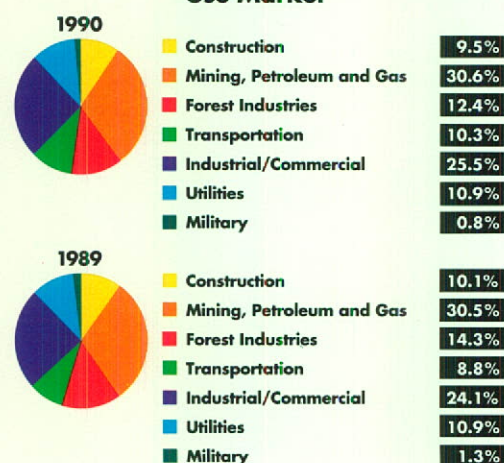


## Organization


### Gross Revenue by Geographical Destination



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







Since the move to our new facilities in October 1989, the morale of our service staff has been at an all-time high. We can now work faster and safer and offer better service. The modern shop's high ceilings, large bays and overhead crane allow for the efficient indoor servicing of hydraulic cranes, aerial bucket trucks and forklifts. We've increased our volume 35 per cent and expanded our customer base.

**Chester Koneczny,**

Branch Manager,  
Ottawa, Ontario

37 years with Wajax Industries Limited



## Wajax Industries Limited

### Eastern Division

Results for 1990 in the Eastern Division varied by area and divisional activity. In the context of the economic conditions, overall results were satisfactory.

Mining remained a strong contributor with significant sales of Getman underground mining utility trucks in Northern Ontario and Manitoba. The sale of eight Titan T2200 200-ton mining trucks to the Iron Ore Company of Canada in Labrador City is of particular importance, because it will generate significant parts and service opportunities during the 15 to 20 years the vehicles are in service.

In the Maritimes, Voest Alpine growth continued with a significant sale of a Model AM75 unit to Cape Breton Development Corporation for underground roadway development at the Lingar mine. In addition, the rebuild centre in Saint John, New Brunswick is continuing to expand. It specializes in the rebuilding of VA and other gear boxes and major components used in underground mining equipment.

Materials handling experienced a dramatic decrease in demand for forklift trucks, especially in Ontario where the market dropped by 50 per cent by year end. Wajax staff responded by placing increased emphasis on inventory reduction and maintaining market position in the extremely important areas of after-market and rental activities.

The success of the region's newest efficient and "customer friendly" facilities in Ottawa and Cambridge has served to highlight Wajax's commitment to and leadership in customer support.

### Western Division

Recession affected all sectors in the Western Division. However, the economic conditions are expected to stimulate parts and service activity, as customers who delay capital purchases normally repair, modify and upgrade existing equipment.

Illustrating Wajax's commitment to close customer service is the opening of two Western branches. At Sparwood, B.C. is a new mining branch providing skilled on-site support for Titan truck fleets and Demag hydraulic shovels. The other, a relocated facility for the Calgary, Alberta branch, has been built with a modern shop, specially designed and equipped to service efficiently the lift truck, crane and utilities businesses.

Despite some losses, the mining division continued to contribute a major portion to the Western bottom line. Performance in equipment and parts fell short of targets, but 1991 prospects for equipment are much improved, promising a major increase over 1990.

The materials handling sector produced disappointing results in both equipment and parts, because traditional markets such as forestry industries slowed down. Barko log-handling equipment sales enhanced the performance of the Western woodlands sector. The Edmonton branch's



## Operations Overview

**Wajax serves the mining sectors in the Western and Eastern Divisions by offering on-site service with full maintenance for customers' truck fleets, as exemplified by the Marathon LeTourneau Titan T-2190, used for hauling iron ore.**



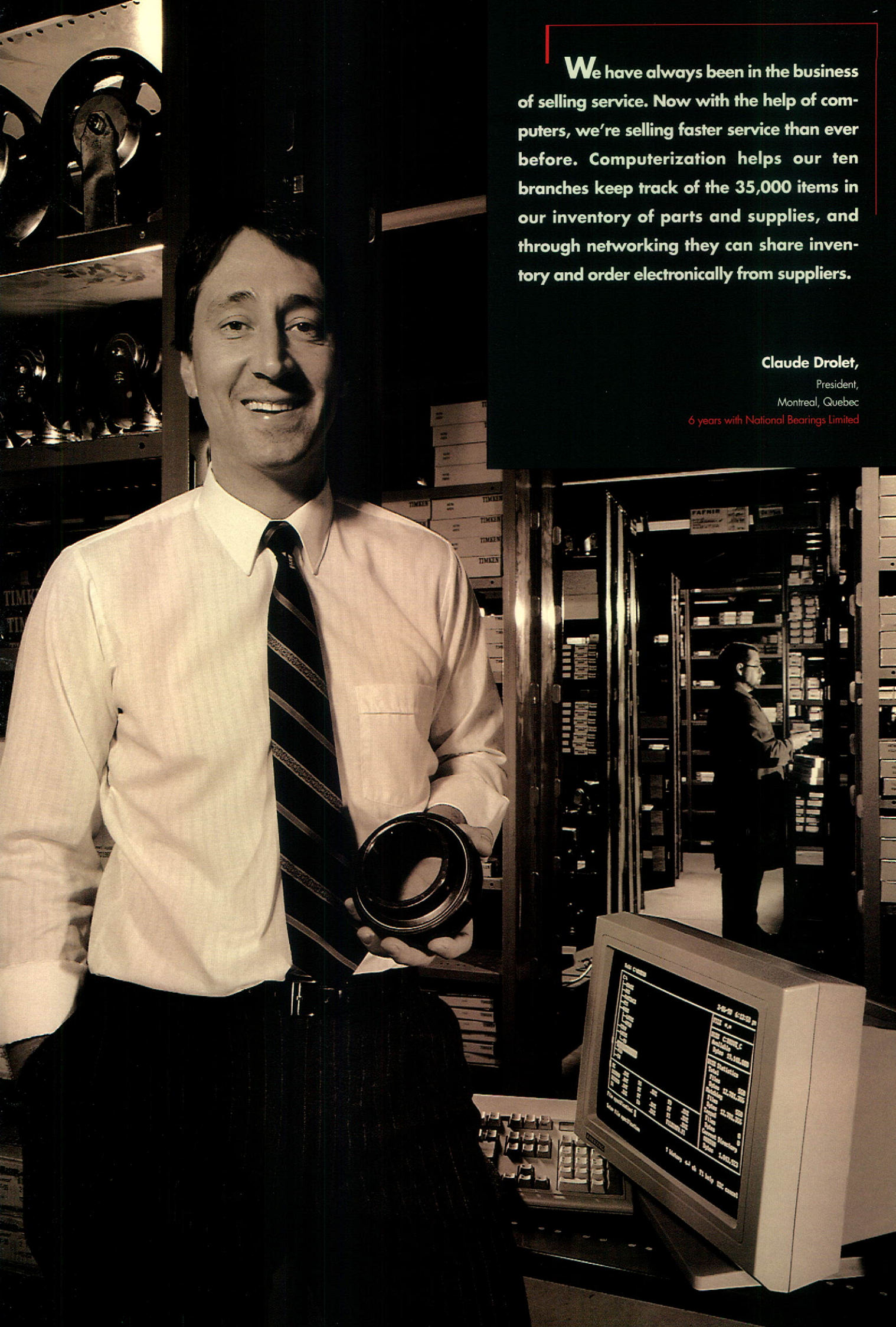
**We** have always been in the business of selling service. Now with the help of computers, we're selling faster service than ever before. Computerization helps our ten branches keep track of the 35,000 items in our inventory of parts and supplies, and through networking they can share inventory and order electronically from suppliers.

**Claude Drolet,**

President,

Montreal, Quebec

6 years with National Bearings Limited





reorganization helped to position it for increased market share. In British Columbia, the industry's belt-tightening had a negative effect on sales. With capital spending substantially curtailed in 1991, expectations are that parts and service volumes will increase due to the skilled staff and complete parts inventories in Wajax's branches.

Rebuilding strategies in the crane and utilities division, including added personnel, paid off in increased sales volume, with only a slight decrease in the rate of profitability.

Despite the economy, Wajax's construction sector delivered four times the number of loaders it did in 1989. Similar success is expected in 1991.

### **Milling Division**

Results for the year were satisfactory, even though the figures fell below 1989's. In mid-1990, the Canadian and U.S. aggregate industries softened considerably, but an upturn is expected by mid-1991. Partially offsetting the downturn in the aggregate industry was the sustained demand from the Canadian mining industry displayed during the year.

Affiliated Engineering's figures came close to forecasts, despite a decline in major capital equipment spending in all the industries it serves. The recession has particularly affected pulp and paper. However, small equipment sales to other industries offset the loss in that sector. Affiliated is forecasting significant recovery by the end of 1991.

### **The Fire Control Group**

The Fire Control Group comprises five companies that manufacture and distribute a variety of fire-fighting equipment and accessories, with particular emphasis on forest-fire control.

#### **Wajax Manufacturing Limited**

While domestically results were negatively influenced by the soft demand patterns, good progress was made in the development of export markets. The company appointed new agents overseas and made its first shipments to the Pacific Basin area, with additional sales to South America and Africa.

In 1990, product development programs at Wajax Manufacturing resulted in the successful launching of a lightweight forest-fire initial attack pump for use from helicopters, and an electric starter kit option for use with the renowned Mark 3 pump.

Increased emphasis on customer service was reflected by a new computerized inventory control system, providing immediate feedback to customers on product availability, as well as Wajax Manufacturing's round-the-clock customer service desk responding to make shipments for fire emergencies, even on weekends.

#### **Niedner Limited**

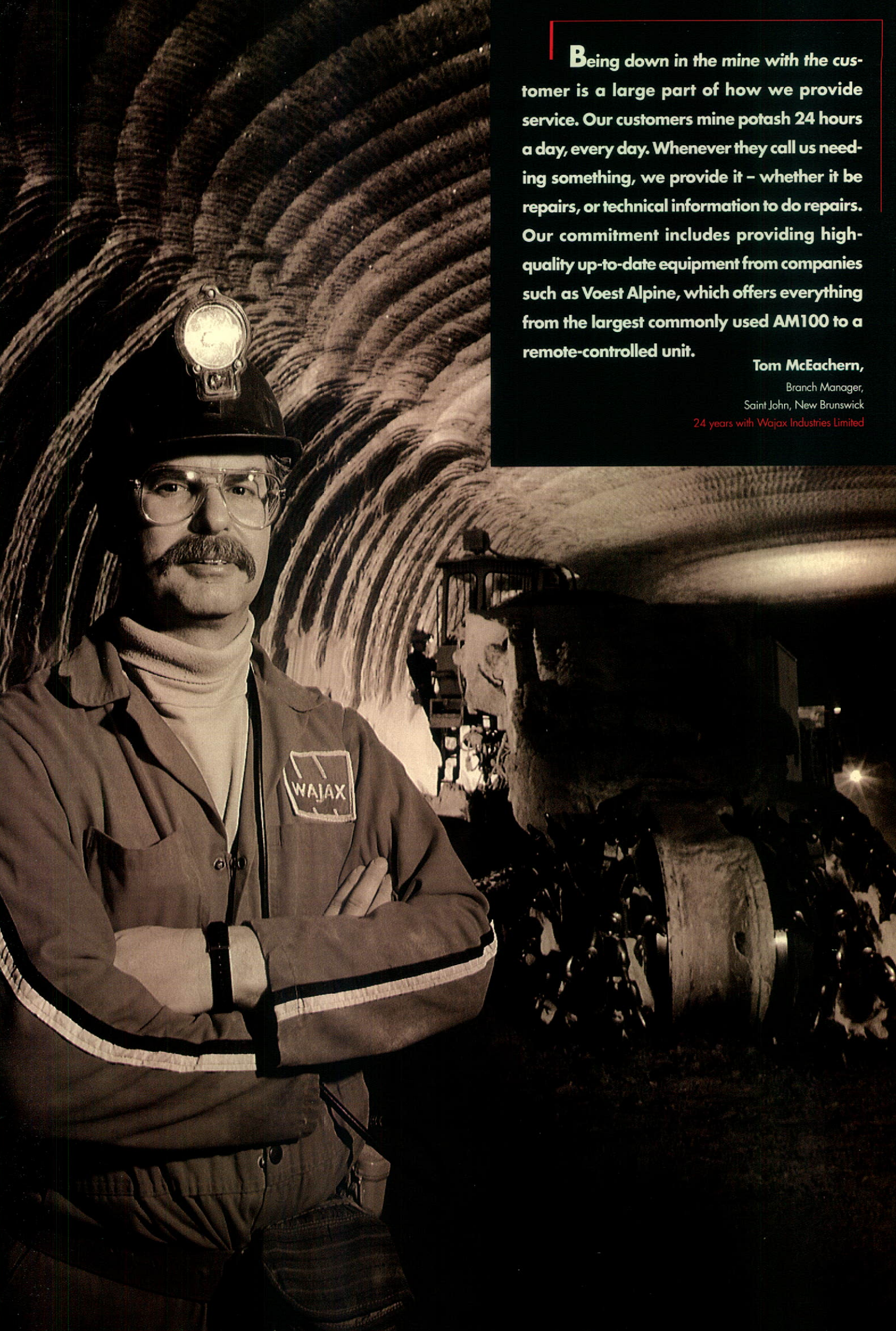
Niedner, Canada's largest manufacturer of fire hose, also suffered somewhat from limited forest-fire activity and the onset of a



## **Operations Overview**

In direct response to customer demand, Wajax is offering the Mini-Mark initial attack fire pump. This small, lightweight unit includes features that built the solid reputation of the Mark 3, as well as the latest in technology to meet the needs of up-to-date fire-fighting techniques.





**B**eing down in the mine with the customer is a large part of how we provide service. Our customers mine potash 24 hours a day, every day. Whenever they call us needing something, we provide it – whether it be repairs, or technical information to do repairs. Our commitment includes providing high-quality up-to-date equipment from companies such as Voest Alpine, which offers everything from the largest commonly used AM100 to a remote-controlled unit.

**Tom McEachern,**

Branch Manager,

Saint John, New Brunswick

24 years with Wajax Industries Limited



North American recession. However, the company turned in increased sales in the U.S. military and industrial hose markets.

On another front, staff vigorously pursued new product development programs and the effort resulted in new hoses for forestry and municipal applications.

Also in 1990, Niedner placed considerable emphasis on the implementation of a zero-defect quality program. Employees have the authority to halt production to correct a defect detected at any stage of the manufacturing process.

#### **Wajax Pacific Fire Equipment, Inc.**

Wajax Pacific achieved excellent results in a year of mediocre fire activity, with sales and profits up over 1989 by 10 and 20 per cent respectively.

The energetic company placed increased emphasis on the California market in 1990, to improve overall results in that highly competitive municipal market.

Internally at Wajax Pacific, an improved computerized management information system enhanced customer service, reducing inventories by 10 per cent, speeding up order entry, improving order and backorder tracking, and contributing to more timely deliveries.

#### **Wajax (Australasia) Pty. Ltd.**

Wajax Australasia moved from a record year for sales and profits in 1989 to suffer the effects of a deteriorating economic climate in 1990.

The fire control division experienced a satisfactory year, while the pump division was adversely affected by the economic downturn. Prospects for 1991 indicate a difficult year.

#### **The Bar-Way Manufacturing Company**

During 1990, Bar-Way Manufacturing became fully assimilated into the Wajax Group. The company, which is a quality manufacturer of high-pressure and extruded aluminum fire hose couplings, placed considerable emphasis in 1990 on extending the product line to present a more comprehensive range of products to the North American market.

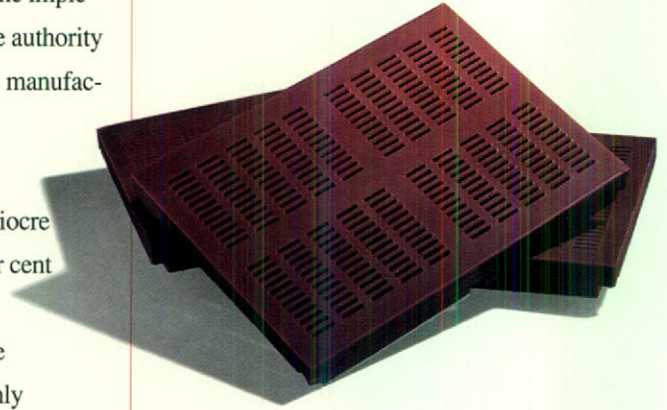
The firm's product development programs and the revitalization of the existing distribution networks will remain high priorities in 1991.

#### **Waterous Detroit Diesel-Allison Inc.**

The two companies that comprise the Waterous Power Products Group—Waterous GM Diesel and Waterous Power Products—have been amalgamated into one company—Waterous Detroit Diesel-Allison Inc.

In 1990, export sales of oil-drilling equipment decreased, due to major political and economic upheaval in the U.S.S.R., China and the Middle East.

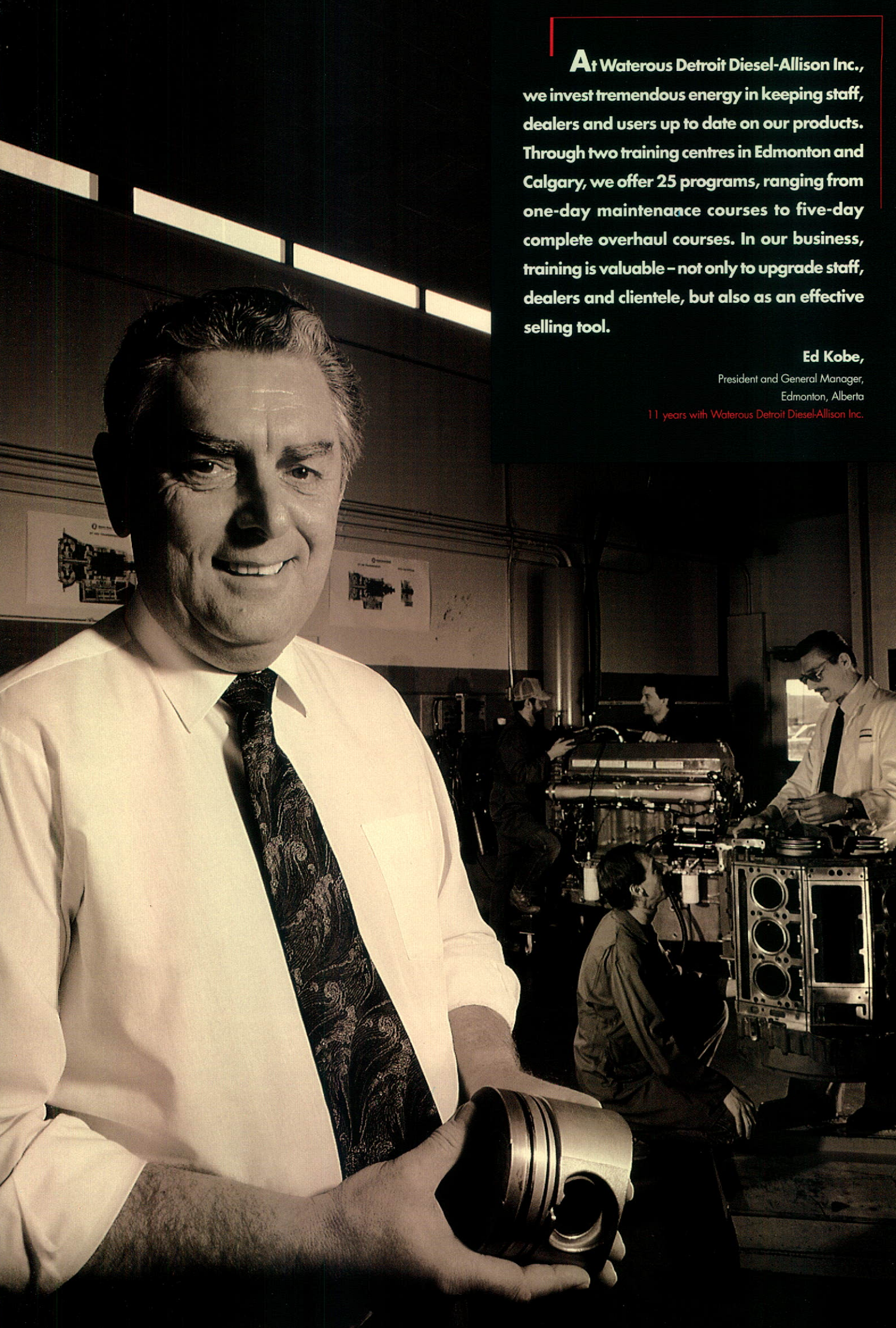
Waterous's business was affected by such international conditions because it supplies exporting equipment manufacturers with engines and transmissions. In addition, in the area of parts sales to local dealers, the activity was less than anticipated.



## **Operations Overview**

**Wajax's Milling Division produces urethane units for screening iron ore. Approximately 20 of the long-wearing aggregate screens fit into a modular system reminiscent of a patchwork quilt. One unit can be removed from the large frame for easy replacement, when that portion becomes worn.**





**A**t Waterous Detroit Diesel-Allison Inc., we invest tremendous energy in keeping staff, dealers and users up to date on our products. Through two training centres in Edmonton and Calgary, we offer 25 programs, ranging from one-day maintenance courses to five-day complete overhaul courses. In our business, training is valuable – not only to upgrade staff, dealers and clientele, but also as an effective selling tool.

**Ed Kobe,**

President and General Manager,  
Edmonton, Alberta

11 years with Waterous Detroit Diesel-Allison Inc.



Nevertheless, other areas of Waterous's business held up relatively well, and growth is predicted in several sectors.

Sales in the generator set market grew significantly in 1990, and the company anticipates comparable growth in 1991.

Waterous is optimistic about the growth of the Series 60 engine share of the automotive market – a fact that has prompted Ford and Navistar to announce the availability of the Series 60 in their trucks by late 1991. With this announcement, the firm expects increased sales and consequent growth in future parts and service business.

Despite a relatively dormant oil drilling industry, the Waterous-engineered version of the Series 60 engine has been well received as power for refurbished rigs. Company expectations are that this market niche will continue to grow in 1991.

Two other factors are expected to have a positive impact on the future of Waterous's parts and service business: The Series 149 engine remaining the dominant power being specified in electric-wheel-drive haulers for the mining industry, and heavy-duty Allison transmissions, both mechanical and electronic, becoming the standard for mechanical service support equipment at open pit mines.

### **National Bearings Limited**

Despite a mid-year slowing of the Quebec economy and increased competition, National Bearings' sales and profits remained strong. The group experienced a very good 1990 – in fact, the largest single sale in the company's history was accomplished. National sold four 5,500-pound TIMKEN Roll Neck Precision bearings to Alcan Aluminium's Saguenay division in Quebec.

Highlighting the company's commitment to speed of service was the completion of the computerization of all branches for inventory management and ordering. National has plans to enhance and expand the system in 1991 – another step in its continuous commitment to increased quality control and efficiency to serve customers better and to control internal costs.

### **Elvins Equipment Sales Limited**

Elvins' results exceeded expectations again this year.

In 1990, both Detroit Diesel 6V149 and Cummins V16 engine rebuild programs continued strongly. Curragh Resources continued to be the major source of activity in the Yukon Territory and Northern British Columbia.

A large renovation to the rebuild section was commenced in 1990 to conform to the additional business expected from the mining sector.

Kenworth truck sales were very strong, and activity is expected to continue in 1991.



## **Operations Overview**

**National carries a multitude of sizes and types of bearings, including tapered roller bearings and ball bearings. In addition, the firm's inventory includes a diverse array of such other items as power transmission equipment, oil seals, industrial glue, grease and silicon.**



**W**ajax's traditional brand of service means that our licensed mechanics equipped with modern vans respond to customers wherever they are. Wajax chooses branch locations with care, to give sales and service staff prompt access to clientele. Nevertheless, whenever it's necessary, our staff will drive or fly any distance to reach out to customers in more remote parts of the country.

**Patrick Whitney,**

General Manager, Parts and Service,  
Southern Ontario

9 years with Wajax Industries Limited





### **Results of Operations 1990**

Consolidated gross revenue from continuing operations was down for the year by 5.9% at \$296.9 million, compared to \$315.6 million for 1989. The geographical areas that account for most of the \$18.7 million decrease in sales were Ontario with a drop of \$9.2 million, being 16%, and Quebec with a drop of \$8.6 million, being slightly less than 10%. Reduced lift truck activity in the Metropolitan Toronto area had the largest effect on the Ontario business, whereas a substantial slowdown in utility equipment and crane activity was the main cause for the drop in sales in the Province of Quebec.

Consolidated gross revenues from continuing operations consist of equipment sales and rentals, which were down by 8.7% compared to 1989, and parts and service sales, which were less than the previous year by 3.5%

Consolidated gross profits from continuing operations as a percentage of the related gross revenues were down by 0.3% compared to 1989, having increased by 0.5% in 1989 when compared to 1988. The 1990 reduction is mainly attributable to more competitive pricing on parts sales in Western Canada, particularly for mining products and for which notably one imported product has also suffered from a less favourable foreign exchange conversion rate in 1990.

Selling and administrative expenses were proportionately higher in relation to gross revenues, primarily because of the drop in sales during the second and third quarter of 1990 and the lag in reducing expenses to the lower level of activity. The number of employees at the year end associated with the continuing operations was 8.9% less than the previous year and all costs

### **Management's Discussion and Analysis**



of downsizing have been fully absorbed. As well, there were additional expenses in the year in connection with continuing organizational changes in the Fire Control Group and the Executive Office, and also the opening of a new branch in Sparwood, B.C. A special provision for approximately \$0.5 million was set up in 1990 to provide for amounts due from a major coal-mining company, which amounts were frozen by the courts pending resolution of a coal-pricing dispute, and are now the subject of a reorganization plan.

Interest expense for the year increased by slightly less than \$2.0 million, of which approximately \$0.5 million is the result of even higher interest rates in 1990 than the average rate of borrowing in 1989. Because of the costs and losses relating to the disposal of the Pitman business that have occurred since 1988, the debt/equity ratio has been higher and the increased borrowings have further increased the interest expense.

Net earnings from the continuing operations for 1990 were \$5.2 million or \$0.60 per share, compared with \$9.2 million or \$1.08 per share the previous year. The effective tax rate in 1990 was 43.0% compared to 41.9% in 1989, with the new "tax on large corporations" commencing July 1, 1989 accounting for most of the percentage increase. Not only was the increase in the tax rate the result of the new tax being in effect for a full year this year versus half a year in 1989, but also because the lower level of earnings in 1990 reduces the offset from the Federal surtax.

Additional estimated costs and losses relating to the final disposal of the Pitman business, net of income tax benefits, amounted to \$4.1 million or 47 cents per share, reducing final earnings to \$1.1 million or

13 cents per share. This compares to final earnings of \$0.6 million in 1989, being 7 cents per share.

On March 3, 1989, the Company decided to liquidate its investment in Pitman, being the manufacturing unit of the utility and crane business. The Company sold certain assets related to the utility equipment product lines on December 5, 1989 and, in July 1990, concluded the sale of inventories related to the Hydra Lift crane product line and substantially all the fixed assets. As a result of poorer productivity in 1990, additional warranty claims and a sharply deteriorating economic climate, further reserves were set up in the third and fourth quarters of 1990 to provide for the additional losses incurred and anticipated in the final disposition. The additional loss reflected in the fourth quarter was primarily due to increasing the provision against balances receivable, which with the economic downturn are less assured of being collected.

While the ultimate determination of the cost and charges being provided for will only be known as future events unfold, no further negative effects on the operating results of the Company are anticipated, since the disposal has now been completed and all manufacturing activities ceased in 1990.

Overall, results for the year showed somewhat lower consolidated gross revenues from continuing operations with a slightly reduced gross profit percentage and proportionally higher selling, administrative and interest expenses. The earnings from continuing operations were largely offset by additional estimated costs and losses relating to the final disposition of the Pitman unit.



## **Results of Operations 1989**

Consolidated gross revenues from continuing operations for 1989 of \$315.6 million were up 6.2% from \$297.2 million in 1988. Sales increased in all geographical areas with the exception of British Columbia, where the 13.4% decline was primarily due to reduced activity in the forest industries. Total equipment sales and rentals were up 7.1% and parts and service sales exceeded the previous year by 5.5%

Consolidated gross profit from continuing operations in 1989 as a percentage of the related gross revenues were up by 0.5% compared to 1988, representing a general improvement in the equipment and parts margins. Related selling and administrative expenses were proportionally much higher than the previous year, in large part due to increased expenditures associated with organizational changes in the Western Region of Wajax Industries Limited, the Fire Control Group and the Executive Office, as well as the write-off of a small investment in a company that ceased operations. Added interest costs of \$0.8 million for the continuing operations were the result of increased bank loans and higher interest rates in 1989 compared to 1988.

The net results from the continuing operations were earnings of \$9.2 million or \$1.08 per share, compared with \$9.7 million or \$1.13 per share in 1988. Additional estimated costs and losses in 1989 relating to the disposal of the Pitman business, net of income tax benefits, amounted to \$8.6 million or \$1.01 per share, reducing final net earnings to \$640,000 or 7 cents per share.

## **Management's Discussion and Analysis**



## Financial Condition

In late 1990, a resolution was passed to wind up Pitman with effect from December 31, 1990. The consolidated balance sheet includes the assets and liabilities of Pitman and is summarized in condensed form as follows (\$000s omitted):

Years ended December 31	1990	1989	1988
Current assets	\$ 157,424	\$ 175,257	\$ 162,939
Current liabilities	82,478	105,291	79,661
Working capital	74,946	69,966	83,278
Fixed assets	22,962	23,514	22,711
Other assets	7,492	12,489	5,447
	<b>\$ 105,400</b>	<b>\$ 105,969</b>	<b>\$ 111,436</b>
Long-term debt	\$ 40,188	\$ 37,575	\$ 38,900
Shareholders' equity	65,212	68,394	72,536
	<b>\$ 105,400</b>	<b>\$ 105,969</b>	<b>\$ 111,436</b>

Working capital increased during 1990 by \$5.0 million, largely due to the \$5.0 million addition to long-term debt in January 1990 by virtue of increasing the bank term loan maturing October 23, 1995 to \$15.0 million. At the year end, working capital was equivalent to \$8.74 per common share, up from \$8.16 per common share as at December 31, 1989. In 1989, the comparable change in working capital was a decrease of \$13.3 million, which was entirely due to the Pitman operations being discontinued. The continuing operations after dividend payments provided an increase in working capital of \$3.3 million in 1990 and \$2.8 million in 1989. The dividend that was declared and paid in the last quarter

of 1990 was cut from 14 cents per share to 7 cents per share, which had the effect of improving working capital by \$0.6 million over the dividend rate previously being paid.

Last year management expected significant short-term improvements in working capital relating to deferred income tax benefits from Pitman losses reflected in other assets in 1989 in the amount of \$10.6 million, which was expected to be realized for the most part in 1991. Although a portion of these deferred income tax benefits will be realized in 1991, the slowdown in the economy and resulting reduction in earnings will prolong the period of benefit such that \$5.7 million is expected to be realized after 1991 and for the most part in 1992.

In summary, working capital in 1991 is expected to improve as the result of increased earnings, the likelihood of lower dividends than in 1990, and the continuing deferred income tax benefits on past Pitman losses.

The shareholders' equity, which has been affected for the third year in a row by losses attributable to Pitman, decreased by \$3.2 million during 1990 and \$4.1 million during the preceding year. In spite of this, earnings from continuing operations have exceeded dividends paid each year by \$0.9 million in 1990, \$4.4 million in 1989 and \$4.9 million in 1988. The book value of shareholder's equity on a per share basis was equivalent to \$7.61 as at December 31, 1990, compared to \$7.97 the previous year.

The Company filed a Notice of Intent to make a Normal Course Issuer Bid in August 1990, pursuant to which it could purchase up to 5% or approximately 429,060 issued and outstanding common shares prior to



August 14, 1991 with the price to be the market price of the shares at the time of acquisition. The reason for the bid was the Directors' belief that the price of the common shares could from time to time be undervalued and that it would be advantageous for the Company to be in a position to buy back a limited number of the common shares. During 1990, \$78,200 was used to acquire for cancellation 10,700 common shares.

**Capital Expenditures and Capital Resources**

Fixed asset additions net of disposals for the continuing operations totalled \$3.2 million in 1990 and \$3.8 million in 1989. Included in the expenditures during the past year was the relocation of the Calgary branch to new premises, which cost slightly less than \$1.0 million. Other areas of expenditure included the continuing upgrade of computer equipment, and the replacement of existing equipment and service vehicles. Fixed asset additions have been financed with operating bank loans and funds generated internally, particularly funds derived from depreciation and amortization, which amounted to \$3.0 million in 1990.

Net capital expenditures in 1991 are expected to be approximately \$2.9 million and include an appropriation currently under review in the amount of approximately \$550,000 for land in Seattle for the purpose of relocating Wajax Pacific Fire Equipment, Inc. upon the expiration of its current lease in late 1992. Other major areas include the normal replacement of computer hardware, shop and manufacturing equipment, and service vehicles.

Management believes that current internal cash flows from operations are adequate to finance the capital expenditures budgeted for 1991 and that the existing level of working capital is adequate for the Company's normal growth and operating needs.

**Management's Discussion  
and Analysis**



As at December 31, 1990, the Company had unused operating lines of credit in excess of \$50 million.

The five-year term bank loan for \$15 million matures October 23, 1995 and carries a floating rate of interest based on the prime rate. In late 1990, the Company entered into a one-year SWAP fixing the effective interest rate on the full \$15 million at 11.42% until December 17, 1991. Thereafter, the term bank loan carries a floating rate of interest based on the prime rate, which the Company intends to cover by a SWAP agreement to a fixed interest rate at the appropriate time. The Company follows the practice of having a significant portion of its outstanding debt with fixed interest rates in order to mitigate the cyclical effect of floating rates based on the prime rate of interest.

## **Outlook**

### **Pitman**

In late 1989, the Company sold certain assets related to the utility equipment product line and in July 1990 concluded the sale of inventories related to the Hydra Lift crane product line and substantially all the fixed assets. The sub-contract to the Canadian military to manufacture and deliver cranes was completed in the Fall of 1990 and all manufacturing activities ceased in early December. As at year end, all Pitman manufacturing inventories and fixed assets had been completely liquidated and the Company began the process of winding up with effect from December 31, 1990.

The Pitman premises in Markham, Ontario are leased and have recently been listed with a real estate agent for the purpose of subletting. The termination date of the lease is August 31, 1996 and the rental rate is very attractive in relation to market values. Provi-

sion has been made to cover all the costs of occupancy for a full two years to allow adequate time to find a new tenant.

The disposition of Pitman has had a significant effect on the Company's earnings and capital over the past three years and has also placed a heavy demand on management's time and energies. With the Pitman disposal complete, the Company's financial and human resources can now be devoted to the continuing operations.

### **Continuing Operations**

In 1990, the general economy, as anticipated, was affected negatively by virtue of the high level of short-term interest rates that existed early in the year. These high interest rates persisted throughout most of the year and slowly started to abate in late summer. This trend accelerated towards the end of the year and continued into the first two months of 1991. Economists speculate that lower interest rates are the first step in turning around the economy and expect to see improvement in the second half of 1991.

From the Company's point of view, the expectation is for the reduced level of activities to continue into the second half of 1991 with the exception of some significant orders for mining equipment for delivery in the first half of the year. In view of this, the cost reduction programs initiated in 1990 continue.

In spite of the sharp reduction in short-term interest rates, the Company's interest expense is expected to continue at a high level since losses due to Pitman have reduced equity and increased debt relating to the continuing operations. Shareholders' equity should begin to improve slowly in 1991 with the positive effect of earnings net of dividends paid.



Another external economic factor that was cause for some concern in 1990 was the relatively high value of the Canadian dollar, compared to the U.S. dollar. This is of particular concern in terms of the effect on the competitiveness of Canadian natural resource industries in export markets. Because of the risk and exposure to unexpected exchange fluctuations, the Company generally covers its vulnerability on foreign exchange conversions by hedging instruments such as futures contracts.

The war in the Middle East has had less effect on the Canadian economy than most had expected. However, since much of the activity in the Province of Alberta is dependent upon the price of oil, it is difficult to predict the effect that the war will have on oil-related projects in Western Canada.

The core of the continuing business is primarily distribution and as such, the Company represents a large number of suppliers. No supplier provides products that account for more than 15% of the Company's gross revenues; however, there are two suppliers that do fall in the range of 10% to 15%. The Company believes that it has a good and close relationship with its key suppliers, which is an important ingredient for the continuing future success of the distributor-manufacturer partnership.

A number of senior management changes have been effected recently and in particular the appointment, as President, of Roger J. Short, who joined the Company on January 7, 1991 and will be assuming the role as Chief Executive Officer effective May 1, 1991. R.W. Chorlton will carry on in the capacity of Chairman of the Board of Directors.

## **Management's Discussion and Analysis**



## Consolidated Statement of Earnings

For the years ended December 31  
(Dollars in thousands)

	1990	1989
Gross revenue	\$ 296,913	\$ 315,613
Cost of sales	239,763	253,951
Gross profit	57,150	61,662
Selling and administrative expenses	39,795	39,444
Interest expense	8,314	6,337
	48,109	45,781
Earnings before income taxes	9,041	15,881
Income taxes – Note 2	3,888	6,649
Earnings from continuing operations	5,153	9,232
Loss from discontinued operations – Note 3	4,070	8,592
Net earnings	\$ 1,083	\$ 640
Earnings per common share – Note 4		
Earnings from continuing operations	\$ 0.60	\$ 1.08
Net earnings	\$ 0.13	\$ 0.07

## Consolidated Statement of Retained Earnings

For the years ended December 31  
(Dollars in thousands)

	1990	1989
Retained earnings, beginning of year	\$ 39,092	\$ 43,256
Net earnings	1,083	640
	40,175	43,896
Dividends	4,204	4,804
Cost of purchasing common shares in excess of carrying value	41	–
Retained earnings, end of year	\$ 35,930	\$ 39,092




## Consolidated Balance Sheet

As at December 31

(Dollars in thousands)

Assets	1990	1989
<b>Current</b>		
Accounts receivable	\$ 52,488	\$ 53,217
Inventories	95,344	118,418
Prepaid expenses	1,226	881
Income taxes recoverable	915	-
Deferred income taxes	7,451	2,741
	157,424	175,257
<b>Fixed – Note 5</b>		
Fixed assets	46,399	48,665
Less accumulated depreciation	23,437	25,151
	22,962	23,514
<b>Other</b>		
Deferred income taxes	5,660	10,605
Unamortized debenture issue expenses	281	312
Goodwill	1,551	1,572
	7,492	12,489
	\$ 187,878	\$ 211,260

On behalf of the Board:

  
Director

  
Director



Liabilities	1990	1989
<b>Current</b>		
Bank indebtedness	\$ 40,757	\$ 44,915
Accounts payable and accrued liabilities	40,849	57,300
Income taxes payable	-	1,736
Other taxes payable	872	1,340
	<b>82,478</b>	<b>105,291</b>
<b>Long-term debt - Note 6</b>	<b>40,188</b>	<b>37,575</b>

#### Shareholders' Equity

Capital stock - Note 7	29,282	29,302
Retained earnings	35,930	39,092
	<b>65,212</b>	<b>68,394</b>
	<b>\$ 187,878</b>	<b>\$ 211,260</b>

## Auditors' Report

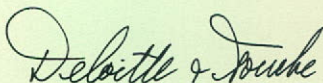
#### The Shareholders, Wajax Limited

We have audited the consolidated balance sheets of Wajax Limited as at December 31, 1990 and 1989 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements

are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1990 and 1989 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.



Chartered Accountants

Montreal, Quebec March 4, 1991



## Consolidated Statement of Changes in Financial Position

For the years ended December 31  
(Dollars in thousands)

	1990	1989
<b>Change in working capital</b>		
Funds generated from continuing operations		
Earnings from continuing operations	\$ 5,153	\$ 9,232
Items not requiring an outlay of funds		
Depreciation and amortization	2,997	2,990
Write-off of investment	-	662
	8,150	12,884
Dividends	4,204	4,804
	3,946	8,080
Funds provided by (used in) financing activities		
Long-term bank loan	5,000	-
Decrease in long-term debentures	(2,387)	(1,325)
Issue of common shares	17	22
Purchase of common shares for cancellation	(78)	-
	2,552	(1,303)
Net funds from continuing operations and financing activities	6,498	6,777
Funds invested in continuing operations		
Purchase of fixed assets	3,150	3,802
Acquisition of subsidiary	-	843
Working capital of subsidiary at date of acquisition	-	(695)
	3,150	3,950
Increase in working capital relating to continuing operations	3,348	2,827
Funds provided by (used in) discontinued operations	1,632	(16,139)
<b>Increase (decrease) in working capital</b>	<b>\$ 4,980</b>	<b>\$ (13,312)</b>
<b>Working capital at end of year</b>	<b>\$ 74,946</b>	<b>\$ 69,966</b>
<b>Change in current bank indebtedness</b>		
Increase (decrease) in working capital	\$ 4,980	\$ (13,312)
Cash used to finance current operating assets and liabilities	(822)	(2,639)
<b>Decrease (increase) in current bank indebtedness</b>	<b>\$ 4,158</b>	<b>\$ (15,951)</b>



## Notes to Consolidated Financial Statements

December 31

### 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 – 4%, 5% or 10%

Equipment – 20%

Automotive and computer equipment – 30%

Leasehold improvements – straight-line over the expected term of lease

#### Other assets

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

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. Income Taxes

1990

1989

The consolidated effective income tax rate is made up as follows:

Combined statutory income tax rate	40.8%	40.6%
Tax on large corporations	1.4	0.5
Other	0.8	0.8
	<b>43.0%</b>	<b>41.9%</b>



(Notes to Consolidated Financial Statements, cont.)

**3. Discontinued Operations**

On March 3, 1989, the Company decided to liquidate its investment in Pitman, being the manufacturing unit of the utility and crane business. The Company sold certain assets related to the utility equipment product line on December 5, 1989 and, in July 1990 concluded the sale of inventories related to the Hydra Lift crane product line and substantially all the fixed assets. In December 1990, all manufacturing activi-

ties were terminated. The Company will continue as the exclusive Pitman distributor for utility equipment and cranes in Canada.

All losses incurred and provided for during 1990 and 1989 in respect of the disposition of this unit have been reported separately in the Consolidated Statement of Earnings and consist of the following:

<i>(Dollars in thousands)</i>	1990	1989
Costs and losses relating to discontinued operations (net of income tax benefits of \$2,930; 1989 - \$6,518)	\$ 4,070	\$ 8,592

Gross revenues relating to Pitman not included in the Consolidated Statement of Earnings were \$26,731,000 (\$40,136,000 - 1989) and included inter-company sales of \$6,209,000 (\$15,277,000 - 1989). Assets as at December 31, 1990 of the operations

discontinued and being wound-up effective December 31, 1990, included in the Consolidated Balance Sheet amounted to \$2,500,000 (\$20,300,000 - 1989); the corresponding liabilities amounted to \$4,900,000 (\$16,400,000 - 1989).

**4. Earnings per Common Share**

Earnings per common share are calculated by dividing net earnings by the weighted average number of shares outstanding

during the year of 8,578,752 (8,579,257 - 1989).

<b>5. Fixed Assets</b> <i>(Dollars in thousands)</i>	1990	1989
Land and buildings	\$ 19,133	\$ 18,643
Less accumulated depreciation	4,744	4,313
	14,389	14,330
Equipment and leasehold improvements	27,266	30,022
Less accumulated depreciation	18,693	20,838
	8,573	9,184
	\$ 22,962	\$ 23,514



## (Notes to Consolidated Financial Statements, cont.)

<b>6. Long-term Debt</b> (Dollars in thousands)	<b>1990</b>	<b>1989</b>
Sinking fund debentures		
8.75%, Series A, maturing March 1, 1993	\$ 1,500	\$ 1,750
11.75%, Series B, maturing October 15, 1995	1,200	1,400
11.25%, Series C, maturing October 1, 1999	7,875	8,750
10.25%, Series D, maturing June 19, 2006	17,000	17,000
	<b>27,575</b>	<b>28,900</b>
Term bank loan		
Unsecured, maturing October 23, 1995 with interest at 11.42% to December 17, 1991, and thereafter a floating rate based on the prime rate of interest	15,000	10,000
	<b>42,575</b>	<b>38,900</b>
Less current portion included in accounts payable and accrued liabilities	2,387	1,325
	<b>\$ 40,188</b>	<b>\$ 37,575</b>

The debentures are secured by a floating charge on certain assets of the Company. Annual sinking fund requirements are:

1991	\$ 2,387,000
1992	2,387,000
1993	3,137,000
1994	2,137,000
1995	2,337,000

No repayment of the term bank loan is required prior to maturity.

Interest on long-term debt amounted to \$4,737,633 (\$4,264,000 - 1989).

**7. Capital Stock**

	Number of shares		Amount (Dollars in thousands)	
Issued and fully paid:	1990	1989	1990	1989
Common shares	8,571,449	8,580,213	\$ 29,282	\$ 29,302

As at December 31, 1990 there were outstanding 8,571,449 common shares without nominal or par value divided into Classes A and B, which rank equally for all purposes, except that the Company has

the right to declare stock dividends on the Class B shares. The Class A and Class B shares are fully convertible from either class to the other on a share-for-share basis.



(Notes to Consolidated Financial Statements, cont.)

Changes in capital stock were as follows:

	1990		1989	
	Common Class A	Class B	Common Class A	Class B
Shares outstanding at beginning of year	8,545,370	34,843	8,534,958	43,637
Stock dividends on Class B common shares	-	1,936	-	1,618
Net conversion of common shares between classes	286	(286)	10,412	(10,412)
Purchased for cancellation	(10,700)	-	-	-
Shares outstanding at end of year	8,534,956	36,493	8,545,370	34,843

Options, to officers of the Company and its subsidiaries, which expire five years after date of grant are outstanding to

purchase 365,000 unissued shares of the Company as follows:

Options granted November 5, 1986 at \$14.75 per share	170,000
Options granted August 8, 1990 at \$8.375 per share	70,000
Options granted January 7, 1991 at \$6.375 per share	125,000
	365,000

## 8. Commitments

Long-term lease commitments amount to \$11,753,000 in total.

The lease requirements for the next five years are:

1991	\$ 2,012,000
1992	1,815,000
1993	1,381,000
1994	1,165,000
1995	1,093,000

## 9. Employees' Pension Plans

The Company maintains defined benefit pension plans which cover most of its employees. Actuarial valuations are made at least every three years, the most recent of which was as at January 1, 1990. Based on these valuations the estimated present value of accrued pension benefits as at

December 31, 1990 was \$23,429,000 (\$22,458,000 - 1989). Pension fund assets available to provide for these benefits were \$28,013,000 (\$26,154,000 - 1989) valued at market values adjusted by the amortization of all realized and unrealized gains and losses over a five year period.



## Eleven Year Summary

Years ended December 31  
(Dollars in millions except per share data)

	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980
<b>Operating results from continuing operations – Note 1</b>											
Gross revenue	\$ 296.9	\$ 315.6	\$ 297.2	\$ 266.0	\$ 278.2	\$ 289.9	\$ 231.0	\$ 198.0	\$ 195.7	\$ 245.4	\$ 236.6
Earnings from continuing operations	\$ 5.2	9.2	9.7	7.0	6.7	9.5	5.8	5.9	5.8	11.1	9.2
Funds generated from continuing operations	\$ 8.2	12.9	12.6	9.5	9.7	12.3	8.5	8.1	7.5	12.7	10.8
Dividends declared	\$ 4.2	4.8	4.8	4.8	4.9	4.7	4.7	4.7	4.7	4.6	3.0
Capital expenditures	\$ 3.2	3.8	3.8	2.2	3.4	4.1	3.8	5.0	3.7	5.3	4.7
Depreciation	\$ 3.0	3.0	2.9	2.5	3.0	2.8	2.6	2.1	1.7	1.6	1.5
<b>Net operating results</b>											
Net earnings (loss)	\$ 1.1	.6	(1.5)	6.7	6.7	9.5	5.8	5.9	5.8	11.1	9.2
Interest expense	\$ 10.6	9.0	6.4	6.0	6.5	6.4	5.5	3.1	4.3	5.3	5.8
<b>Per Common share – Note 2</b>											
Earnings from continuing operations – Note 1	\$ 0.60	1.08	1.13	0.81	0.78	1.16	0.64	0.66	0.65	1.42	1.32
Net earnings (loss)	\$ 0.13	0.07	(0.17)	0.78	0.78	1.16	0.64	0.66	0.65	1.42	1.32
Dividends paid	\$ 0.49	0.56	0.56	0.56	0.56	0.48	0.48	0.48	0.48	0.48	0.40
Equity	\$ 7.61	7.97	8.46	9.19	8.97	8.20	7.50	7.30	7.10	6.90	5.94
<b>Financial position</b>											
Working capital	\$ 75.0	70.0	83.3	92.8	91.1	73.9	62.4	63.3	66.4	67.2	62.7
Fixed assets – net	\$ 23.0	23.5	22.7	23.4	24.2	23.8	21.3	20.1	17.2	15.2	13.0
Long-term debt	\$ 40.2	37.6	38.9	40.2	41.6	25.9	17.2	18.5	19.9	20.3	20.8
Shareholders' equity	\$ 65.2	68.4	72.5	78.8	76.7	74.6	69.3	67.7	66.1	64.4	57.2
Total assets	\$ 187.9	211.3	191.1	185.2	179.1	183.1	159.1	141.2	123.8	134.4	133.6
<b>Other information:</b>											
Number of employees	1,223	1,588	1,623	1,631	1,622	1,556	1,388	1,362	1,156	1,601	1,748
Shares outstanding – Note 2											
Preferred (000's)	–	–	–	–	–	670	676	690	690	699	700
Common (000's)	8,572	8,580	8,579	8,577	8,551	7,180	7,130	7,066	7,025	6,947	6,876
Price range of shares – Note 2											
Common – high	\$ 11.50	\$ 14.25	\$ 15.00	\$ 17.00	\$ 21.50	\$ 16.75	\$ 16.13	\$ 16.00	\$ 12.00	\$ 14.00	\$ 12.50
– low	\$ 6.25	11.75	9.63	9.50	13.25	10.75	10.00	10.00	7.38	9.50	8.25

**Notes:**

1. On March 3, 1989 the Company decided to dispose of its investment in Pitman. The gross revenue and losses associated with this unit for the years 1990 through 1987 have been reported separately. Accordingly, the continuing operations exclude the results of Pitman in the years 1990 through 1987.

2. All data relating to common shares have been adjusted to reflect two-for-one splits in 1981. All per share items have been rounded to the nearest cent.







## Corporate Information



### Corporate Officers

(Left to right)

John T. Bulger, *Vice President, Secretary and General Counsel*;  
P. Gerald Sims, *Senior Vice President, Treasurer and Chief Financial Officer*;  
Gerald A. Cunningham, *Vice President*; Richard H. Godfrey, *Vice President*;  
Jean Belec, *Vice President*; Christopher J. Keogh, *Vice President*;  
Ian B. Campbell, *Deputy Chairman*;  
Ronald W. Chorlton, *Chairman of the Board and Chief Executive Officer*;  
Roger J. Short, *President and Chief Operating Officer*.

### Directors

Ronald W. Chorlton\*  
*Chairman of the Board  
and Chief Executive Officer,*  
Wajax Limited

Ian B. Campbell\*  
*Deputy Chairman,*  
Wajax Limited

Roger J. Short  
*President and  
Chief Operating Officer,*  
Wajax Limited  
(Appointed March 5, 1991)

Robert Després, O.C.\*  
*President,*  
DRM Holdings Inc.

Robert P. Dexter†  
*Partner,*  
Stewart, McKelvey, Stirling, Scales,  
Barristers and Solicitors

Gowan T. Guest, Q.C.  
*Chairman,*  
Cundill Value Fund Ltd.

Thomas Lohner  
*Corporate Director*  
(Retired March 5, 1991)

Harry W. Macdonell, Q.C.†  
*Partner,*  
McCarthy Tétrault,  
Barristers and Solicitors

Peter Paul Saunders\*  
*President,*  
Saunders Investment Limited

Donald R. Sobey\*  
*Chairman,*  
Empire Company Limited

David C.H. Stanley\*  
*Corporate Director*

David L. Torrey†  
*Vice Chairman,*  
RBC Dominion Securities Inc.

\*Member of the Audit Committee

†Member of the Compensation Committee

#### Head Office:

350 Sparks Street  
Ottawa, Ontario  
K1R 7S8

#### Executive Office:

Place Mercantile  
770 Sherbrooke Street West  
Montreal, Quebec  
H3A 1G1

#### Bankers:

Bank of Montreal  
Toronto-Dominion Bank  
Royal Bank of Canada  
Seattle-First National Bank

#### Registrar:

National Trust Company Limited

#### Transfer Agent:

Royal Trust

#### Auditors:

Deloitte & Touche

#### Stock Listings:

Montreal Exchange  
Toronto Stock Exchange

#### Operating Subsidiaries

##### Distribution Activities:

Wajax Industries Limited  
Waterous Detroit Diesel-Allison Inc.  
Elvins Equipment Sales Limited  
National Bearings Limited

##### Manufacturing Activities:

Wajax Manufacturing Limited  
Niedner Limited  
Wajax Pacific Fire Equipment, Inc. – U.S.A.  
Wajax (Australasia) Pty. Ltd. – Australia  
The Bar-Way Manufacturing Company – U.S.A.





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