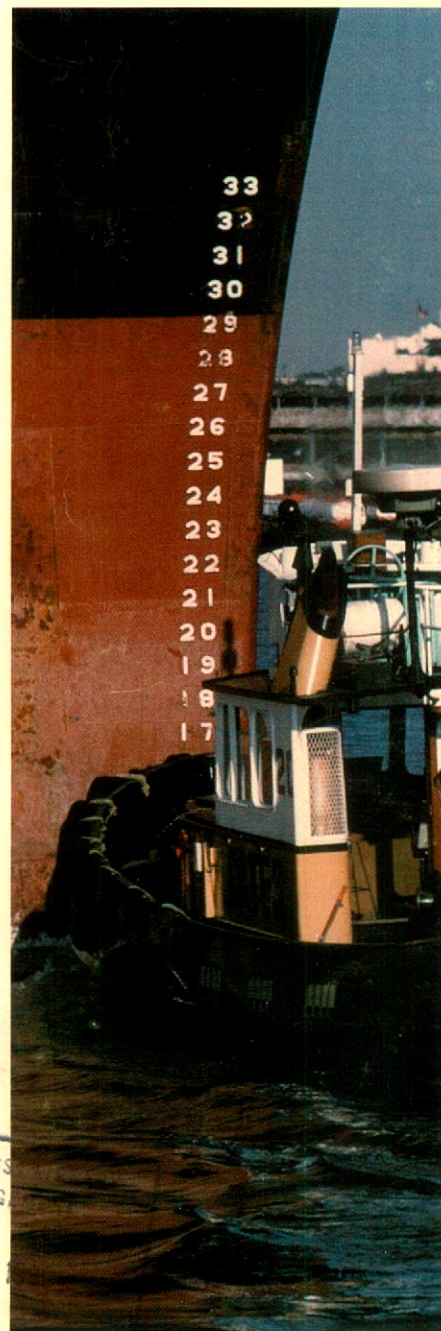
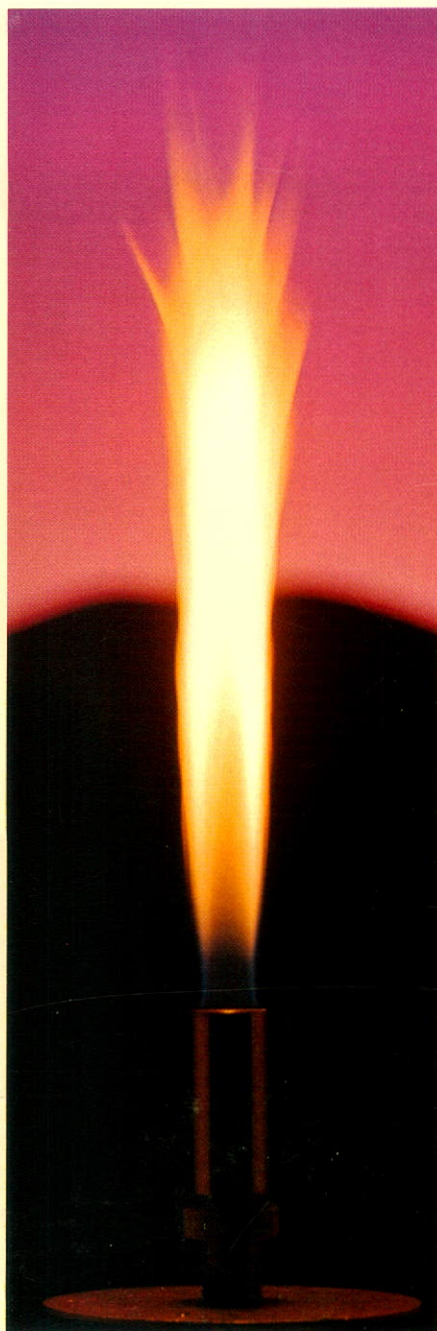




Versatile Cornat Corporation Annual Report 1979



ROSS
NAG
6
UNIVERSITY

A wheat field, burning gas flame and vessels engaged in harbour activity represent Versatile Cornat Corporation's three major areas of activity: farm equipment manufacturing, oil and gas operations, and marine operations.

Versatile Cornat Corporation

Agricultural Division

VERSATILE MANUFACTURING COMPANY
NOBLE CULTIVATORS COMPANY*
VERSATILE TOFT LIMITED (Aust.）**
VERSATILE PARTS INC. (U.S.)
VERSATILE CREDIT CORPORATION (U.S.)
VERSATILE FARM EQUIPMENT PTY. LTD. (Aust.)

Marine Operations

BURRARD YARROWS CORPORATION
VERSATILE ENVIRONMENTAL PRODUCTS***

Oil and Gas Operations

BRALORNE RESOURCES LIMITED

Light Manufacturing and Service Operations

B.C. ICE AND COLD STORAGE COMPANY
WESCRAFT MANUFACTURING COMPANY

**Divisionalized as of March 1, 1980*

***Results consolidated as of January 1, 1980*

****Divisionalized as of January 1, 1980*

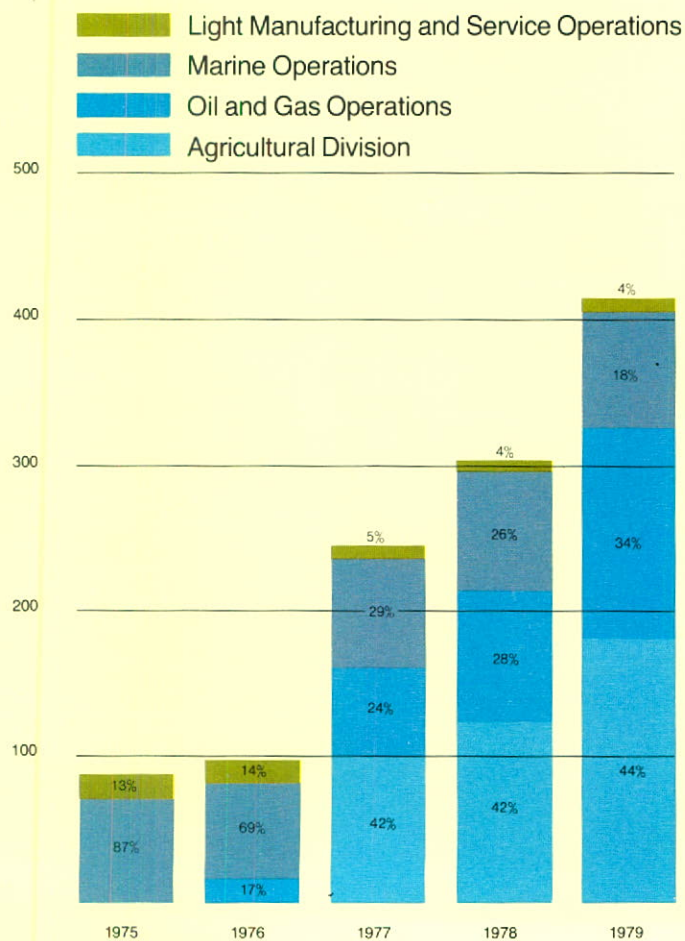
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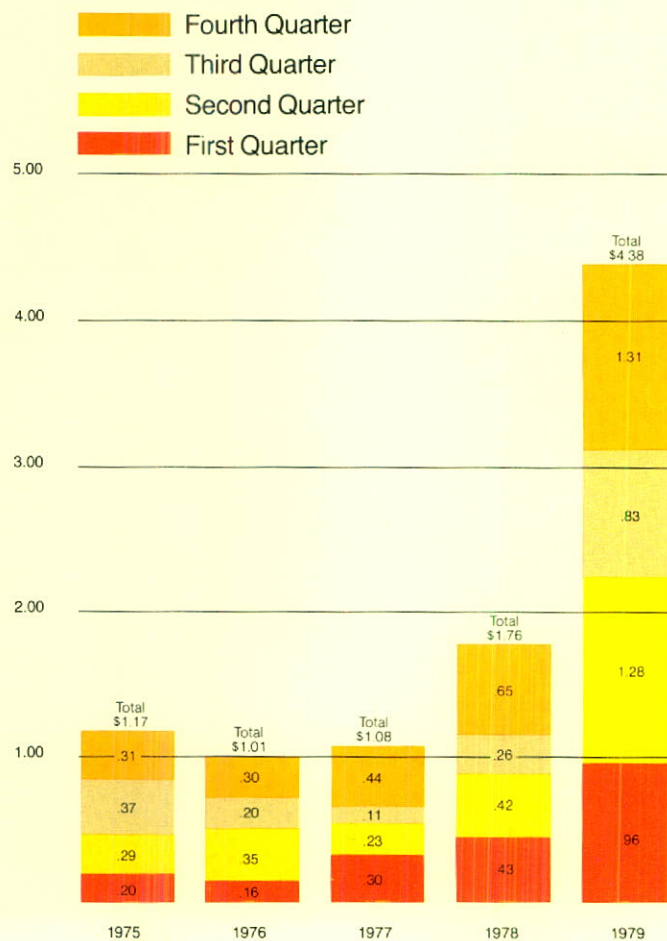
FINANCIAL HIGHLIGHTS

	1979	1978	Increase
Net revenues	\$414,544,000	\$303,037,000	37%
Net earnings	\$ 26,054,000	\$ 10,575,000	146%
Earnings per share (after preferred dividends)	\$4.38	\$1.76	149%
Capital expenditures	\$ 27,663,000	\$ 12,735,000	
Total common shareholders	2,262	2,579	
Dividends declared			
Preferred	\$ 2,523,000	\$ 1,914,000	
Common	\$ 2,981,000	\$ 1,909,000	

Revenue by source (millions of dollars)



Earnings per common share (dollars)



Directors' Report to Shareholders and Employees

FINANCIAL REVIEW

Versatile Cornat Corporation experienced a successful year in 1979 as all subsidiaries and divisions showed improved results. The steady advances in revenues and income throughout the year created a momentum that is expected to continue into 1980.

Revenues, net earnings and earnings per share showed substantial increases in 1979 over 1978.

Consolidated revenues amounted to \$414,544,000 in 1979 compared with \$303,037,000 in 1978, representing an increase of 37%.

Net earnings in 1979 were 146% higher than those of 1978, amounting to \$26,054,000 in 1979 compared with \$10,575,000 in 1978.

Earnings per average common share outstanding, after providing for preferred share dividends, amounted to \$4.38 (fully diluted \$3.80) per share in 1979, and in 1978 were \$1.76 (fully diluted \$1.57) per share, an increase of 149%.

These results were achieved despite a loss of \$1,464,000 due to the negative impact of foreign exchange in 1979, whereas in 1978 there was a positive effect amounting to \$2,516,000.

As mentioned in the third quarter report, the second half results for 1979 are fully comparable with those of 1978 as 100% of the earnings of Versatile Manufacturing Ltd. were reflected in the statements, effective from the date of the amalgamation on July 1, 1978.

At meetings held on February 19, 1980, the shareholders approved the amalgamation of Versatile Cornat Corporation with its wholly-owned subsidiary, Noble Cultivators Limited effective March 1, 1980. Noble, which was acquired as of January 1, 1979, becomes part of the agricultural division of Versatile Cornat Corporation and

will be known under the trade name Noble Cultivators Company. The articles of the new Company provide for the holders of common shares to receive stock dividends in lieu of cash if they so choose.

The dividend per common share was increased to 15 cents per quarter in July 1979 so that the per common share payout became 50 cents in the past year compared with 34 cents in 1978. The current indicated rate is now 60 cents per year.

The wholly-owned businesses of the Company required only limited use of the established bank lines of credit during the year because receivables and inventory were converted into cash at a much more rapid rate than during the previous year. Interest costs were thereby reduced and the Company was able to take advantage of the relatively high interest rates available for short term investments.

In 1978, the notes to the Financial Statements detailed the results of the Company's finance companies. The detail is reduced in 1979 as the operations of the finance companies were wound down significantly.

Operations Review

AGRICULTURAL DIVISION

Retail sales of Versatile's farm equipment in Canada and the United States reached record-high levels in 1979, and the manufacturing plants in Winnipeg, Manitoba and Nobleford, Alberta operated to capacity. At Versatile Manufacturing Company and Noble Cultivators Company sales volume and profits were the highest in history.

Construction of a \$27 million plant expansion at Versatile Manufacturing Company in Winnipeg began in August 1979 and is scheduled for completion in late 1980. The additional manufacturing space will allow increased production of four-wheel drive tractors and swathers to meet the expected continued high demand for these products. New engineering facilities will enable the company to expand significantly its research and development and experimental testing programs. New tractor and swather models were introduced in 1979; additional ones are planned for 1980.

The agricultural division's move into worldwide markets was given impetus with the signing, in June 1979, of an agreement with Fiat Trattori, S.p.A., Turin, Italy. Fiat becomes the exclusive worldwide distributor of Versatile four-wheel drive tractors except in North America and Australia. Versatile Manufacturing Company is proceeding cautiously in the establishment of these worldwide markets to ensure that adequate product training, service

and parts will be available to purchasers. This strategy has been successful in Australia where the Company's subsidiary, Versatile Farm Equipment Pty. Ltd., reported substantial sales growth and market penetration.

Noble Cultivators, which was acquired as of January 1, 1979, also experienced satisfactory sales and profits. The company's aggressive marketing posture coupled with increasing interest in stubble retention farming in North America and Australia created high demand for its specialized tillage equipment. Significant growth in this area is expected.

In early 1980, the Company acquired Toft Bros. Industries Limited, of Queensland, Australia, a world leader in the manufacture of sugar cane harvesting equipment. The new subsidiary will be known as Versatile Toft Limited.

As may be seen, the agricultural division experienced growth in all sectors in 1979. Re-structuring of the organization, including improved inventory and cost control systems, was initiated in 1979 and should favourably affect the 1980 results.

MARINE OPERATIONS

In 1979, Burrard Yarrows Corporation maintained the satisfactory activity levels and generally good profitability which the company recorded during the past several years. Shipbuilding was down slightly compared to recent years but a strong ship repair program more than compensated for this.

During the year Burrard Yarrows delivered eleven new vessels including the C.C.G.S. "Franklin", the second of two "R" Class icebreakers for the Canadian Coast Guard, nine chip barges to a variety of local and international customers, and an air-cushioned vehicle (ACV) ferry to the British Columbia Department of Highways. Substantial progress was also made on the start of steel fabrication for two new "C" Class passenger/vehicle ferries for the British

Columbia Ferry Corporation. These two ships are being built under a \$58 million contract awarded early in 1979 and are scheduled for delivery during the first half of 1981.

Ship repair and conversion contracts undertaken by the company in 1979 contributed significantly to Burrard Yarrows' revenues. They included the conversion and outfitting for Arctic service of a drillship, the re-engining and lengthening of three small car ferries, the conversion of two automobile/lumber carriers to specialized package lumber vessels, and extensive bottom damage repairs to an ocean-going bulk carrier. In addition, both shipyards completed a busy schedule of routine dry dock repairs and other normal ship repairs.

During the year tenders were called for the construction of a new floating dry dock and other ship repair facilities to expand deepsea ship repair capacity at the Vancouver Division's shipyard pursuant to an agreement with the Government of Canada. On evaluation it was determined that these new facilities would cost substantially more to construct than had been estimated. In early 1980 a revised agreement was reached with the federal government. The company will contribute \$21.2 million to the estimated \$63.3 million cost of new facilities with the Government of Canada contributing \$40.6 million and the Province of British Columbia the remaining \$1.5 million. Completion of construction is scheduled for late 1981.

Effective January 1, 1980, Versatile Environmental Products became a division of Burrard Yarrows Corporation. This division, headed by a strengthened management team, was formerly known as Bennett Pollution Controls Company.

A new 24,000 sq. ft. manufacturing facility in North Vancouver, into which the company moved in July 1979, enabled it to fill large orders for one of its major products, the "ZOOOM" oil spill containment boom. The expanded production capability will allow an increased emphasis on North American market penetration not only for booms but also for the popular SeaLander work boats which will increase sales volume in 1980.



*Peter Paul Saunders, Chairman and President,
Versatile Cornat Corporation.*

OIL AND GAS OPERATIONS

The Company's subsidiary, Bralorne Resources Limited, of Calgary, Alberta, contributed significantly to the successful consolidated results.

Bralorne's gross revenues of \$140,700,000 for 1979 were 63% over those of 1978 which were \$86,408,000.

Net income of \$10,726,000 or \$1.61 per share was 58% ahead of the comparable \$6,808,000 or \$1.15 per share reported in 1978.

Cash flow from operations of \$20,396,000 or \$3.05 per share was 62% greater than the \$12,619,000 or \$2.13 recorded in 1978.

Bralorne's earnings after providing for minority interest contributed \$1.21 per share to Versatile Cornat's results. Bralorne's financial highlights appear on page 27 of this report.

The Oil and Gas Division accelerated its gas development program particularly in the Medicine Hat area of Alberta. This program involved participation in the drilling of 84 gross (43 net) development wells, as well as substantial spending for pipeline and plant facilities. The program increased proven gas reserves from 68 to 100 billion cubic feet and doubled gas delivery capability. The allowable delivery rate under a contract with TransCanada PipeLines Limited was increased by ten million cubic feet of natural gas per day, effective November 1, 1979.

An evaluation of Bralorne's proven and probable petroleum and natural gas reserves by an independent consulting engineer showed that their present value, discounted at 12%, increased by 179% between December 1978 and December 1979 from \$35,468,000 to \$99,053,000 net of royalties and operating costs, but before taxes.

The Manufacturing Group expanded its involvement in the United States with the acquisition of a 100% interest in

Triangle Grinding, Inc. of Houston, Texas, a manufacturer of API threading tools, and of a 47% interest in Mark Products, Inc., a Texas corporation which manufactures geophysical data equipment, also headquartered in Houston. As of year-end 1979 the latter interest was increased to 51%. The Manufacturing Group continues to increase its marketing efforts in exploration oriented products, primarily drill collars from OMSCO Industries, Inc. and downhole jarring and shock tools from Jarco Services Ltd.

In anticipation of continued high demand for Bralorne's products and services, the company undertook expansion programs at OMSCO and Jarco.

Expansion of the Service Group's Canadian leasing fleet continued during 1979. The Group reported a satisfactory year, with increased levels of activity in the Malta operations taking place in the fourth quarter.

LIGHT MANUFACTURING AND SERVICE OPERATIONS

At B.C. Ice and Cold Storage Company, two factors combined during the summer of 1979 to produce the largest demand for refrigerated storage space in the history of the company. A long, warm summer produced record crop tonnages per acre in the Fraser Valley for all types of fruit and vegetables grown there. In addition, a slowing down of consumption resulted in inventories remaining in the warehouses longer than usual.

DIRECTORS

F. William Fitzpatrick
Ronald L. Cliff, C.A.
George B. McKeen



Expansion of the Valley plant at Abbotsford, B.C. which began in February, 1980 will nearly double that plant's size, representing cold storage space for an additional 10 - 20 million pounds. As a result, the company expects that 1980 will be as successful as the past year. Favourable results were achieved despite a ten week strike.

Wescraft Manufacturing Company showed improved revenues in 1979 as it broadened the market base for its windows and doors and was notably successful in the residential renovation market. A number of new initiatives were launched: new product lines were developed, residential products were adapted to commercial use, and export opportunities were explored.

PEOPLE

Versatile Cornat's success in 1979 is the result of the dedication and performance of 5,900 employees in the Company's subsidiaries and divisions. In a rapidly growing organization such as Versatile's, their skills and commitment to accomplishment are vital to the continued stability of operations. Total wages and salaries paid were more than \$100,000,000.

Leonard G. Lumbers retired from the Board of Directors in May, 1979. The Board expresses its thanks for his many years of valued service to the Company. F. William Fitzpatrick, President of Bralorne Resources Limited, was elected at the 1979 Annual General Meeting to succeed Mr. Lumbers.

David S. Beatty
Peter Paul Saunders
Roderick M. Hungerford



The Board would also like to take this opportunity to thank William E. Donnelly for his valued contribution to the Company during many years of service. Mr. Donnelly left his position as Vice-President of Versatile Cornat Corporation in the fall of 1979 to pursue personal business endeavours.

The Board would like to welcome new members of the management team at the Company's corporate offices, divisions and subsidiaries. George A. Morris was named Vice-President Finance and Treasurer of Versatile Cornat Corporation following the previously announced retirement of Kenneth P. Hayes. At Versatile Manufacturing Company, Lorne A. Blue was named Vice-President, Personnel Relations as of November 1979, Walter Hirsch, Vice-President, Engineering, and William H. Wrigley, Vice-President, Manufacturing as of February 1980; at Bralorne Resources Limited, Robert W. Hayes was appointed Vice-President, Administration and James R. Kelly as Vice-President, Supply Group; Milton T. Hayhurst was named General Manager of Noble Cultivators Company; and, at Versatile Environmental Products, Edward T. Tedeschi was appointed Executive Vice-President and General Manager.

1979 was a year of rapid growth for the Company, and therefore one which at times tested the goodwill of our employees. We are fortunate that a high percentage of our employees produced work of exceptional quality with great loyalty and the Board would like to express its appreciation of their efforts.

A. Lorne Campbell, Q.C.
Jack S. Lee
Peter J.G. Bentley



OUTLOOK

The Company's confidence for 1980 stems from a belief that future world economic trends favour our areas of operation.

The need in North America for greater energy self-sufficiency creates increasing activity in energy related fields from exploration, development and production through to increased demand for fuel efficient farm machinery; a rising world population increases demand for food leading to a demand for increased farm productivity; and the transportation requirements of the agricultural industry and off-shore energy projects portend increased shipyard activity.

We expect that the Company will be in a strong position to meet the challenges of the 1980s and that they represent genuine opportunities for the Versatile group of companies.

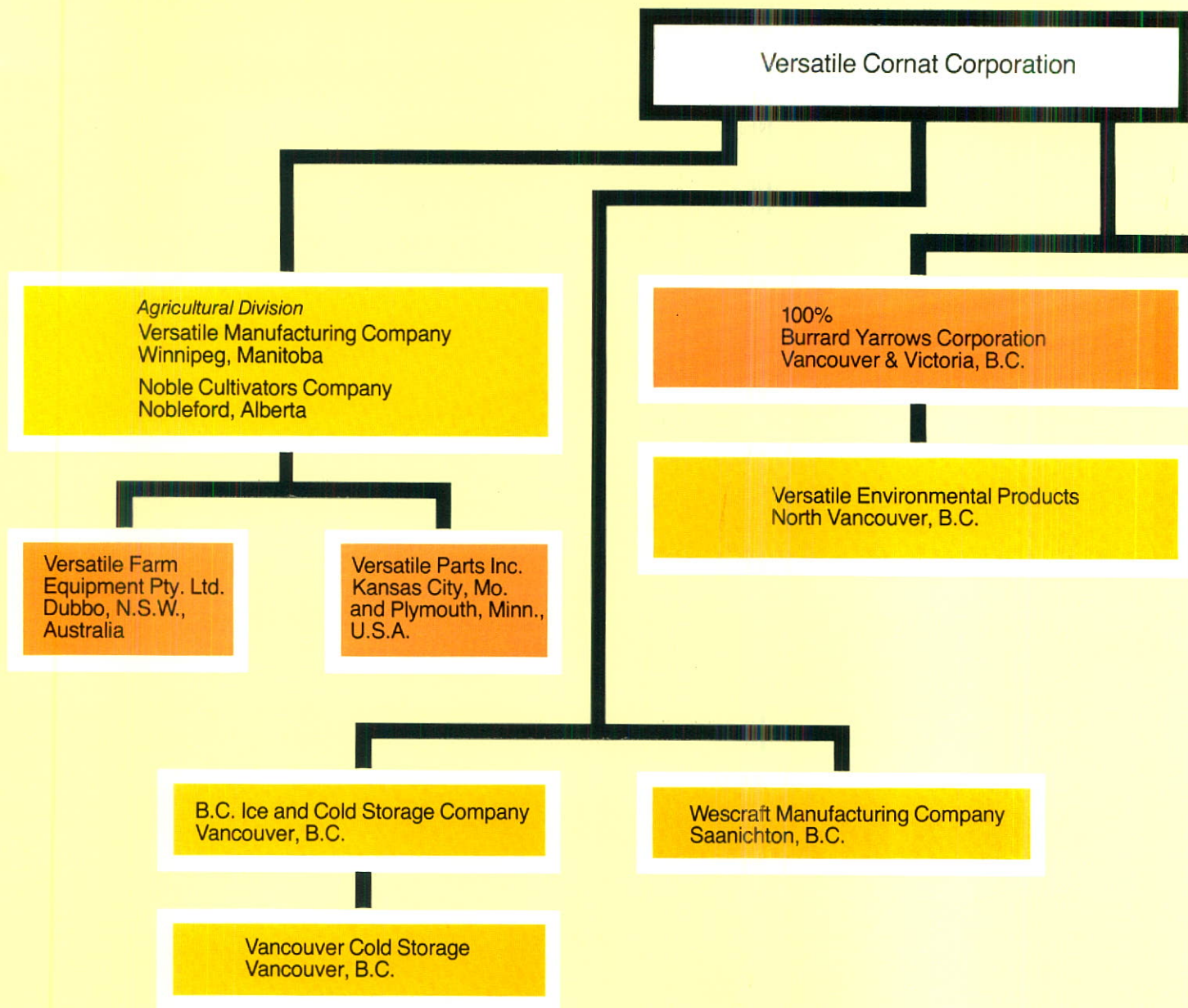
On behalf of the Board

Peter Paul Saunders
Chairman

March 17, 1980

J. Ronald Longstaffe
Hon. Douglas D. Everett
Joseph B. Jarvis





Versatile Cornat Corporation

A western Canadian company with head offices in Vancouver, the Company is engaged in three major areas of international industrial activity concentrating operations in specific segments of each industry.

Versatile Cornat Corporation is one of the 100 largest corporations in Canada.

Versatile four-wheel drive tractors, made in Winnipeg, are the only agricultural tractors

60%
Bralorne Resources Limited
Calgary, Alberta

100%
Coronation Credit
Corporation Limited

Divisions & Subsidiaries

Barber Industries Division
Camp Provisioners Division
Crown Caterers Division
Custom Structures Division
Engineered Oil Controls Division
Jarco Services Ltd.
Mark Products, Inc.
Mobile Homes Limited (Malta)
OMSCO Industries, Inc.
Polesystems Ltd.
Triangle Grinding, Inc.

Versatile Credit
Corporation,
Kansas City
Mo., U.S.A.

Coronation Credit
Corporation,
Seattle,
Wash., U.S.A.

Divisions

Owned subsidiaries

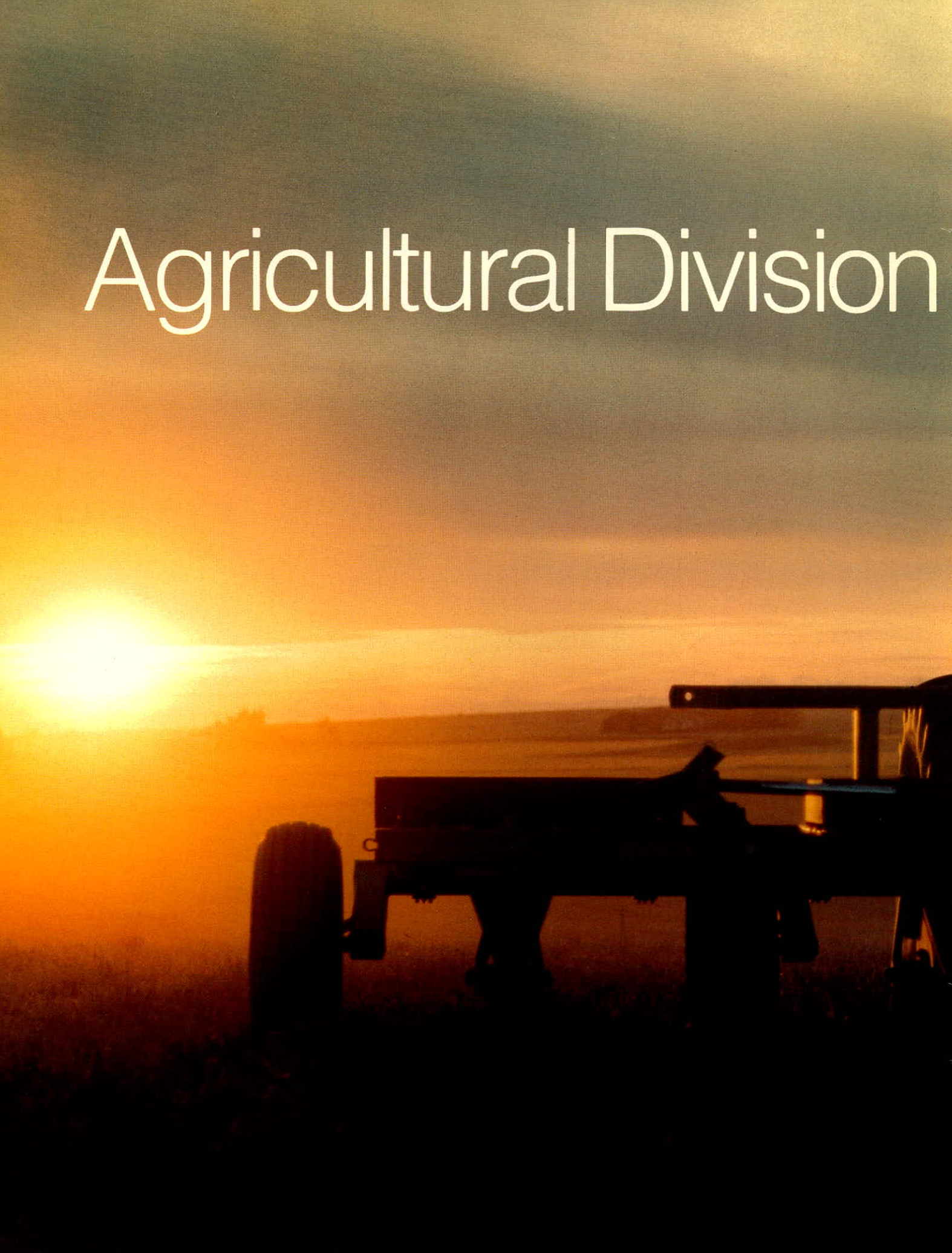
manufactured in Canada. They form the nucleus around which the agricultural division's specialized product line has been and will continue to be developed worldwide.

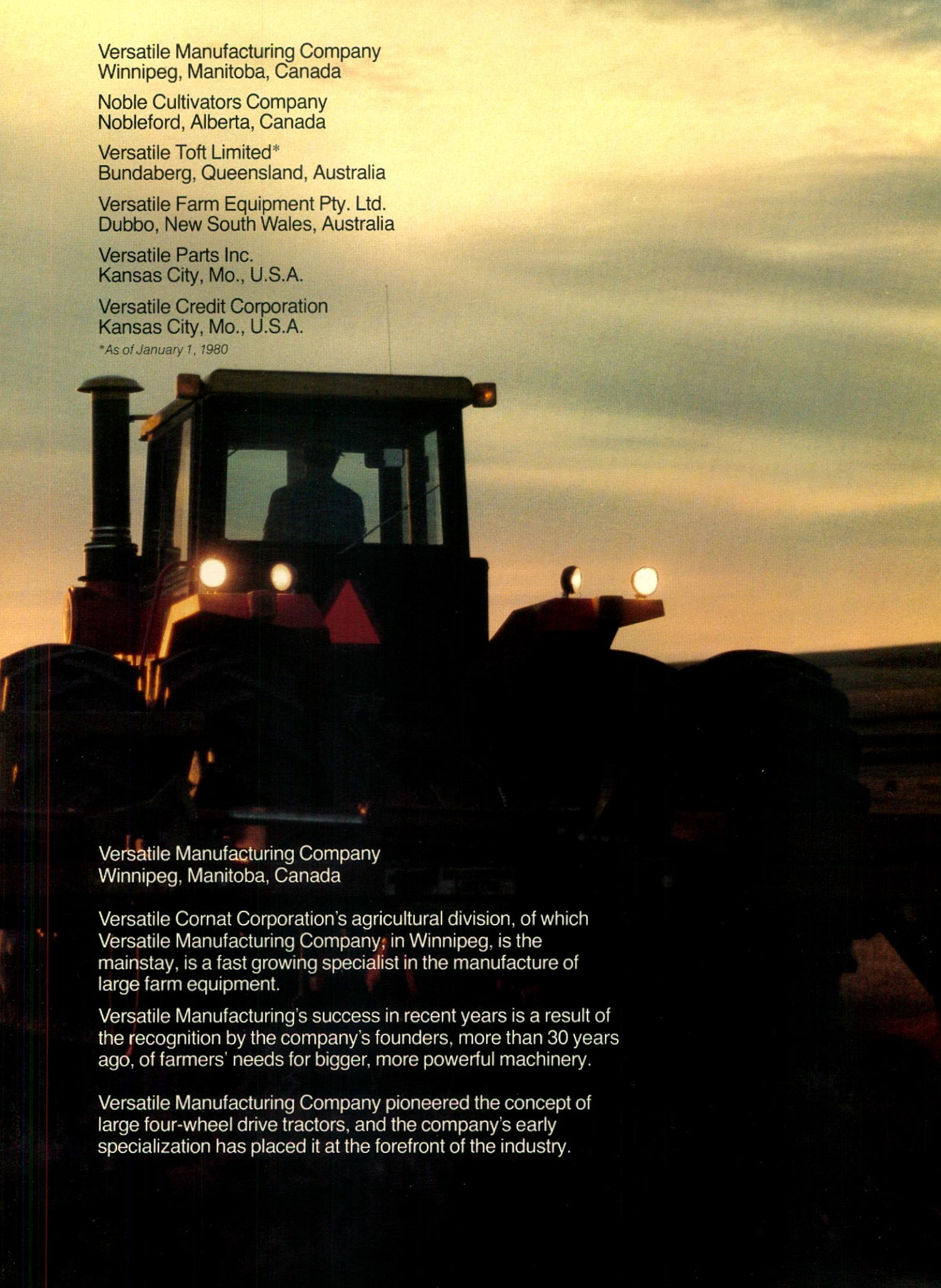
In Vancouver and Victoria, the shipyards have taken advantage of increasing coastal traffic to specialize in the design and construction of medium-sized ships, and to operate the country's largest ship repair facility.

Bralorne Resources Limited, a Calgary-based subsidiary, is engaged in oil and gas exploration and production. It provides services to the oil and gas industry and manufactures the specialized equipment it requires.

As the results reported this year demonstrate, the strategy of consolidating and strengthening operations in areas of proven expertise has increased revenues and led to the company's expansion into worldwide markets.

Agricultural Division



A large tractor is silhouetted against a bright, hazy sunset sky. The tractor's headlights are on, and its large rear wheels are visible. The overall scene is dark, with the primary light source being the low sun in the background.

Versatile Manufacturing Company
Winnipeg, Manitoba, Canada

Noble Cultivators Company
Nobleford, Alberta, Canada

Versatile Toft Limited*
Bundaberg, Queensland, Australia

Versatile Farm Equipment Pty. Ltd.
Dubbo, New South Wales, Australia

Versatile Parts Inc.
Kansas City, Mo., U.S.A.

Versatile Credit Corporation
Kansas City, Mo., U.S.A.

**As of January 1, 1980*

Versatile Manufacturing Company
Winnipeg, Manitoba, Canada

Versatile Cornat Corporation's agricultural division, of which Versatile Manufacturing Company, in Winnipeg, is the mainstay, is a fast growing specialist in the manufacture of large farm equipment.

Versatile Manufacturing's success in recent years is a result of the recognition by the company's founders, more than 30 years ago, of farmers' needs for bigger, more powerful machinery.

Versatile Manufacturing Company pioneered the concept of large four-wheel drive tractors, and the company's early specialization has placed it at the forefront of the industry.

An increase of nearly 200% in gross farm revenues over the last ten years has resulted in a dramatic growth in production and sales of farm equipment in North America as approximately 10% of gross farm income is spent on agricultural equipment.

This increase in farm production has been sustained by fewer farmers (4.5% of the population compared with 7.5% ten years ago), operating larger farms (averaging 550 acres or 28% more than the 430 acre farms of ten years ago), and using larger equipment.

Export market penetration will be enhanced by capitalizing on Fiat's expertise and facilities in underdeveloped countries and remote parts of the world. This is a long range goal as Versatile is being deliberately cautious in moving into world markets in order to offer strong service and parts capabilities to the purchasers of Versatile tractors.

Service is an integral part of building a strong dealer network. To facilitate dealings with its more than 600 North American dealers, Versatile has established parts distribution facilities in Winnipeg,

Previous page:

Versatile tractor

pulling a Noble blade.

Noble blades are

manufactured in

multiple sizes, from

14 to 50 feet.

Versatile tractors

shipped to European

markets are painted

in Fiat colors.



Versatile's four-wheel drive tractors ranging from 71 to 348 horsepower, are ideally positioned in the marketplace.

The company is the only manufacturer of agricultural tractors in Canada, shipping eight models of four-wheel drive tractors throughout the North American continent and Australia, and more recently, having exposure in 75 countries around the world as a result of a distribution agreement with Fiat Trattori, S.p.A., Turin, Italy.

Saskatoon, Saskatchewan, and Red Deer, Alberta. It has also started construction of two 25,000 sq. ft. regional centres in Kansas City, Missouri and Plymouth, Minnesota. These will offer dealers a full range of parts distribution and sales facilities and be able to respond to dealers' needs with greater efficiency.

The company is benefiting from an active farm equipment industry in western Canada and from the fact that the largest growth in agricultural

equipment production is taking place in the large four-wheel drive tractor market.

The agricultural division's objective is to broaden its product line to include products that have specialized uses in certain segments of the agricultural industry and to expand geographically, both through agreements such as the one with Fiat, and by adapting products to new types of crops.

The tractors are the nucleus of the product line whose prime characteristics are their high quality, ruggedness and power.

and manufacturing expertise to the other companies in the division.

The agricultural division's other manufacturing facilities are located in Nobleford, Alberta, Canada and in Bundaberg, Queensland, Australia.

The dry land tillage products of Noble Cultivators Company and the sugar cane harvesting equipment of Versatile Toft Limited have broadened Versatile's product line and opened new markets.



The Winnipeg plant expansion allows the company to fully assemble its line of self-propelled and pull-type swathers, including the new model 4400.

In Winnipeg, the tractors are manufactured in a plant which is now undergoing a \$27 million expansion. The expansion, expected to be complete by the end of 1980, will enable the company to increase production capacity, to fully assemble its line of self-propelled and pull-type swathers, to consolidate shipping and storage facilities, provide new office space, and significantly enlarge the experimental engineering testing department. The company employs nearly 200 engineers and design personnel and can provide product design

**NOBLE CULTIVATORS COMPANY
NOBLEFORD, ALBERTA, CANADA**

Noble manufactures implements which are essential in dry land farming, including hoe seed drills and the Noble blade cultivators and blade assemblies which are world leaders in the industry.

The thirteen models of blade cultivators and seven hoe seed drill models, conceived in the 1930s, are now, as a result of an active research and de-

The use of four-wheel drive mechanisms in agricultural tractor manufacturing was pioneered by Versatile Manufacturing Company.

Paint shop at Versatile Manufacturing Company.

velopment program, totally new designs. They have contributed to the expansion and development of stubble retention farming around the world. A number of governments, including those of the United States and Australia, are introducing farm policies which encourage farmers to use this agricultural method to retain moisture and avoid soil erosion.

Noble products complement Versatile's line of four-wheel drive tractors and swathers and contribute to the expansion of Versatile's markets and to the growth of the company's Australian operations.

Noble products are manufactured at a 106,000 sq. ft. facility on 25 acres in Nobleford. Sales, of which 30% are in Canada and 70% exported, are carried out by a network of more than 300 dealers.

VERSATILE TOFT LIMITED BUNDABERG, QUEENSLAND, AUSTRALIA

A world leader in the manufacture of sugar cane harvesting equipment, Versatile Toft pioneered the development of technologically sophisticated sugar cane harvesters. The company's production accounts for one-third of world sales of such equipment.

The acquisition of Versatile Toft in early 1980 is expected to enhance the competitive position of the agricultural division.

Versatile Toft's strong acceptance in the Australian sugar cane industry provides an excellent base from which to export to world markets: the company exports 50% of its production to other countries. The sugar industry is clearly improving worldwide and the opportunity presents itself to capitalize on this improvement.

The general climate for manufacturing in Australia is excellent, labour rates are comparable with Canada, the laws are similar, the languages are the same, the inflation rate is similar and interest rates are favourable.

Versatile Toft provides the company with a manufacturing capability in Australia, enhances Versatile's presence in that country, and is an excellent vehicle for continued expansion into export markets.

The agricultural division will give support to Versatile Toft through increased investment in plant and equipment and will provide an opening to the sugar cane markets of North America, notably Florida and Louisiana.

Versatile Toft currently employs approximately 300 people and, based on current production estimates, this labour force could increase to approximately 600 within 18 months.

VERSATILE FARM EQUIPMENT PTY. LTD. DUBBO, NEW SOUTH WALES, AUSTRALIA

Versatile Cornat Corporation's initial involvement in Australia originated with Versatile Farm Equipment Pty. Ltd., established in 1977.

The wholly-owned subsidiary expanded the distribution of Versatile's agricultural products in Australia.

Facilities in Dubbo, New South Wales, commenced operations by importing Versatile's line of four-wheel drive tractors. Over 30 dealers were established in the first year and this number now totals 50.

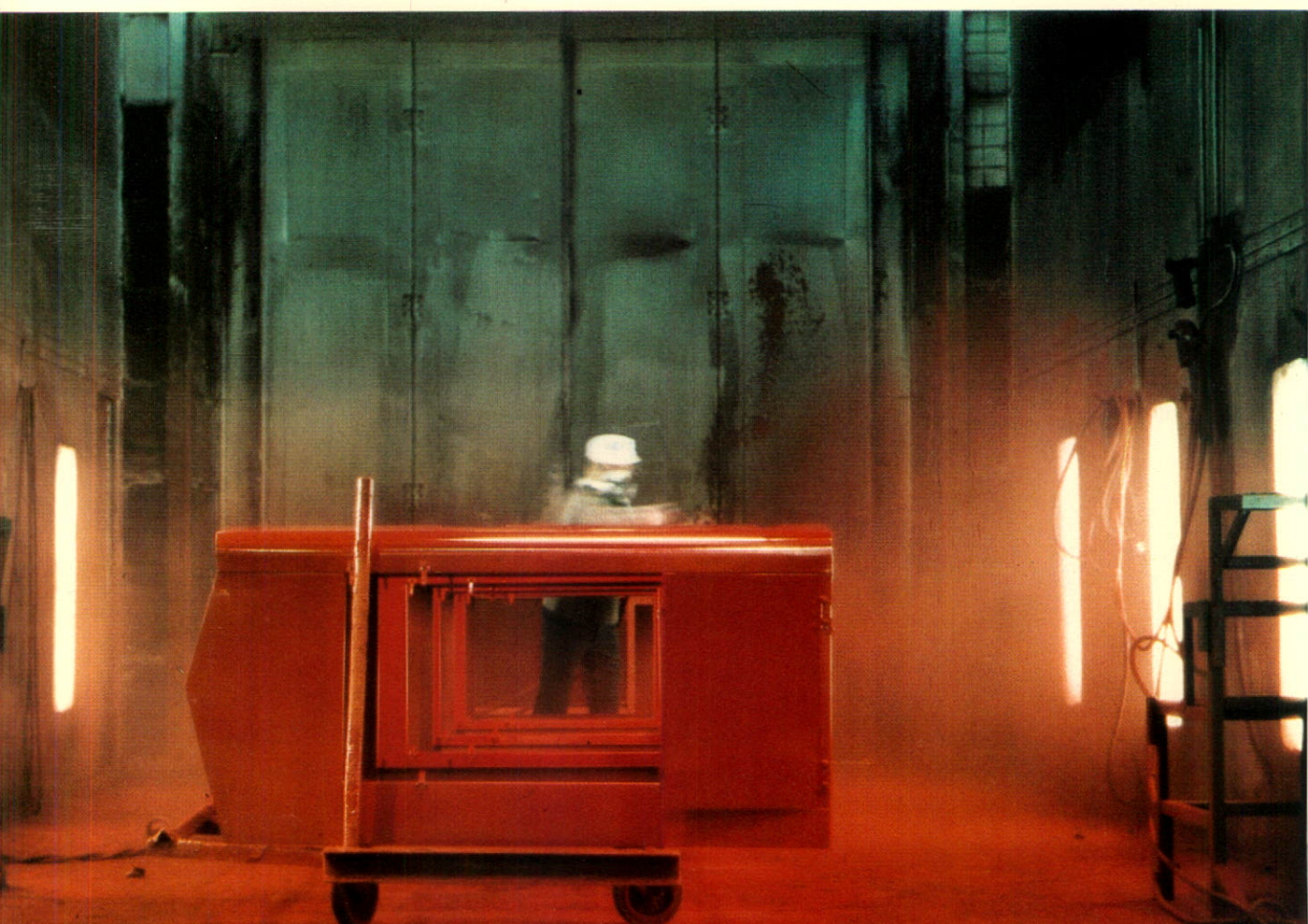
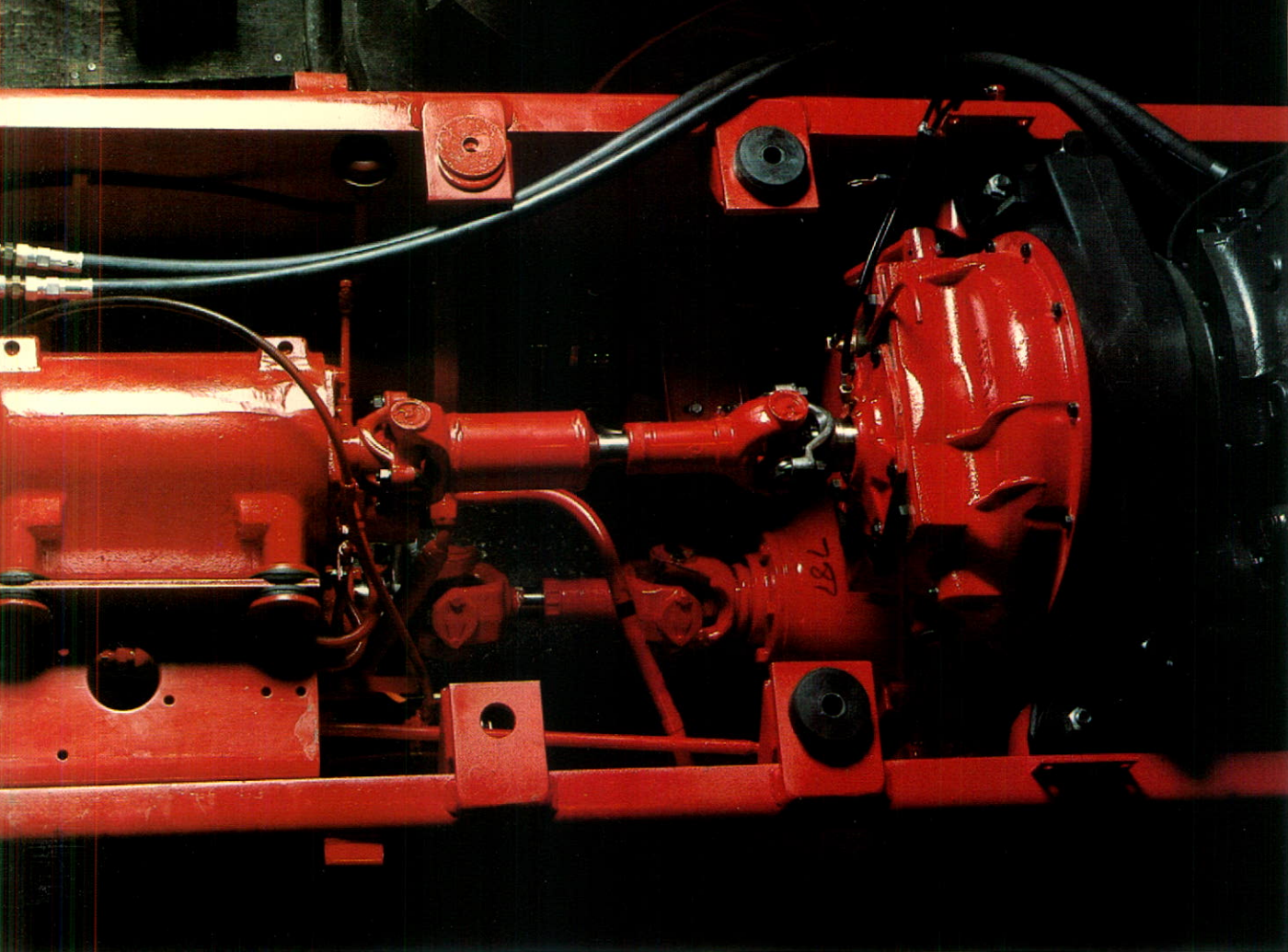
In 1978 the company expanded its product line to include Morris Rod-Weeder products and, in 1979, the tillage equipment of Noble Cultivators Company. The company's success has led to the purchase of ten acres of industrial property for construction of new headquarters and construction began in March 1980.

VERSATILE CREDIT CORPORATION KANSAS CITY, MISSOURI, U.S.A.

1979 was the first full operating year for Versatile Credit Corporation and was primarily directed to the development of relationships with farm equipment dealers and customers. Although the volume of business was not large, it has become obvious that buyers of Versatile equipment in the United States need and will use the services of Versatile Credit Corporation.

The company's services include leasing, rental and financing projects. Marketing efforts and strategies will be coordinated with Versatile Manufacturing Company and the use of Versatile Credit by the dealer organization is expected to show a marked increase in 1980.





Marine Operations



Burrard Yarrows Corporation
North Vancouver and Victoria
British Columbia

Versatile Environmental Products
North Vancouver, British Columbia

Burrard Yarrows Corporation operates two shipyards in British Columbia, in North Vancouver and in Victoria, which have been in continuous operation since before 1900 and which now rank among the top four shipyards in Canada. The company enjoys a position of market leadership in both shipbuilding and ship repairing on the west coast of Canada.



SHIPBUILDING

Historically, Burrard Yarrows has been a major builder of special purpose vessels for use in commercial endeavours as well as for government service both in peacetime and during periods of national emergency.

Among the types of vessels built by the company are car/passenger ferries, icebreakers, weather ships, naval destroyer escorts, log carriers, seismographic research vessels, offshore supply vessels, deepsea and coastal tugboats and a wide variety of barges.

Customers range from international petroleum companies to local forest products companies to the federal and provincial governments. Vessels built recently by the company for such customers are serving in the western Arctic, on the St. Lawrence River, in the Caribbean and along the British Columbia coast.

The company has developed an enviable reputation for its capability to construct a wide range of sophisticated ships and other vessels, with particular emphasis on quality of workmanship and engineering and consistent delivery to schedule.

Productivity at Burrard Yarrows has benefited in recent years by a program of upgrading production equipment and worker skills in selected areas of shipyard operations. In addition, new production planning techniques have been employed to generate further productivity gains.

The company intends to expand its shipbuilding capacity to match future available market opportunities.

*Previous page:
Overlooking Burrard
Inlet, the facilities of
Burrard Yarrows
Corporation's
Vancouver Division
offer a panoramic
view of the city.*



SHIP REPAIR

Over the past 50 years the company has provided a wide range of ship repair and conversion services to large coastal vessels and to the foreign deepsea fleet which navigate in British Columbia waters. At the company's two shipyards, use is made of a large government-owned dry dock and a marine railway (Victoria Division) and two floating docks (Vancouver Division) as well as a number of repair berths.

Because of its emphasis on the ship repair and conversion business, Burrard Yarrows has become the leader in this field in Canada. It is one of the few companies able to operate ship repair and shipbuilding as complementary businesses using many of the same shop facilities and tradesmen for both activities. Recent changes in relative currency values have also strengthened the company's position in the international ship repair market.

INDUSTRIAL SERVICES

In addition to its marine oriented services, the company provides general industrial engineering and overhaul services to a variety of customers both in the shipyards and on site at the customer's facilities. Among the products and services provided by the industrial division are wood product presses, tank installations, miscellaneous metal fabrication, and repairs to large machinery components such as pulp mill washer drums, turbines, compressors and pumps.

STRATEGY

Burrard Yarrows intends to follow a policy which will allow continued growth while consolidating its position of leadership in the international repair and conversion markets. The company will achieve this through selective expansion of its facilities and by continued improvement of its human and systems capabilities.



*Ferry construction
at the Vancouver
Division shipyards.*

During the next three to five years the company will expand its deepsea ship repair capacity by completing construction of a \$63.3 million complex at its North Vancouver shipyard; this includes a 36,000 ton lifting capacity floating dry dock and other related facilities. Under the terms of a cost sharing agreement with the Government of Canada, the company is committed to contribute a total of \$21.2 million toward the total project costs.

The company will also continue to provide a balanced workload between shipbuilding and ship repair and between both of its divisions.

OUTLOOK

A number of factors give the company cause for optimism in its future results:

- the improved facilities to serve deepsea ship repair markets;
- the continued program of support to the domestic shipbuilding industry provided by the federal and provincial governments;
- the promising growth opportunities in the development of energy resources in the western Arctic;
- the replacement of Canada's aging naval fleet;
- the anticipation of a continued solid base of domestic ship repair and conversion activity.

Burrard Yarrows enters the new decade with the strong expectation that its considerable technical skills and physical assets will enable it to capture a sizeable leadership in the Canadian marine industry.

VERSATILE ENVIRONMENTAL PRODUCTS

The strength of Versatile Environmental Products, formerly Bennett Pollution Controls, is the advanced design of its three major product lines: a wide selection of spill containment barriers (oil booms), spill removal skimmers, and high-speed SeaLander work boats.

The recent re-structuring of the company coupled with the move to larger, more efficient manufacturing facilities allow it to keep its products at the technological forefront of the industry. The company is working jointly with the Enterprise Development Program of the federal Department of Industry, Trade & Commerce to further develop and refine its products.

OIL BOOMS

Versatile's line of booms includes permanent harbour, inshore and self-inflating booms. The self-inflating "ZOOOM" boom has been particularly successful. It is anticipated that following testing of



this boom in the Arctic, it will be recommended for use on off-shore drilling rigs in Canadian waters. A more aggressive penetration of the U.S. market for this line of booms is also being planned and the company forecasts a doubling of sales in 1980.

OIL CLEANING SKIMMERS

There is a continuing demand for large and intermediate skimmers such as the belt pickup and large Morris disc-type sold by Versatile Environmental. These skimmers have consistently outperformed the competition when used side-by-side in cleaning up actual spills. All but the largest of the company's ten models of skimmers will be fabricated at the North Vancouver location.



One of the most popular products of Versatile Environmental Products, the ZOOM oil spill containment boom, is manufactured at the company's new facility in North Vancouver, B.C.

SEALANDERS

The high quality and rugged dependability of the SeaLander work boats, as well as their broad range of possible uses, have created a steady demand for these boats. They are now in operation as emergency rescue vessels, fireboats and commercial transport vessels. Outfitted with portable skimmers and booms, they become high speed response vessels for use in environmental crises.

The U.S. oriented marketing stance and the development of new design adaptations should continue the increase in demand. As a result, expanded production of the work boats is being scheduled.



Oil and Gas Operations

Bralorne Resources Limited
Calgary, Alberta




The need for Canada to attain energy self-sufficiency has made it of paramount importance that Canada maintain and accelerate its exploration for energy reserves.

This challenge led Bralorne to place added emphasis in 1979 on its Oil and Gas Division. The Division doubled its revenues during the year and the value of its proven and probable petroleum and gas reserves was estimated by independent consultants to have increased by more than 175%.

Previous page:
Bralorne manufactures components
used in oil and gas exploration and
production.

Alberta

Bralorne Resources Limited
Oil and Gas Reserves

-  Successful Gas Wells
-  1978 Farmout areas
-  Bralorne Land Holdings



The Division's objectives in 1979 were, as stated in 1978, firstly, to develop further significant low cost proven petroleum reserves in both Canada and the United States, concentrating on the steadier, low-risk shallow and intermediate depth fields in Alberta and the Gulf Coast area of the U.S., and secondly, to expand cash flow by bringing on stream, as expeditiously as possible, non-producing gas reserves which have been developed and acquired over the past four years.

Encouraging finds of natural gas since 1974 in Alberta were made possible by the improved economic viability of exploration. As a result a significantly higher portion of the budget is now being spent on exploration for new reserves.

Traditionally the development of reserves has been the province of junior and intermediate companies such as Bralorne. The ability of these companies to participate in exploration is directly related to cash flow. In the case of Bralorne, this involves both the net price at which gas is sold and the quantity it is able to market.

The accelerated schedule of price increases and the associated rise in the price of natural gas have, therefore, placed Bralorne in an advantageous position.

Exploration activity consisting of land acquisition, geophysical surveys, and exploratory and step-out drilling was pursued at a level consistent with 1978.

Further, Bralorne's involvement in energy related processing and manufacturing means it is not solely dependent for income and cash flow on its own oil and gas production and the unpredictable results of exploration projects.

The large investment in exploration by other energy development companies has resulted in increased demand for the products and services offered by Bralorne's Manufacturing, Service, and Supply Groups. The scope of these operations makes Bralorne one of the few companies positioned in the marketplace to take advantage of the various stages in the development cycle: exploration, development and production.

MANUFACTURING GROUP

Mark Products, Inc., one of the leading manufacturers of high technology geophysical data equipment, benefits in the first field stage of the cycle when geologists' theories are first tested.

At the drilling stage, the efficient plant of OMSCO Industries, Inc. in Houston, manufactures drill collars and kelly valves, two widely used products in the drilling process. Increased construction of new rigs has brought demand for these products to an all-time high. As a result, the company completed, in 1979, an expansion which doubled threading capacity. It is anticipated that 1980 will be even better than 1979 when the company's revenues grew significantly.

The facilities of Barber Industries in Calgary and Edmonton are the foundation of Bralorne's manufacturing capability. The oldest company in the Group with a solid core of experienced employees, the company touches, either directly or indirectly, nearly all aspects of energy development. The company's products encompass the developmental stages through to wellheads and delivery systems. It has also recently begun to exploit opportunities to manufacture components used in the development of heavy oil and tar sands.

The recent acquisition of Triangle Grinding, Inc., which manufactures carbide cutting tools, takes advantage of the booming Houston market for this equipment and is in keeping with Bralorne's objective of acquiring companies whose products are compatible with existing ones.



BRALORNE HIGHLIGHTS

	1979	1978
Gross revenue	\$140.7 million	\$86.4 million
Cash flow from operations	\$20.4 million	\$12.6 million
Per share	\$3.05	\$2.13
Net income	\$10.7 million	\$6.8 million
Per share	\$1.61	\$1.15
Shareholders' equity	\$41.9 million	\$32.4 million
Per share	\$6.27	\$4.85
Return on average shareholders' equity	29%	26%
Dividends	\$1.3 million	\$0.7 million
Per share	20 cents	10 cents

Capital asset expenditures		
Oil and Gas in Canada	\$6.1 million	\$2.1 million
Oil and Gas in United States	\$1.5 million	\$0.7 million
Total Oil and Gas	\$7.6 million	\$2.8 million
Property, plant and equipment	\$11.4 million	\$7.6 million
Acquisition	\$4.9 million	\$0.5 million

Net reserves at December 31		
Natural gas in Canada	100 billion cubic feet	68 billion cubic feet
Crude oil and natural gas liquids in Canada	1,027,000 barrels	1,007,000 barrels
Coal (proven)	26.7 million tonnes	26.7 million tonnes

SUPPLY GROUP

Jarco, ENOCO and Polesystems Ltd. comprise the recently formed Supply Group at Bralorne which is expected to expand the company's involvement in more specialized products, both in a rental and re-sale context.

The hydraulic shocksubs and jars, complementary products which increase drilling efficiency, are leased by Jarco in Canada and the United States. Their design is at the forefront of a new trend towards high-precision hydraulic tools. The recent opening of an office in Singapore will expand markets in South East Asia, part of a worldwide marketing thrust that includes Mexico and South America.

The Dual 12-24 double rotary waterwell drilling rig is a new product manufactured by Barber Industries in Calgary. Its unique design enables the rig to sink casing as it drills.

SERVICE GROUP

Warehousing, food processing and manufacturing facilities to meet the requirements of operating work camps are offered by Bralorne's Service Group.

Crown Caterers, Camp Provisioners and Custom Structures provide food and housing for oil and gas exploration crews in remote areas of western and northern Canada. The excellent performance of these companies in 1979 was directly tied to high petroleum drilling activity during the year. It is expected that the year's record high number of rigs in service and of wells drilled will be matched in 1980.

The acquisition, in 1978, of Mobile Homes Limited of Malta, was a direct result of Bralorne's policy of expanding into worldwide markets.

Bralorne's strategy of acquisition and diversification is coupled with a desire to maximize technical capabilities to create a corporate structure large enough to operate successfully in world markets.

Light Manufacturing and

B.C. Ice and Cold Storage Company Vancouver, British Columbia

B.C. Ice and Cold Storage Company has developed a continuously growing network of public freezing plants and cold storage warehouses in the lower mainland of B.C. since the early 1950s. Beginning with a small fish processing and storage plant on the Vancouver harbour waterfront, a pattern of growth has evolved that has produced additional facilities in Richmond, Abbotsford and downtown Vancouver.

The acquisition of the assets of Vancouver Cold Storage Ltd. in December 1978 gave the company an excellent position in the public cold storage market in western Canada and now provides the frozen food industry with a complete refrigerated storage service in all aspects of processing, storage and distribution.

The company maintains an aggressive approach to the development of new ventures and products in all areas of the production and distribution of frozen foods. It concentrates on providing facilities for small and medium-sized businesses that show promising growth and provides space for the overflow product of larger companies which operate private warehouses.

B.C. Ice's management team actively seeks out close liaison with various segments of the industry through personal contact with companies and government agencies and is in a position to anticipate trends and provide facilities as they are required. Premises are leased to fish producing companies to unload and process their catch for freezing and storage in the warehouses on the waterfront. Other premises are leased to distributing companies for assembly and truck loading of retail pack products such as T.V. dinners and orange juice for delivery to supermarkets and stores throughout western Canada.

The expansion of the Valley plant near Abbotsford was completed in the spring of 1980, in time for the 1980 growing season, thus eliminating Valley crop growers' dependency on Vancouver-based plants for cold storage.

In February 1980, construction of a fish processing building began at the Harbour plant. The space will be leased to a fishing company whose growth requires expanding facilities. This plant will be in operation prior to commencement of the 1980 fishing season.



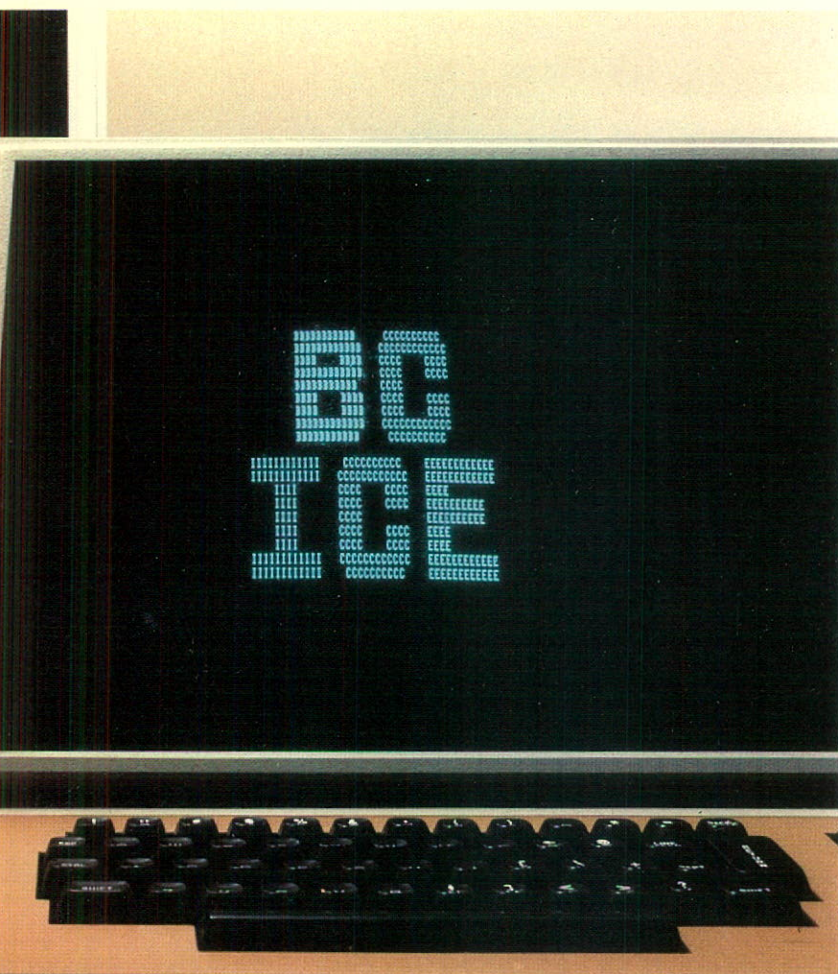
In addition, the enlargement of the leased premises and an expansion to house processing and freezing facilities are being considered for the Corpak plant in Richmond.

Dependence on weather, crops and fish runs present a certain element of risk for any company but at B.C. Ice, the risk has been minimized through diversification within several markets of the food processing industry, careful study of forecasts, and close overviews of costs and expenses. Based on these principles, a satisfactory performance by the company is anticipated for 1980.

Wescraft Manufacturing Company Saanichton, British Columbia

Wescraft Manufacturing Company manufactures aluminum windows and sliding patio doors for the residential and commercial construction markets specializing in the exclusive thermally insulated

Service Operations



The computerized operations of B.C. Ice and Cold Storage Company offer the company's customers one of the industry's most efficient information systems.

frame system. Aluminum and vinyl sidings are also distributed through the company's branches in Nanaimo, Vancouver and Kamloops.

The company began operations in downtown Victoria over 25 years ago and re-located in the late 1950s to a nine-acre location in Central Saanich, a few kilometres outside British Columbia's capital.

During the decline in commercial construction in B.C. from 1976 to 1978, the company directed its marketing efforts to the house renovation market and, as heating costs continue to rise, to conversions to double-glazed windows and doors. In addition, to complement a full line of aluminum windows, the company added an inexpensive vinyl storm window which provides an automatic thermal barrier.

Sales to the quality custom house market presently account for a large part of the company's revenues but as the commercial and industrial sectors regain their former importance, sales in these areas



Wescraft Manufacturing Company specializes in double-glazed, thermal barrier systems for windows and doors.

are increasing, creating a more balanced market mix.

Wescraft's newly developed thermal barrier line of windows and sliding doors can now be adapted to both quality residential and light commercial construction providing a wide marketing base. The company plans to promote this line more actively through its own sales force and through complementary arrangements with retailers operating more widespread outlets.

Limited sales of fully-glazed windows were made in Europe in 1979. Rising aluminum costs on that continent and the position of Canada's dollar make this a promising market.

The company plans to continue to modernize production facilities and to emphasize marketing of the quality thermal barrier windows and doors to broaden the base of its Canadian and offshore markets.

Financial Statements

Auditors' Report

To the Shareholders of Versatile Cornat Corporation

We have examined the consolidated balance sheet of Versatile Cornat Corporation as at December 31, 1979 and the consolidated statements of earnings and earnings reinvested in the business and changes in financial position for the year then ended. Our examination of the financial statements of Versatile Cornat Corporation and those subsidiaries of which we are the auditors was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiary companies.

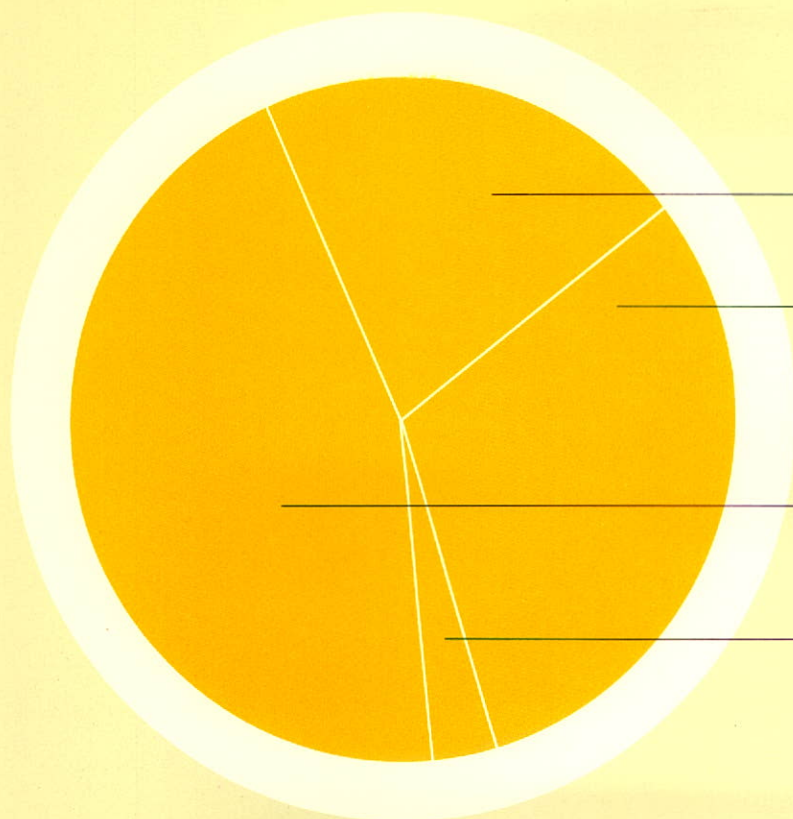
In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada
March 14, 1980

Thorne Riddell
Chartered Accountants

The 1979 Revenue Dollar

SOURCE



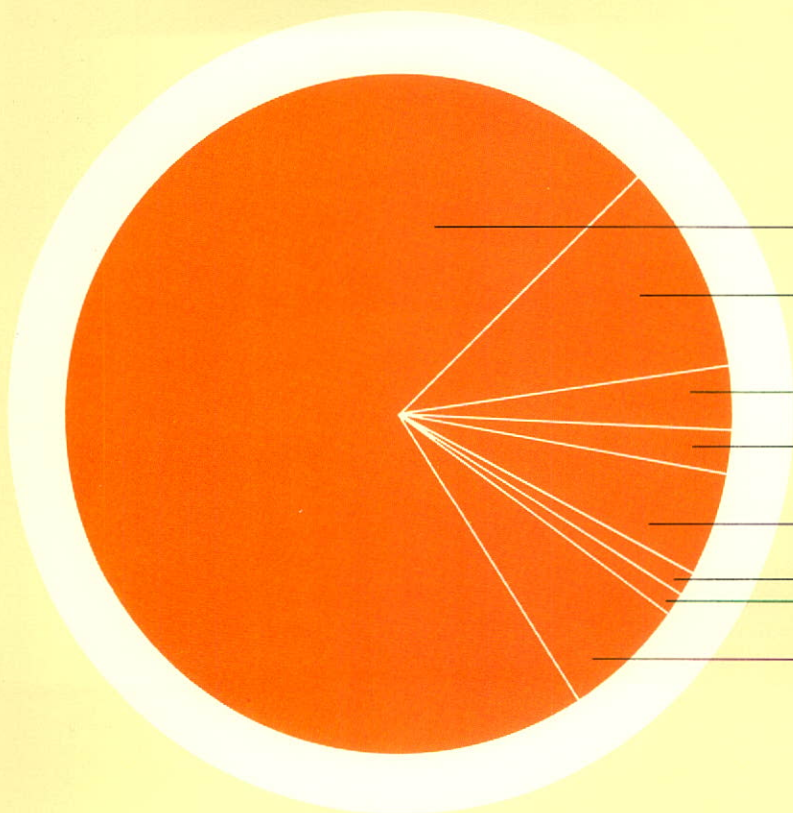
Marine Operations 18¢

Oil and Gas Operations 34¢

Agricultural Division 44¢

Light Manufacturing and Service Operations 4¢

DISTRIBUTION



Cost of sales 71¢

Selling, general and administrative expenses 11¢

Interest 3¢

Depreciation, depletion and amortization 2¢

Earnings reinvested in the business 5¢

Minority interests 1¢

Dividends 1¢

Income taxes 6¢

Consolidated Balance Sheet

As at
December 31, 1979
(in thousands of dollars)

ASSETS	1979	1978
CURRENT ASSETS		
Short-term deposits and marketable securities, at cost	\$ 25,202	\$ 4,081
Accounts receivable	96,387	75,019
Inventories (note 3)	96,256	52,018
Prepaid expenses	2,290	1,011
Deferred income taxes	6,476	1,231
	<u>226,611</u>	<u>133,360</u>
INVESTMENTS AND LOANS		
Investment and advances — finance subsidiaries	12,246	17,084
Senior personnel share purchase plan loans (note 4)	1,820	905
Funds on deposit for construction of facilities	1,135	—
Other	1,337	680
	<u>16,538</u>	<u>18,669</u>
PROPERTY, PLANT AND EQUIPMENT (note 5)	<u>95,001</u>	<u>65,747</u>
INTANGIBLE ASSETS AND DEFERRED CHARGES		
Goodwill	10,558	3,488
Patents	1,547	1,651
Financing expenses	642	688
	<u>12,747</u>	<u>5,827</u>

Approved by the Directors

Director:

PETER PAUL SAUNDERS

Director:

RONALD L. CLIFF, C.A.

\$350,897

\$223,603

LIABILITIES	1979	1978
CURRENT LIABILITIES		
Bank loans, secured	\$ 20,669	\$ 15,328
Accounts payable and accrued liabilities	82,560	42,295
Income taxes payable	20,130	4,089
Dividends payable	1,716	1,167
Current portion of long-term debt	7,350	3,793
	<u>132,425</u>	<u>66,672</u>
 LONG-TERM DEBT (note 6)	 85,215	 60,945
 DEFERRED INCOME TAXES	 14,871	 8,870
 MINORITY INTERESTS	 <u>23,463</u>	 <u>13,573</u>
	<u>123,549</u>	<u>83,388</u>
 SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 7)		
Authorized		
8,000,000 cumulative redeemable preferred shares without par value, issuable in series, of which 1,825,000 have been designated as \$1.40 Series A preferred shares		
10,000,000 common shares without par value		
Outstanding		
1,780,915 Series A preferred shares without par value, at \$15.00 per share	26,714	27,258
5,433,841 common shares	15,103	13,729
 EARNINGS REINVESTED IN THE BUSINESS	 <u>53,106</u>	 <u>32,556</u>
	<u>94,923</u>	<u>73,543</u>
	<u>\$350,897</u>	<u>\$223,603</u>

Contingent liabilities, commitments and subsequent events (notes 9, 10 and 11)

Consolidated Statement of Earnings and Earnings Reinvested in the Business

Year ended
December 31, 1979
(in thousands of dollars)

	1979	1978
Revenue		
Manufacturing	\$360,349	\$261,884
Service	54,195	41,153
	<u>414,544</u>	<u>303,037</u>
Costs and expenses		
Cost of sales	294,047	231,085
Selling, general and administrative	45,390	29,524
Long-term debt interest	8,486	5,305
Other interest	3,687	4,113
Depreciation, depletion and amortization	8,069	6,702
	<u>359,679</u>	<u>276,729</u>
	<u>54,865</u>	<u>26,308</u>
Other income		
Equity in net earnings (loss) of other companies	(344)	1,113
Gain (loss) on foreign exchange	(1,464)	2,516
Other	2,373	1,205
	<u>565</u>	<u>4,834</u>
	<u>55,430</u>	<u>31,142</u>
Income taxes		
Current	24,427	11,787
Deferred	(547)	1,757
	<u>23,880</u>	<u>13,544</u>
Earnings before minority interests	31,550	17,598
Minority interests	<u>5,496</u>	<u>7,023</u>
NET EARNINGS	26,054	10,575
Earnings reinvested in the business at beginning of year	<u>32,556</u>	<u>25,804</u>
	<u>58,610</u>	<u>36,379</u>
Dividends declared		
Preferred shares	2,523	1,914
Common shares	2,981	1,909
	<u>5,504</u>	<u>3,823</u>
EARNINGS REINVESTED IN THE BUSINESS AT END OF YEAR	<u>\$ 53,106</u>	<u>\$ 32,556</u>
Net earnings per common share (note 8)	<u>\$4.38</u>	<u>\$1.76</u>
Fully diluted earnings per common share (note 8)	<u>\$3.80</u>	<u>\$1.57</u>

Consolidated Statement of Changes in Financial Position

Year ended
December 31, 1979
(in thousands of dollars)

	1979	1978
SOURCE OF WORKING CAPITAL		
Operations		
Net earnings	\$ 26,054	\$ 10,575
Items not affecting working capital		
Depreciation, depletion and amortization	8,069	6,702
Deferred income taxes	4,698	2,269
Equity in (net earnings) loss of other companies	344	(1,113)
Minority interests	5,496	7,023
Other	(660)	(14)
	<u>44,001</u>	<u>25,442</u>
Increase in long-term debt	28,085	38,675
Decrease in investment and advances — finance subsidiaries	4,477	538
Proceeds from sale of fixed assets	3,677	1,183
Proceeds from issue of common shares	1,374	266
Proceeds from sale of partly-owned company	—	1,252
	<u>81,614</u>	<u>67,356</u>
WORKING CAPITAL APPLIED TO		
Investment in subsidiary companies	21,095	34,877
Less		
Working capital acquired	(14,264)	(593)
Series A preferred shares issued	—	(27,368)
Debenture converted	—	(6,000)
	<u>6,831</u>	<u>916</u>
Additions to property, plant and equipment	27,663	12,735
Reduction of long-term debt	10,534	40,547
Dividends declared	5,504	3,823
Funds on deposit for construction of facilities	1,135	—
Intangible assets and deferred charges	141	538
Senior personnel share purchase plan loans	915	415
Reduction of minority interests	656	253
Redemption of preferred shares	525	124
Other	212	246
	<u>54,116</u>	<u>59,597</u>
INCREASE IN WORKING CAPITAL	27,498	7,759
WORKING CAPITAL AT BEGINNING OF YEAR	<u>66,688</u>	<u>58,929</u>
WORKING CAPITAL AT END OF YEAR	<u>\$ 94,186</u>	<u>\$ 66,688</u>

Notes to Consolidated Financial Statements

Year ended December 31, 1979

1. SUMMARY OF ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements of the Company include all subsidiary companies other than those in the financing business. The Company considers it more informative and appropriate to present separate financial information for the finance subsidiaries (see note 13) and to adopt the equity method of accounting for them. Applying this method, the Company takes into earnings its share of the earnings or losses of those subsidiaries, increasing or reducing its investment accordingly. Dividends from these subsidiaries are not taken into earnings, but are applied to reduce the investment.

(b) Foreign currencies

Consolidated subsidiaries

Current assets and current liabilities in foreign currencies have been translated into Canadian dollars at current rates. Other assets and liabilities have been translated at historical rates. Revenues and expenses (except depreciation, depletion and amortization, which are translated at historical rates) have been translated at average rates in effect during the year.

Finance subsidiaries

Current and long-term monetary assets and liabilities in foreign currencies are translated into Canadian dollars at current rates. Non-monetary assets and liabilities are translated at historical rates.

Gains and losses arising from exchange translations are included in current earnings.

(c) Inventories

Inventories of finished goods and work-in-process are valued at the lower of cost and net realizable value.

Raw materials and supplies are valued at the lower of cost and replacement cost.

(d) Property, plant and equipment

These assets are valued at cost. When shares are purchased in subsidiaries appropriate amounts out of the total investment are allocated on consolidation to the underlying fixed assets. Depreciation is based on these amounts.

(e) Depreciation

Depreciation is provided on property, plant and equipment at various rates intended to depreciate the cost of the assets over their estimated useful lives.

(f) Oil and gas interests

The Company follows the full cost method of accounting for oil and gas properties whereby all costs relating to the exploration for and development of petroleum and natural gas reserves are capitalized. These costs are depleted by the unit-of-production method based on the estimated oil and gas reserves.

(g) Mining interests

Exploration expenditures on mining properties continuing under examination are deferred and will be amortized against production revenue from the relevant properties or written off upon cessation of interest therein.

(h) Deferred income taxes

The Company follows the practice of charging

reported earnings with income taxes related to those earnings, with the result that differences between these taxes and taxes currently payable for the year are reflected in deferred income taxes.

- (i) Intangible assets and deferred charges
Goodwill, which represents the excess of the cost of investments in subsidiaries over amounts allocated to identifiable assets, is written off by charges against earnings over a 40 year period; in prior years goodwill was written off generally over a 20 year period. This change does not materially affect current earnings.

Patents are being amortized over a period of 17 years.

Financing expenses are charged to earnings over the term of the debt issue to which they relate.

- (j) Recognition of income

(i) Marine construction profits are recognized on the percentage of completion basis. Under this method, the final profit on each contract is estimated as the work proceeds and is taken into income as the work is done, the amount of direct labour being the factor determining the degree of completion for this purpose. If it appears that a contract will result in a loss, the full amount of the estimated loss is provided for immediately.

(ii) Ship repair and industrial engineering revenues and profits are recognized on completion of contracts, with anticipated losses provided for immediately.

- (iii) Income from farm equipment, aluminum fabrication and other manufacturing, oil and gas interests and services is recognized at the time of sale. When sales of farm equipment are made under extended terms of sale, suitable provisions are made to recognize the cost of extending the credit terms.

2. ACQUISITIONS

Effective January 1, 1979 the Company acquired all the shares of Noble Cultivators Limited, a farm equipment manufacturer located in Alberta. Bralorne Resources Limited on the same date effectively acquired all the shares of Triangle Grinding, Inc., a manufacturer and supplier of oil field service tools located in Texas, and effective July 1, 1979 acquired a controlling interest in Mark Products, Inc., a Texas public company engaged in the manufacture and marketing of geophysical equipment.

These acquisitions have been accounted for on the purchase method, with the operating results from the date of acquisition included in these financial statements. The effect of these transactions on the company's balance sheet at the dates of acquisition is summarized below:

	Noble Cultivators Limited	Triangle Grinding, Inc.	Mark Products, Inc.	Total
	(in thousands of dollars)			
Fixed assets	\$3,578	\$1,962	\$ 6,628	\$12,168
Other assets	2	—	580	582
Goodwill	—	3,674	3,479	7,153
	<u>3,580</u>	<u>5,636</u>	<u>10,687</u>	<u>19,903</u>
Deduct				
Long-term debt	217	600	5,902	6,719
Deferred income taxes	165	110	1,028	1,303
Minority interest	—	—	5,050	5,050
	<u>382</u>	<u>710</u>	<u>11,980</u>	<u>13,072</u>
	3,198	4,926	(1,293)	6,831
Working capital acquired	<u>2,403</u>	<u>828</u>	<u>11,033</u>	<u>14,264</u>
Total consideration	<u>\$5,601</u>	<u>\$5,754</u>	<u>\$ 9,740</u>	<u>\$21,095</u>
Consideration				
Cash	\$3,147	\$4,728	\$ 9,740	\$17,615
Notes payable	<u>2,454</u>	<u>1,026</u>	<u>—</u>	<u>3,480</u>
	<u>\$5,601</u>	<u>\$5,754</u>	<u>\$ 9,740</u>	<u>\$21,095</u>

Notes to Consolidated Financial Statements

Year ended December 31, 1979

3. INVENTORIES

	1979	1978
	(in thousands of dollars)	
Finished goods	\$25,560	\$10,965
Work-in-process	26,493	8,228
Raw materials and supplies	44,203	32,825
	<u>\$96,256</u>	<u>\$52,018</u>

4. SENIOR PERSONNEL SHARE PURCHASE PLAN LOANS

The Company and certain of its subsidiaries have established share purchase plans under which they loan funds, interest free, to trustees to enable senior employees to acquire shares at the market price. These loans are generally repayable over an eight year period.

5. PROPERTY, PLANT AND EQUIPMENT

	1979		1978	
	Cost	Accumulated depreciation and depletion	Net	Net
	(in thousands of dollars)			
Oil and gas operations				
Land	\$ 3,347	—	\$ 3,347	\$ 2,750
Buildings	7,471	\$ 1,143	6,328	5,606
Machinery and equipment	37,391	8,380	29,011	14,449
Oil and gas interests	30,623	4,022	26,601	21,425
Mining interests	946	—	946	882
	<u>79,778</u>	<u>13,545</u>	<u>66,233</u>	<u>45,112</u>
Agricultural manufacturing				
Land	1,375	—	1,375	447
Buildings	12,102	3,235	8,867	5,382
Machinery and equipment	12,838	4,869	7,969	4,346
	<u>26,315</u>	<u>8,104</u>	<u>18,211</u>	<u>10,175</u>
Marine construction and repairs				
Land	1,201	—	1,201	1,201
Floating drydocks, piers and buildings	8,810	7,776	1,034	833
Machinery and equipment	10,421	9,530	891	839
	<u>20,432</u>	<u>17,306</u>	<u>3,126</u>	<u>2,873</u>
Other				
Land and foreshore leases	600	21	579	580
Buildings	8,463	3,368	5,095	5,245
Machinery and equipment	5,802	4,045	1,757	1,762
	<u>14,865</u>	<u>7,434</u>	<u>7,431</u>	<u>7,587</u>
Total	<u>\$141,390</u>	<u>\$46,389</u>	<u>\$95,001</u>	<u>\$65,747</u>

6. LONG-TERM DEBT

	1979 (in thousands of dollars)	1978			
Bonds and debentures			Bank loans	36,741	17,518
11% Series A sinking fund debentures, maturing 1993	\$19,168	\$20,000	Bearing interest at rates varying from 12¼% to 17% (average rate at December 31, 1979 — 15.3%; 1978 — 12.2%)		
10% Series B debentures, maturing 1986 (U.S. \$15,000,000)	17,712	17,712	Includes U.S. debt of \$13,975,000 translated at historic rates of exchange to \$16,116,000 Canadian		
9¾% sinking fund secured bonds, maturing 1987	2,874	3,238	Other	1,394	1,362
6% to 7¾% Industrial Development Revenue Bonds (U.S. \$2,315,000; 1978 — \$1,005,000)			Total	92,565	64,738
	2,548	1,013	Less current portion included in current liabilities	7,350	3,793
	42,302	41,963		\$85,215	\$60,945
Secured notes	12,128	3,895	Payments due on long-term debt for the next five years are:		
Bearing interest at rates varying from 6% to the prime rate plus 1% (average rate at December 31, 1979 — 11.2%; 1978 — 11.4%)			1980	\$7,350,000	
Includes U.S. debt of \$7,138,000 translated at historic rates of exchange to \$8,341,000 Canadian			1981	5,962,000	
			1982	8,573,000	
			1983	9,164,000	
			1984	7,654,000	

The long-term debt and current bank loans are secured by notes, debentures or charges on certain property, plant and other assets.

Notes to Consolidated Financial Statements

Year ended December 31, 1979

7. SHARE CAPITAL

Changes in common shares during the year were as follows:

	Shares	Amount
		(in thousands of dollars)
Balance outstanding at beginning of year	5,314,185	\$13,729
Shares issued for warrants	61,691	230
Shares issued to employees under the share purchase plan	57,965	1,144
Balance outstanding at end of year	<u>5,433,841</u>	<u>\$15,103</u>

During the year 36,300 of the \$1.40 Series A preferred shares were purchased for cancellation for a consideration of \$525,000. Preferred shares are redeemable at the option of the Company after June 30, 1983 at a price of \$16.40 per share decreasing to \$15.00 per share after June 30, 1988. The Company has agreed to purchase in the open market 4% per annum of the outstanding preferred shares at prices not exceeding \$14.50 per share.

There are warrants outstanding at December 31, 1979 entitling the holders thereof to purchase 895,788 common shares at \$7.25 per share to July 29, 1983.

8. EARNINGS PER COMMON SHARE

The earnings per common share are calculated using the weighted average number of common shares outstanding. Fully diluted earnings per common share are calculated on the assumption that all warrants outstanding are exercised at the beginning of the year. Imputed earnings on the proceeds received on the exercise of these warrants are calculated using an 8% after tax rate of return.

9. CONTINGENT LIABILITIES

- (a) The cost of certain assets and shares acquired by a subsidiary company is subject to upward adjustment.
- (b) Recent actuarial valuations of the Companies' pension plans indicate that there are no material unfunded liabilities.

10. COMMITMENTS

The agricultural division has undertaken an expansion program which will involve capital expenditures, net of government grants, of approximately \$27,000,000.

11. SUBSEQUENT EVENTS

- (a) A subsidiary company is in the process of awarding contracts for the construction of a floating dry dock and related facilities estimated to cost \$63,000,000 of which the Government of Canada has agreed to contribute approximately two-thirds. Under the terms of the contribution agreements, the Government of Canada is entitled to receive a portion of any eventual proceeds on disposition.
- (b) The Company is negotiating to purchase 100% of the equity of Toft Bros. Industries Limited, of Queensland, Australia, a manufacturer of sugar cane harvesting and related tillage equipment.
- (c) Effective March 1, 1980 the Company and a subsidiary, Noble Cultivators Limited, amalgamated under the provisions of the British Columbia Companies Act. The new company will continue operations under the name Versatile Cornat Corporation.

12. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

	1979		1978	
	Number	Amount	Number	Amount
Aggregate remuneration paid to directors and senior officers	<u>19</u>	<u>\$788,351</u>	<u>19</u>	<u>\$685,263</u>
Amount included above for remuneration of directors as directors	<u>12</u>	<u>\$ 76,200</u>	<u>12</u>	<u>\$ 63,700</u>

13. SUPPLEMENTARY INFORMATION

The significant financial information relating to the operations of the finance subsidiaries for 1979 and 1978 is as follows:

	1979	1978
	(in thousands of dollars)	
Gross income	<u>\$ 2,932</u>	<u>\$ 8,576</u>
Net earnings (loss)	<u>\$ (361)</u>	<u>\$ 1,138</u>
Short-term deposits and marketable securities, at cost	<u>\$ 3,463</u>	<u>\$ 1,605</u>
Investment in mortgages, properties, finance contracts and leases	<u>\$11,519</u>	<u>\$66,351</u>
Amount owing from (to) Versatile Cornat Corporation	<u>\$ 2,701</u>	<u>\$ (1,689)</u>
Bank and other loans	<u>—</u>	<u>\$10,521</u>
Long-term debt	<u>\$ 2,335</u>	<u>\$39,426</u>
Shareholders' equity	<u>\$15,089</u>	<u>\$15,688</u>

14. SUBSIDIARY COMPANIES

(as at December 31, 1979)

Operating companies

Barber Industries, Inc.
Bralorne Holland B.V.
Bralorne International, Inc.
Bralorne Resources Limited
Burrard Yarrows Corporation
Collingwood Real Estate Corporation Limited
Coronation Credit Corporation
Coronation Credit Corporation Limited
Coronation Credit (Ontario) Limited
Coronation Mortgage Corporation
Crown Caterers, Inc.
Custom Cable Company
Engineered Oil Controls Ltd.
Jarco Services Ltd.
Macor Developments, Inc.
Mark Products, Inc.
Mark Products, Ltd.
Mobile Homes Limited
Noble Cultivators Limited
Oilfield Spiralers, Inc.
OMSCO Industries, Inc.
Polesystems Ltd.
Sealand Marine Corporation
Triangle Grinding, Inc.
Triangle Grinding International, Inc.
Versatile Credit Corporation
Versatile Farm Equipment Pty. Ltd.
Versatile Parts Inc.
Worldwide Catering Ltd.

Non-operating companies

Bennett Pollution Controls Inc.
Bralorne Explorations (Ireland) Limited
Bralorne Exploration (U.K.) Limited
Bralorne S.A.
Cornat Corporation
Harding Pollution Control Corporation
Jarco Services, Inc.
Mark Products U.S., Inc.
Neptune International, Inc.
Société D'Entreprise du Canada
Versatile Gear & Axle, Inc.
Wayfare Investments Ltd.
89935 Canada Ltd/Ltee

Historical Review

(in thousands of dollars)

	1979	1978	1977	1976	1975
REVENUES					
Agricultural Division	\$182,509	\$125,911	\$101,692	—	—
Oil and Gas Operations	140,700	86,408	58,488	\$ 17,207	—
Marine Operations	76,734	77,861	71,610	68,989	\$ 74,557
Light Manufacturing and Service Operations	14,601	12,857	12,895	13,580	10,937
	<u>414,544</u>	<u>303,037</u>	<u>244,685</u>	<u>99,776</u>	<u>85,494</u>
COST AND EXPENSES					
Cost of sales	294,047	231,085	187,872	76,194	65,188
Selling, general and administrative	45,390	29,524	21,259	9,783	7,206
Long-term debt interest	8,486	5,305	5,745	1,508	853
Other interest	3,687	4,113	2,400	689	302
Depreciation, depletion and amortization	8,069	6,702	5,717	2,019	1,308
	<u>359,679</u>	<u>276,729</u>	<u>222,993</u>	<u>90,193</u>	<u>74,857</u>
	54,865	26,308	21,692	9,583	10,637
Other income including equity in earnings of finance subsidiaries and partly owned companies	565	4,834	3,268	1,116	1,608
	<u>55,430</u>	<u>31,142</u>	<u>24,960</u>	<u>10,699</u>	<u>12,245</u>
Income taxes	23,880	13,544	11,648	4,564	5,045
Earnings before items shown below	31,550	17,598	13,312	6,135	7,200
Minority interests	5,496	7,023	6,313	503	—
Earnings from continuing operations	26,054	10,575	6,999	5,632	7,200
Loss from discontinued operations	—	—	1,348	344	1,169
Net earnings	<u>26,054</u>	<u>10,575</u>	<u>5,651</u>	<u>5,288</u>	<u>6,031</u>
Dividends declared					
Preferred shares	2,523	1,914	9	11	15
Common shares	2,981	1,909	1,679	2,034	1,550
	<u>5,504</u>	<u>3,823</u>	<u>1,688</u>	<u>2,045</u>	<u>1,565</u>
Net earnings reinvested in the business in the year	<u>\$ 20,550</u>	<u>\$ 6,752</u>	<u>\$ 3,963</u>	<u>\$ 3,243</u>	<u>\$ 4,466</u>

	1979	1978	1977	1976	1975
ASSETS AND CAPITALIZATION					
Assets used in the Company:					
Working capital	\$ 94,186	\$ 66,688	\$ 58,929	\$ 13,971	\$ 14,337
Investments and loans	16,538	18,669	18,714	48,038	14,885
Property, plant and equipment (net)	95,001	65,747	61,304	48,158	14,875
Intangible assets and deferred charges	12,747	5,827	11,976	4,223	846
Net assets	<u>\$218,472</u>	<u>\$156,931</u>	<u>\$150,923</u>	<u>\$114,390</u>	<u>\$ 44,943</u>
Financed by:					
Long-term debt	\$ 85,215	\$ 60,945	\$ 62,817	\$ 68,062	\$ 12,506
Deferred income taxes	14,871	8,870	6,601	3,269	526
Minority interests	23,463	13,573	42,224	7,780	—
Preferred shares	26,714	27,258	102	118	166
Common shareholders equity	68,209	46,285	39,179	35,161	31,745
Total capitalization	<u>\$218,472</u>	<u>\$156,931</u>	<u>\$150,923</u>	<u>\$114,390</u>	<u>\$ 44,943</u>
PER COMMON SHARE (AFTER PREFERRED DIVIDENDS) in dollars					
Earnings before discontinued operations	\$4.38	\$1.76	\$1.33	\$1.08	\$1.40
Loss from discontinued operations	—	—	.25	.07	.23
Earnings after discontinued operations	4.38	1.76	1.08	1.01	1.17
Fully diluted earnings	3.80	1.57	1.06	1.00	1.14
Cash flow before discontinued operations	7.71	4.58	3.79	1.47	1.57
Cash flow after discontinued operations	7.71	4.58	3.54	1.40	1.34
Dividends paid — preferred (old series)	—	.60	1.20	1.20	1.20
Dividends paid — Series A preferred	1.40	.70	—	—	—
Dividends paid — Common	.50	.34	.32	.31	.30
Book value	12.55	8.71	7.47	6.72	6.13
Market price — high	24.75	9.50	6.88	5.50	5.25
— low	8.63	4.80	4.80	4.00	4.00
OTHER STATISTICS					
Number of shares outstanding at year end					
Preferred (old series)	—	—	6,701	7,779	10,885
Series A preferred	1,780,915	1,817,215	—	—	—
Common	5,433,841	5,314,185	5,245,351	5,231,601	5,181,433
Number of securities holders					
Preferred shares (old series)	—	—	58	60	82
Series A preferred shares	2,707	2,637	—	—	—
Common shares	2,262	2,579	2,874	2,806	3,100
Warrants	1,438	2,399	—	—	—
Number of employees	5,924	4,013	5,761	4,276	4,084
RATIOS					
Current assets/current liabilities	1.7:1	2.0:1	1.8:1	1.4:1	1.7:1
Shareholders equity/long-term debt	1.1:1	1.2:1	0.6:1	0.5:1	2.6:1
Total assets/long-term debt	4.1:1	3.7:1	3.6:1	2.2:1	5.2:1

Corporate Directory

DIRECTORS

*DAVID S. BEATTY
*President, Beatinvest Limited
Toronto, Ontario*

‡PETER J.G. BENTLEY
*President and Chief Executive Officer
Canadian Forest Products Ltd.
Vancouver, British Columbia*

A. LORNE CAMPBELL, Q.C.
*Barrister and Solicitor
Aikins, MacAulay & Thorvaldson
Winnipeg, Manitoba*

‡*RONALD L. CLIFF, C.A.
*Chairman
Inland Natural Gas Co. Ltd.
Vancouver, British Columbia*

HON. DOUGLAS D. EVERETT
*President, The Royal Canadian
Securities Company Limited
Winnipeg, Manitoba*

F. WILLIAM FITZPATRICK
*President
Bralorne Resources Limited
Calgary, Alberta*

RODERICK M. HUNGERFORD
*President
Flex-Lox Industries Ltd.
Vancouver, British Columbia*

JOSEPH B. JARVIS
*Manager, Pacific Sales
Canfor Pulp Sales Ltd.
Vancouver, British Columbia*

JACK S. LEE
*President
Versatech Industries
Toronto, Ontario*

‡*J. RONALD LONGSTAFFE
*Executive Vice-President
Canadian Forest Products Ltd.
Vancouver, British Columbia*

‡GEORGE B. McKEEN
*President
McKeen & Wilson Ltd.
Vancouver, British Columbia*

‡PETER PAUL SAUNDERS
*Chairman and President
Versatile Cornat Corporation
Vancouver, British Columbia*

*Member of the Audit Committee
‡Member of the Executive Committee

OFFICERS

PETER PAUL SAUNDERS
Chairman and President

JOHN S. FARRELL
Senior Vice-President

G. MARTIN GREER
Vice-President & General Counsel and Secretary

J. WILLIAM HUDSON
Vice-President, Marine Operations

GEORGE A. MORRIS
Vice-President, Finance and Treasurer

PAUL M. SOUBRY
Vice-President, Agricultural Division

KENNETH R. KEEPING
Assistant Vice-President, Corporate Services

BRUCE M. McKAY
Assistant Secretary

ARTHUR W. HAMES
Assistant Secretary



OPERATING PERSONNEL

AGRICULTURAL DIVISION

Versatile Manufacturing Company
Winnipeg, Manitoba
Paul M. Soubry, President

Noble Cultivators Company
Nobleford, Alberta
Milton T. Hayhurst, General Manager

Versatile Toft Limited
Bundaberg, Queensland, Australia
T. Michael Moffat, General Manager

Versatile Credit Corporation
Kansas City, Missouri, U.S.A.
John P. Hanrahan, President

Versatile Farm Equipment Pty. Ltd.
Dubbo, New South Wales, Australia
Jack C. Hamilton, General Manager

MARINE OPERATIONS

Burrard Yarrows Corporation
North Vancouver, British Columbia
J. William Hudson, President

Versatile Environmental Products
North Vancouver, British Columbia
Edward T. Tedeschi, Executive Vice-President
and General Manager

OIL AND GAS OPERATIONS

Bralorne Resources Limited
Calgary, Alberta
F. William Fitzpatrick, President

LIGHT MANUFACTURING AND SERVICE OPERATIONS

B.C. Ice and Cold Storage Company
Vancouver, British Columbia
Stewart W. Reeder, President

Wescraft Manufacturing Company
Saanichton, British Columbia
E. W. Wellwood, President

HEAD OFFICE

2603 - 595 Burrard Street
Box 49153 Bentall Centre
Vancouver, British Columbia
Canada V7X 1K3
(604) 683-7681

AUDITORS

Thorne Riddell
Chartered Accountants
Vancouver, British Columbia

BANKERS

Bank of Montreal
Vancouver, British Columbia

Bank of British Columbia
Vancouver, British Columbia

SHAREHOLDER INFORMATION

REGISTRAR AND TRANSFER AGENT

National Trust Company, Limited
Vancouver, Calgary, Winnipeg, Toronto
and its agent
Canada Permanent Trust Company
Regina

SHARES LISTED

Vancouver and Toronto Stock Exchanges

Common shares authorized	10,000,000	(100,000,000 as at March 1, 1980)
Common shares issued and outstanding as at December 31, 1979	5,433,841	
Cumulative Preferred Series A shares authorized	8,000,000	
Cumulative Preferred Series A shares issued and outstanding as at December 31, 1979	1,780,915	
Warrants authorized	1,825,000	
Warrants issued and outstanding as at December 31, 1979	1,791,577	



Officers of Versatile Cornat Corporation, left to right:
John S. Farrell, Senior Vice-President
J. William Hudson, Vice-President, Marine Operations
G. Martin Greer, Vice-President & General Counsel and Secretary
Peter Paul Saunders, Chairman and President
Kenneth R. Keeping, Assistant Vice-President, Corporate Services
George A. Morris, Vice-President, Finance and Treasurer

*Paul M. Soubry, Vice-President,
Agricultural Division, Versatile Cornat
Corporation, photographed at Versatile
Manufacturing Company.*

