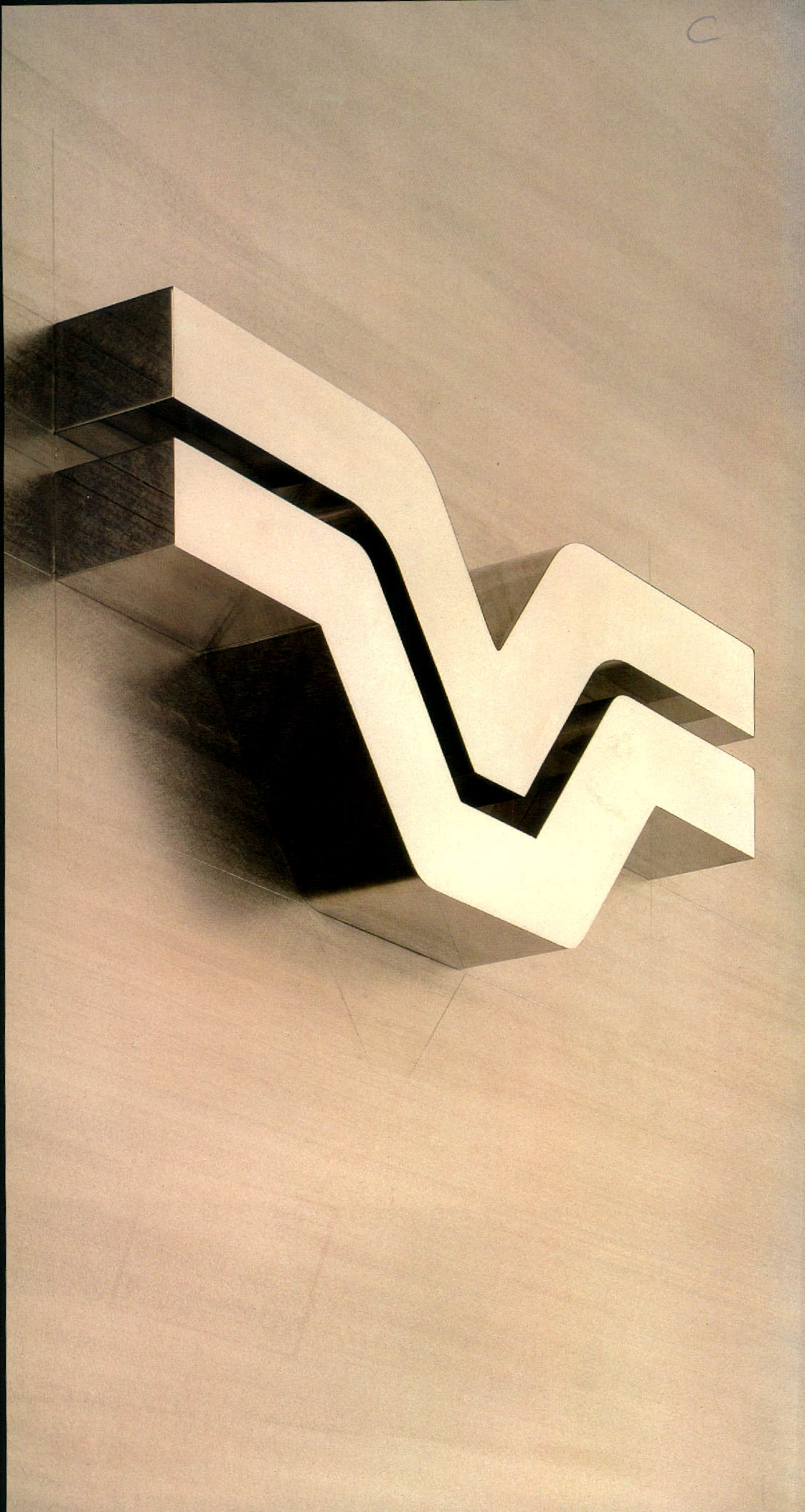
Versatile Corporation

Annual Report 1984



Contents

The Year at a Glance

Versatile is on the threshold of renewed growth. With our business horizons improving for the last half of the Eighties, we fully intend to perform profitably and effectively. While the times ahead may not be as great as they once were, they are bound to be good for the Corporation, its shareholders and its employees.

Financial

	1984	1983
Revenue	**$629.6 million**	$489.3 million
Net earnings (loss)	**$9.1 million**	$(23.0) million
Earnings (loss) per Class A and Class B share	**$0.08**	$(1.17)
Capital expenditures	**$39.5 million**	$14.3 million

Comparative Quarterly Earnings Results

	1984		1983	
	$ thousands	$/share	$ thousands	$/share
First Quarter	**2,121**	**0.02**	(5,407)	(0.29)
Second Quarter	**2,537**	**0.03**	(8,254)	(0.40)
Third Quarter	**(1,295)**	**(0.11)**	(10,962)	(0.50)
Fourth Quarter	**5,723**	**0.14**	1,593	0.02
	9,086	**0.08**	(23,030)	(1.17)

Annual Meeting Information

The Annual Meeting of the shareholders of Versatile Corporation will be held in Vancouver, British Columbia, at the Hotel Vancouver (Board Room) on Friday, April 26, 1985 at 11:00 a.m.

Message to Shareholders

Peter Paul Saunders
Chairman and President

In 1984 the Corporation achieved a significant turnaround. Our financial strength was improved, moving from a loss position to one of profitability. Inventories and overheads were scrutinized, marketing strategies were improved and long-term contracts are underway.

A substantial swing to positive earnings was achieved in 1984. It, in fact, proved to be the turnaround year that we anticipated after the Corporation had recorded the poorest results ever in our history the previous year. Although the worldwide recession in their industries continued virtually unabated, the net earnings in the Agricultural Equipment and Oil and Gas Groups improved. The commencement of several substantial and long-term contracts provided special stimulus to the Marine and Industrial Group, and the Financial Services and Cold Storage Groups maintained acceptable margins.

Financial Summary

Consolidated revenues in 1984 were $630 million compared with $489 million in 1983, a 29 percent increase. The net earnings of $9 million constituted a significant turnaround from the $23 million loss in 1983. Earnings per Class A and Class B share were 8 cents, compared with the 1983 loss of $1.17.

Capital expenditures in 1984 were $39.5 million, an increase of $25.2 million over 1983. Interest on debt amounted to $37.4 million, down $1.3 million from 1983; and, selling and administrative expenses of $84.8 million were increased from $80 million in the previous year.

Operations Summary

One year ago our outlook was one of guarded optimism, based upon the view that the recovery in the industries where we do business would be slow. We anticipated, moreover, that 1984 would be a year of positive transition.

The reversal of the Corporation's loss position to one of profitability occurred in spite of plummeting North American farm equipment industry sales. In a dwindling market Versatile products actually improved market share as the company continued to innovate and update. Our new, smaller tractor models with lower horsepower open a market in both field and yard applications for our existing farm customers as well as for those who farm on smaller acreages. As well, our machines of all sizes continue to emphasize simplicity of design, operator comfort and reliability of performance.

Improvements in productivity were achieved by the performance of our people aided by high technology. Production facilities were augmented with additional assembly line space that will soon enhance the manufacturing process for our 200 Series tractors.

In Australia, the market for Canadian-made, four-wheel drive Versatile tractors distributed by Versatile Farm Equipment Pty. Ltd. increased, and the sale of Versatile Toft sugar cane harvesting products earned a predominant share of the world market while the sugar industry remained depressed.

The depressed economic conditions did not unduly affect the operations of Versatile Cold Storage. This Group experienced improvements in volume and continued to expand its plant capacity.

The skills and dedication of our strong employee base across North America and in Australia have contributed immeasurably towards achievements to date. In tough times as much as in good times, the individual and collective contributions of those earning their livelihood in the Versatile family are a key reason for our vitality as a participant in international trade and commerce.

Companies in our Marine and Industrial Group experienced increased levels of activity and revenues as a result of the startup period for major shipbuilding and outfitting orders. Several vessels of the Canadian Navy destroyer fleet, a ferry conversion using the 'split-and-lift' technique and major renovations to two cruise ships were among sizeable refit and repair orders completed in 1984. Industrial fabrication activity was boosted especially by new orders for calandria units and prospects for heavy wall vessel orders. The marine design member of this Group, Versatile Vickers Systems Inc., had an excellent year in large part due to government procurement.

A $10 million before tax turnaround for Bralorne Resources resulted in a return to profitability, in spite of the effects of the continuing excess of natural gas supply in both Canada and the United States and the downward pressure on world oil prices. The Canadian and United States operations contributed equally to this improvement. Although revenue from Canadian operations was basically unchanged, increases in natural gas production and improvement in operating margins were experienced. In the United States, energy sector activity increased slightly and revenue increased as the excess inventory in the field and the distribution system was significantly reduced. However, the excess plant capacity in the United States and the large inventory in the hands of the manufacturers caused intense price competition, and continued to have a negative effect on profitability.

People

At year end the number of employees of the Corporation, its divisions and subsidiaries was 6,427; total salaries, wages and benefits paid in 1984 was $209 million.

Labour agreements signed during the year involved Burrard Yarrows and Versatile Cold Storage employees, all without work interruption.

At the April 1985 Annual Meeting Mr. Roderick M. Hungerford will not be standing for re-election to the Board of Directors in keeping with the articles of the Corporation. Mr. Hungerford has been a member of the Board since 1968. His wise counsel has been much appreciated, and will be missed.

All management and staff who knew them were saddened recently by the untimely passing of William 'Bill' Harden, General Manager of Versatile Noble Cultivators Company, and T. Alec Arnott, President of Versatile Vickers Systems Inc. Their leadership and contribution were an inspiration to their fellow employees.

We are pleased to acknowledge the continued co-operation of personnel at all levels during a year which was difficult. Smooth operating patterns and a levelling out of production activity were objectives to which a great deal of attention was devoted. By year end employment levels had increased over the previous year, with marginal growth achieved in most operations.

The acquisition of Versatile Davie increases our capacity in the nation's marine industry to one third of the Canadian total. Moreover, it expands the Corporation's activities in Quebec, broadens our Canada-wide scope and especially enhances our prospects for participation in offshore energy development.

Outlook

1985 will not be an easy year. Conditions in the farm equipment industry continue to be extremely competitive as all manufacturers attempt to hold or increase their share in a shrinking market. Rationalization of the industry is underway, creating both problems and opportunities for our Agricultural Equipment Group. It has not affected, and is not expected to affect our distribution system. The introduction of our sixth generation of four-wheel drive tractors, coupled with the success of our 100 horsepower range 200 Series tractors, should enable Versatile to hold and continue to improve its share of the market. We do expect continued pressure on margins in order to meet competing programs.

Weak commodity prices, a strong U.S. dollar and uncertainty concerning the U.S. Farm Bill as presently proposed do not bode well for industry sales in 1985. However, a succession of years when sales have been below normal replacement levels would indicate a backlog is building for the years to come.

The acquisition of Davie Shipbuilding Limited in Lauzon, Quebec, was completed in the first quarter of 1985. Versatile Davie Inc., as it will be called, is a valuable addition to our Marine and Industrial Group, and enables us to have a shipbuilding presence on the East Coast as well as on the West Coast.

The Group's shipbuilding activities will increase during the current year. However, there is considerable idle capacity in our ship repair and maintenance facilities. This means a less favourable mix of revenues than is customary. Competitive conditions are severe, and every effort will be made to increase volumes.

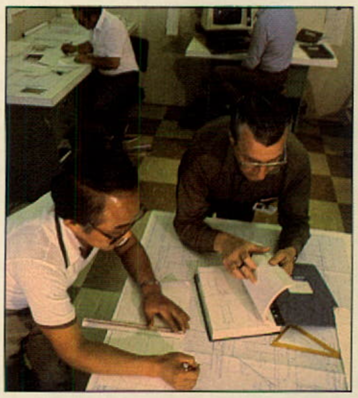
Industrial fabrication volume in the first quarter is less than we expected. However, indications are that activity will build up to reach more desirable levels later in the year.

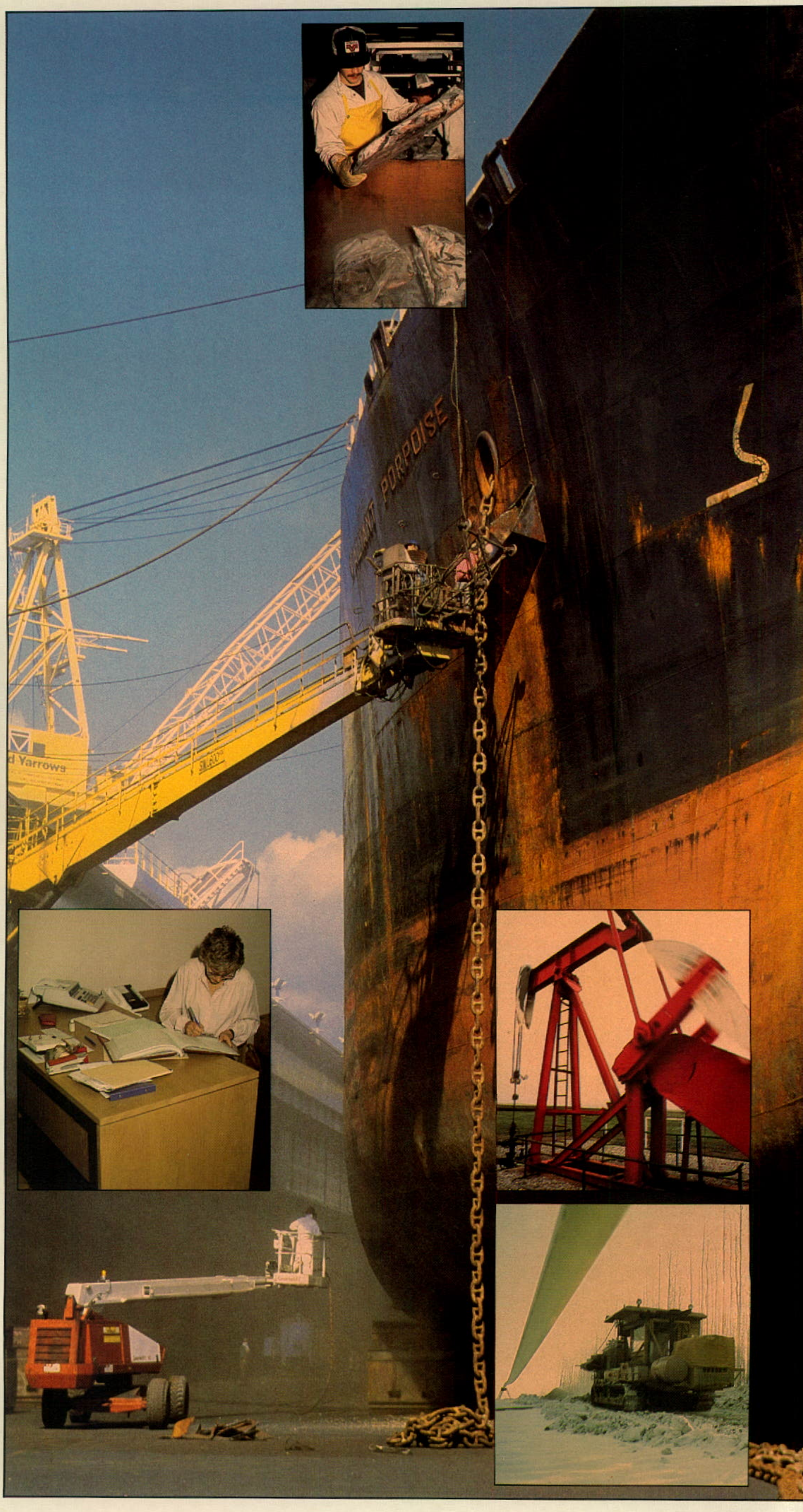
Our Oil and Gas Group faces encouraging prospects in Canada as a very active 1985 winter drilling season reflects the industry's success in recent oil exploration programs and the anticipation of a favourable spring federal budget. In the United States, revenues should improve now that field inventories have been significantly reduced, but the improvement will be moderated by low levels of drilling and seismic activities. In February 1985, Bralorne purchased the remaining 47 percent of the shares of Mark Products, Inc. for a total consideration of U.S. $19,000,000. Although the long-term outlook for this further investment in Mark is excellent, it will not have a significant impact on 1985 earnings.

Overall, we expect 1985 to still be a difficult year, but we see brighter prospects beyond.

On behalf of the Board,

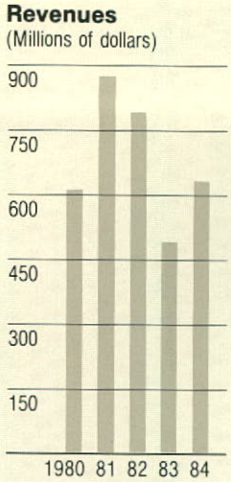
March 12, 1985

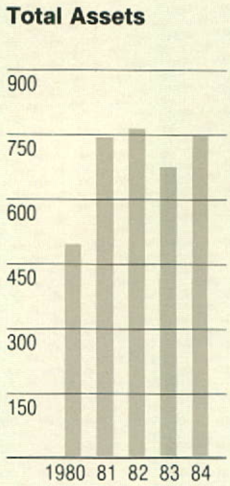


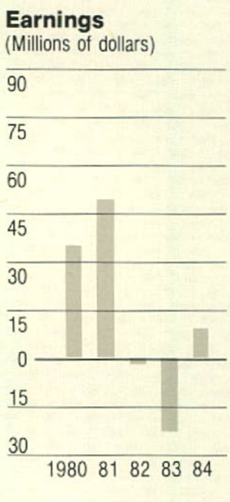

PORPOISE

The Corporation

The core business of Versatile Corporation relates to the production of industrial goods for business customers. Most of our products are based on sophisticated engineering, and are built in machine shop-oriented plants. The majority of our operations are cyclical in nature, and to a considerable extent are labour intensive.







Since 1969 Versatile Corporation has grown to become one of the hundred largest publicly traded industrial organizations in Canada. A Canadian owned enterprise headquartered in Vancouver, British Columbia, the Corporation is a diversified industrial manufacturer with operations throughout Canada, in the United States and in Australia. Its products and services are marketed selectively around the globe.

Founded under the name Cornat Industries, the Corporation originally acted as a diversified management and investment company. Subsequently it moved steadily towards a stronger industrial manufacturing stance while maintaining a service group. The latter includes the operations of cold storage companies as well as financial service companies in both Canada and the United States.

Diversification into industrial manufacturing began in 1972 with the acquisition of Burrard Yarrows Corporation. In 1976 the assumption of controlling interest in Bralorne Resources Limited and a part interest in Versatile Manufacturing Ltd. reinforced this direction. Two years later the amalgamation of Cornat Industries Limited and Versatile Farm Equipment Company (successor to Versatile Manufacturing Ltd.) led to the formation of Versatile Cornat Corporation. This name was changed to Versatile Corporation in January 1981.

From 1977 to 1981 the operational breadth and geographic scope of Versatile Corporation were expanded through the establishment of Versatile Farm Equipment Pty. Ltd. (1977), Versatile Credit Corporation [U.S.] (1978) and Versatile Credit Corporation [Canada] (1980), and with the acquisition of Versatile Noble Cultivators Company (1979), Versatile Toft Ltd. (1980), Versatile Vickers Inc. (1981) and Versatile Vickers Systems Inc. (1981).

Later expansion took place in the Cold Storage Group with the 1983 purchase of Cascade Cold Storage Inc. in Lynden, Washington - becoming Versatile Cascade Cold Storage Inc., and in the Marine and Industrial Group as a result of the 1985 acquisition of Davie Shipbuilding Limited, now renamed Versatile Davie Inc., in Lauzon, Quebec.

The Corporation's strategies include specialization in secondary manufacturing and related services and selective industry, geographic and product diversification.

Short- and long-term planning and overall financial strategies are defined by corporate office with a view to meeting what is clearly the motivating force of any enterprise: continued growth and financial return. Capital resources are allocated to assist the operating units in achieving their objectives. This in turn will help ensure maximum benefit for the Corporation's shareholders, employees and customers.

The Versatile corporate philosophy seeks principally to put industrial skills to work: the manufacture of specialized equipment; the design, construction and repair of seagoing vessels; and the supply and service to, as well as participation in, the development of energy resources.

The Agricultural Equipment Group manufactures and markets four-wheel drive tractors, pull-type combines, swathers, field sprayers and specialized tillage equipment. It also is the world's leading producer of sugar cane harvesting equipment. Its sales base includes a network of more than 700 independent dealers and distributors across North America and Australia.

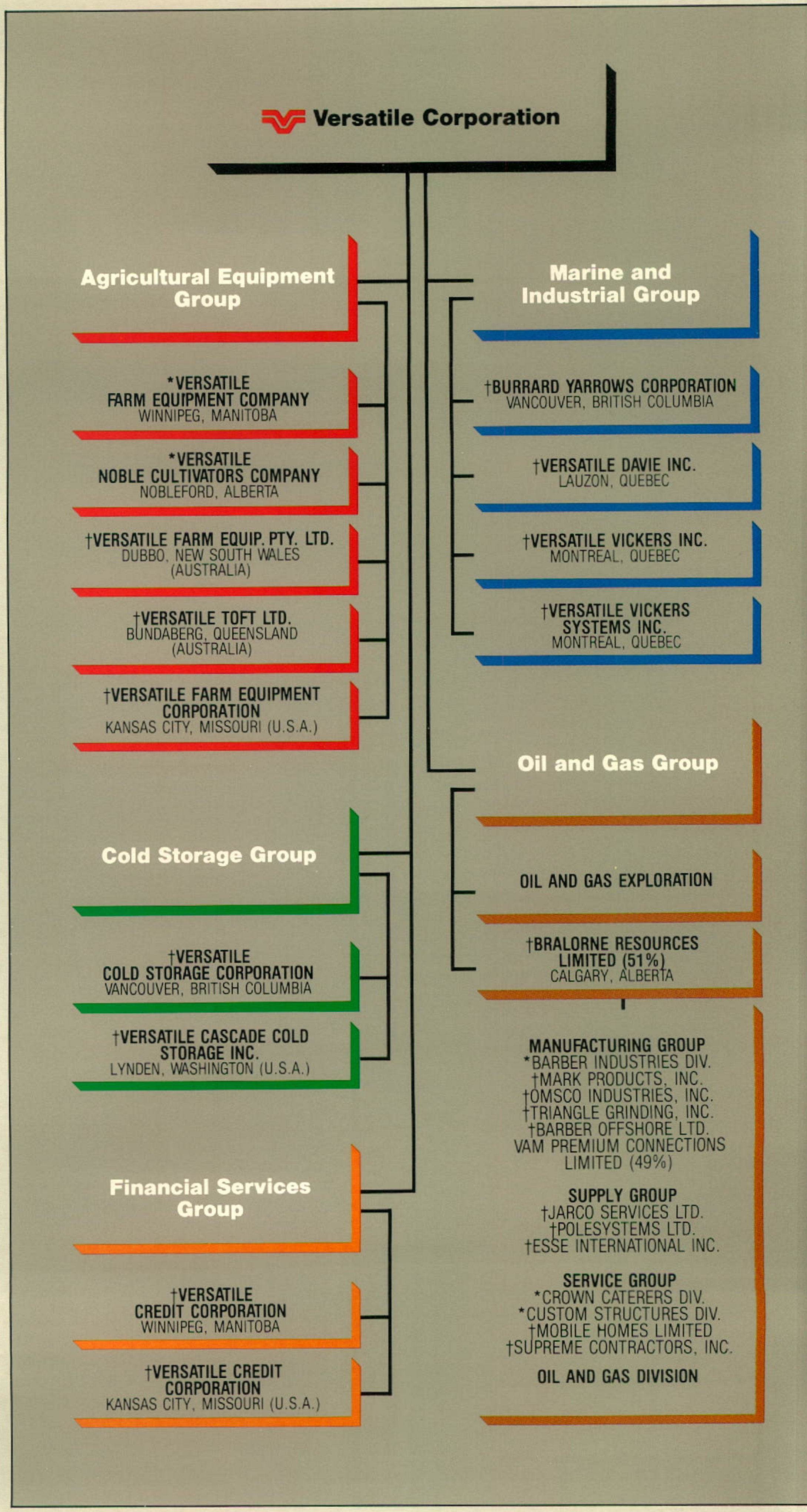
The Cold Storage Group offers the largest combined food freezing, bulk and distribution storage capacity in the Pacific Northwest. Eleven public freezing and cold storage units in British Columbia, Alberta and Washington State provide refrigerated storage services including food processing and bulk distribution.

The Financial Services Group provides retail financing and leasing services mainly to the buyers of Versatile agricultural equipment throughout North America.

The Marine and Industrial Group is involved with all aspects of marine construction in Canada, and plays a leading role in shipbuilding, ship repairs, conversions, overhauls and outfitting. It also features unique heavy industrial fabricating capabilities, and the diversified services of Canada's largest marine design and naval engineering consultant.

The Oil and Gas Group includes exploration for and the production of oil and natural gas, the manufacture and sale of precision equipment and the provision of supplies and services to the petroleum industry.

Investment in oil and gas development is continuing both through direct participation by Versatile Corporation and indirectly through Bralorne Resources Limited. Bralorne and the Corporation are assessing the long-term outlook and direction of the energy industry in Canada and the United States in order to focus on those areas where profitability can be improved.



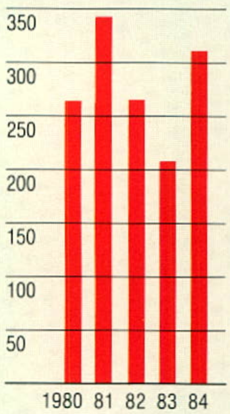
*Division
†Subsidiary
Subsidiaries 100% owned unless otherwise indicated.

Agricultural Equipment Group

There is more to our products than steel, wires, plastic or rubber. There is a built-in commitment to world agri-business of the people who make them, and those who sell them. We provide the most up-to-date line of specialized equipment for the future - today. Simplicity of design, construction and servicing - remains central to the Versatile marketing thrust worldwide.

Our farm machinery reputation is based on the Versatile record as a Canadian pioneer in the manufacture of powerful four-wheel drive tractors for domestic and international markets. In recent years, this has been reinforced by our leading role in developing a variety of products for tillage and sugar cane harvesting purposes, as well as smaller horsepower tractors.

Revenues*
(Millions of dollars)



*Includes Cold Storage

1984 industry unit sales increased during the first few months, but this was followed by further dramatic declines over the previous year. Very difficult economic conditions experienced by growers in all market areas served were aggravated by low commodity prices and serious drought conditions in the central plains and prairies of North America. Falling land prices, high interest rates and a consequent "wait and see attitude" affected prospective purchasers. This situation left the industry with high inventories that generated fierce discounting. However, Versatile's existing distribution system was reinforced through target marketing, aggressive sales programs to counteract competitive efforts and the successful introduction of new products. The Group increased sales by 56 percent, and returned to a profitable position in all segments. This was accomplished by dedicated employees, supported by a loyal and hard-working dealer and distributor organization. It continues to gain strength and recognition within the industry, reinforced by growing market acceptance of the new Versatile products.

Manufacturing

As a result of on-going capital expenditures and further refinements of the Materials Resource Planning system together with improved product costing systems, management was able to pinpoint areas for specific financial improvements and cost reductions. Striving for more timely materials management and well-defined volume analysis improved productivity, resulting in reductions in the cost of goods sold while improving product quality.

By mid-year the installation of one of the largest CAD/CAM* systems in Western Canada was completed at our Winnipeg plant. This immediately increased the productivity of our Design Engineering group, and is being used in the completion of tool design and improved factory layouts. A further benefit is the acceleration of design time, enabling the introduction of more innovative farm equipment.

An existing nearby facility of 12,400 square metres was acquired to permit the rearrangement of our main plant and the future installation of a dedicated assembly line for the new 200 Series tractors. Full production of a new "Class 7", pull-type combine commenced in the spring, followed by the start of production of a second "200" Series mid-size tractor in September. In October, after a complete plant re-tooling, the production of new, large four-wheel drive "Designation 6" tractors began at Winnipeg.

The Bundaberg, Australia plant completed new tooling for the first production in December of a new 7000 Series sugar cane harvester.

At Versatile Noble Cultivators Company, the first production of a new blade plow commenced.

Product Development

Consistent with corporate policy and the Group's strategic long-range plan, and despite industry setbacks at a time of depressed market conditions, a high level of research and development activity was maintained, with several new products being introduced. In fact, 1984 was an historic year in the number and range of new products introduced by all three product areas of the Group: the trans-axial Model 2000 pull-type combine; the Model 276 (100 P.T.O.) bi-directional four-wheel drive tractor, a companion to the Model 256 (85 P.T.O.); six new "Designation 6" large four-wheel drive tractors, for the first time offering in all horsepower classes a mechanical and full power shift coupled with much improved row crop capabilities; and the new sugar cane harvester available with wheel or full track options, which offers new marketing opportunities in burnt and green cane harvesting, and is the first new version designed in a modular concept to permit shipping by container, thus reducing shipping costs.

At our Nobleford, Alberta plant, a new Model 5000 blade plow with "autotrip" for rocky and stump areas was unveiled to continue advancements in stubble mulch and soil conservation farming methods. This tillage equipment not only complements the offerings to our dealer network, but provides modern growers around the globe with simple, easily serviced and

*computer aided design/computer aided manufacturing.

reliable products to improve and cost-reduce farming operations.

Sales and Marketing

Industry unit retail sales, particularly in North America, dropped dramatically below the previous year. Over-production and high industry unsold inventories led to extreme price discounting which affected margins. Still, our market share in large tractors increased substantially in North America. The new pull-type combine was extremely well received by our dealer organization, and performed superbly under field conditions. The introduction of an additional, new, but smaller, integral four-wheel drive (Model 276, 100 horsepower), bi-directional tractor is opening up new market areas and has achieved satisfactory initial results.

Overseas sales were affected by poor economic conditions and the continuing strength of the Canadian dollar. However, substantial sales were again realized in the Middle East, and several new international sales opportunities have developed and are being pursued.

In Australia, Versatile Farm Equipment Pty. Ltd. maintained a strong position in large tractors, and increased its total sales volume for all products it distributes by 42 percent over 1983. Versatile Toft Ltd., despite a depressed sugar market, increased sales 51 percent, maintaining a leading domestic market position and realizing large sales particularly in the Caribbean area. Reduced manufacturing and administration costs and increased productivity, together with minor diversification into products in the mining and industrial equipment sectors, contributed to the much improved profitability of Versatile Toft.

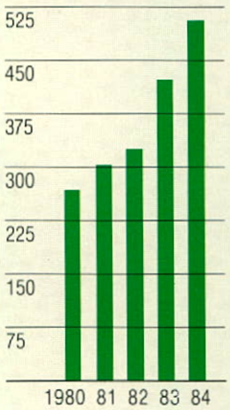
As a reflection of its longstanding commitment to agribusiness, and in order to foster links with our dealers founded upon new product developments at a difficult juncture in the history of the North American farm equipment industry, the Group introduced a new slogan: "Versatile - we've got a name to live up to." It captures our dedication to the spirit which has guided the Versatile approach to farm equipment manufacturing since 1947.

Cold Storage Group

Versatile has been in the cold storage business for many years because of its association with the food industry. At present the consumption of frozen foods is increasing faster than the population. This business seems to be counter-cyclical and, with units located to serve a variety of products from both land and sea, we are therefore not dependent on the ups and downs of any one crop.

Versatile's participation in the cold storage business in Canada's two western-most provinces and the Pacific Northwest corner of the U.S.A. has resulted largely from the growing demand for frozen processed food by an expanding population.

Plant Capacity
(Thousands of cubic metres)



The Versatile Cold Storage Group consists of eleven public freezing and cold storage units located in the Lower Mainland and in the Fraser Valley of British Columbia, in the two principal cities in Alberta and in Northwest Washington State. They provide refrigerated storage services that encompass food processing and bulk distribution.

The acquisition in late 1983 of facilities in the State of Washington, U.S.A., our first such acquisition below the 49th parallel, together with the completion of a 45,000 cubic metre expansion of those facilities in mid-year, was a major factor in the increased sales volume in 1984. This new member of the Group is operating well as an integral part of our service and cost control programs, and has gained from efficiencies resulting from the expertise of the Cold Storage Group in the field of computerized inventory control.

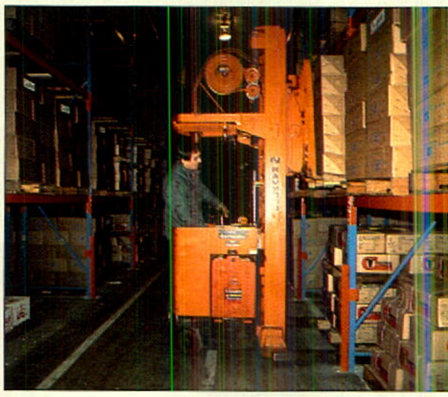
Overall, the year was not an easy one for this Group as a whole. This was generally due to economic, market and environmental conditions that affected various segments of the business.

(i) Warm water on the Pacific Coast (El Niño) curtailed not only the Pacific Whiting fishery at the Cascade plant but also, when combined with depleted stocks, resulted in a significantly reduced volume in the Roe Herring fishery in British Columbia.

(ii) Extremely wet weather conditions in the spring contributed to greatly reduced berry crops in the Fraser Valley and the Northwest area of Washington State. The result was much lower than normal inventory storage levels.

(iii) A continuation of depressed economic conditions in both B.C. and Alberta, together with problems facing the meat industry in Alberta, resulted in lower than expected throughput and storage levels at all plants.

The effect of these difficult conditions was minimized through strategic planning, aggressive marketing and very tight control over costs as well as plant efficiencies.



As a result, this Group reported increased sales volumes in 1984, with profit margins being maintained at satisfactory levels through the year.

Due to the warm water (El Nino phenomenon) in addition to concern for the depletion of the herring stocks, quotas for the 1985 Roe Herring fishery have been reduced severely under government regulatory management. The consequence likely will be severely reduced herring revenues for the March/April period in 1985. However, increased volumes in the berry crops and in the distribution markets are expected. A continuation of careful cost and efficiency controls therefore should result in improved volumes and performance in 1985.

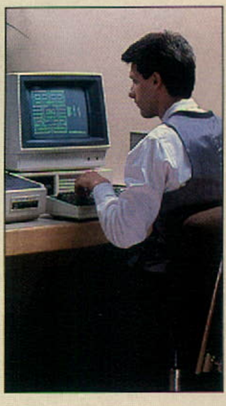
British Columbia Operating Plants:
Harbour, East Gore, West Gore, Terminal Avenue, Corpac, Kiwood, Valley and Baker

Alberta Operating Plants:
Calgary and Edmonton

Washington Plant:
Lynden

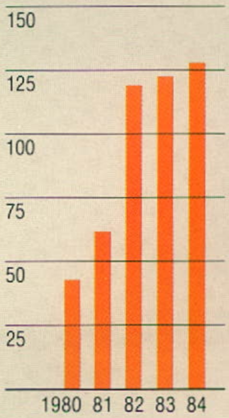
Financial Services Group

Two significant factors have contributed to the growth and market penetration of the Versatile credit companies: money market conditions in North America, and the increasing acceptance that leasing has been gaining in the agricultural field.



Credit companies were established by Versatile in the United States (1978) and Canada (1980) to facilitate sales financing and leasing programs for the purchase of our farm machinery products. Market penetration has been steady as dealer acceptance increased during the recent period of fluctuating margins in the North American farm equipment industry.

Total Accounts Receivable
Canadian and U.S. credit companies



Customers across North America of agricultural equipment manufactured by the Versatile Agricultural Equipment Group may finance the purchase of their farm machinery through the members of our Financial Services Group, Versatile Credit Corporation (Canada) headquartered in Winnipeg, Manitoba, and Versatile Credit Corporation (U.S.) in Kansas City, Missouri. These two companies provide those purchasing agricultural equipment produced mainly by Versatile with a variety of financing and leasing plans.

While agricultural equipment industry unit sales were considerably lower in 1984, the Versatile Agricultural Equipment Group increased its share of market, particularly in large tractors. Both credit companies thus maintained their market share during the year, and processed almost 2,700 contracts and leases, valued at approximately $60 million.

Stable costs on borrowed funds and a static economy in 1984 enabled both companies to increase their portfolios to a combined total of 6,052 accounts valued at over $126 million in the aggregate. These positive developments ensured that both operations reported profits for the year.

The companies in this Group maintain a close working relationship with the Agricultural Equipment Group. The development of marketing and advertising programs in tandem to enhance sales has mutual benefits. The entirely new line of four-wheel drive tractors and other Versatile farm machinery innovations also promise to generate expansion in the activities of the two credit companies.

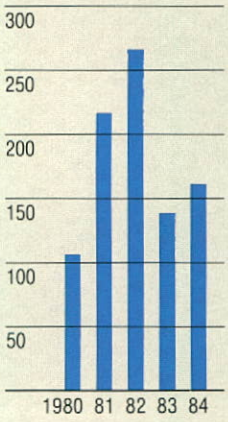
Moreover, given the likely continuation of a more restrictive approach towards the agricultural community exhibited by bankers, possibly combined with a cut-back in government assistance to farmers especially in the United States, 1985 should be a year of further growth and profitability for the Financial Services Group.

Marine and Industrial Group

Since the late Seventies the Versatile name, known for decades as a leading Canadian agricultural equipment trademark, has secured an enviable reputation for engineering excellence nationally in the marine and industrial sectors. This is because Versatile has become synonymous with proven design quality and high calibre precision workmanship.

Our involvement in Canada's marine and industrial sectors began on the Pacific Coast in 1972. During the intervening years it has been extended both geographically and operationally. As a result, Versatile's links with this country's Atlantic and Arctic development are solidly forged through market leadership in the design and construction primarily of special purpose vessels based on national security, territorial sovereignty, nuclear and conventional energy requirements.

Revenues
(Millions of dollars)



1984 was a transitional period for the companies in this Group. Versatile's shipbuilding hiatus was ended when design checks were completed and steel cutting commenced for two of the three Coast Guard icebreakers awarded in 1983 for delivery between 1985 and 1987. Workloads began expanding as the Group's involvement in the design and implementation phases of the Canadian Patrol Frigate project (1983-1991) for the Department of National Defence was advanced. However, ship repair volumes remained lower than normal, particularly on the West Coast. Industrial fabrication activity was well below capacity in Montreal, and was negligible in British Columbia as the natural resources sector remained under economic duress.

Shipbuilding, Outfitting and Conversions

Major federal government contract announcements in 1983 heralded a return to rejuvenated activity for our shipyards in British Columbia and Quebec. 1984 therefore witnessed the start of the slow-but-steady design and construction process for both short- and long-term orders for Canadian Coast Guard icebreakers and Canadian patrol frigates, respectively.

Design checks on the Type 1200 icebreaker at Burrard Yarrows Corporation Vancouver Division were completed and production planning commenced, targeting delivery for 1987. Steel work on the Type 1100 icebreakers at both Vancouver and Victoria Divisions also proceeded at a satisfactory pace, with excellent results achieved from the introduction of advanced shipbuilding techniques, including pre-outfitting methods. At Versatile Vickers Inc. the project office responsible for delivering three Canadian patrol frigates by 1991 became firmly established. Its team is scheduled to expand, and their activities will increase as each phase is completed.

Several refit contracts of particular note involved Versatile yards in both parts of the country. HMCS "Algonquin" and HMCS "Protecteur" plus three vessels of the Canadian Coast Guard fleet (CCGS "Pierre Radisson," CCGS "Ville-Marie" and CCGS "Simon Fraser") were significant revenue producers for the marine division of Versatile Vickers.

At Burrard Yarrows the conversion of M.V. "Queen of Alberni" for the B.C. Ferry Corporation was accomplished at the Victoria Division. This was followed by the second in a series of four annual destroyer refits, involving the completion of mid-life work on HMCS "Yukon." In August, the company was awarded a contract to develop a detailed proposal for the construction of the "Polar 8" icebreaker, a project of the Canadian Coast Guard.

Late in the year major internal modifications were successfully accomplished on two luxury cruise ships for the P. & O. Princess Cruise Lines under extremely restricted time frames.

Ship Repairs and Maintenance

Normal ship repair activity was down considerably, as markets continued to be sluggish and highly price competitive. The number of ship repairs at both Burrard Yarrows and Versatile Vickers was well below expectations, and below average. On a more positive note, Burrard Yarrows secured and completed its first contract for maintenance of a U.S. military Sealift Command supply vessel.

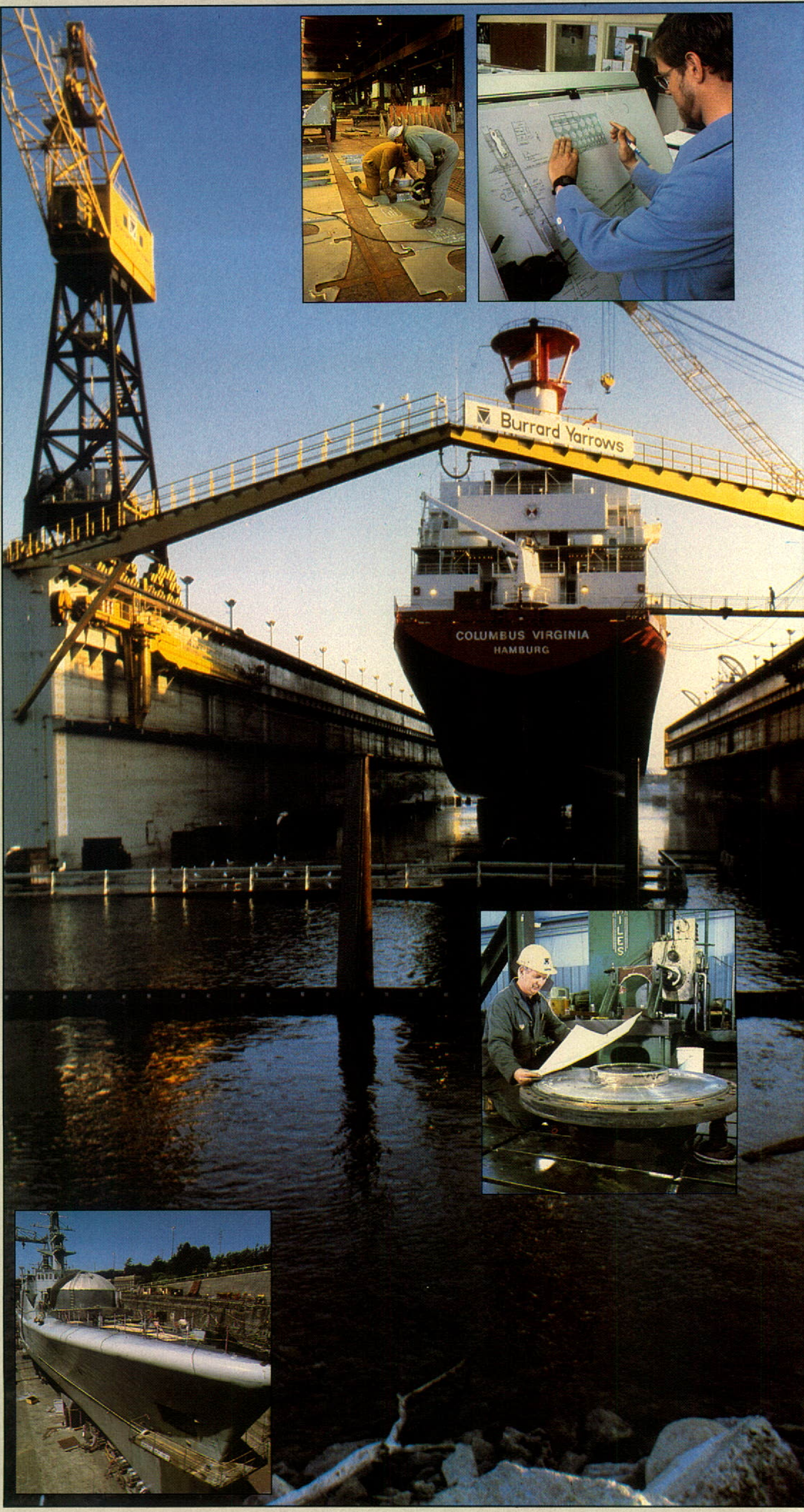
Industrial Fabrication

The reasonable pace of industrial division activity maintained at Versatile Vickers included damage repairs to subway cars for the Montreal Metro transit system, calandria units for CANDU nuclear reactors destined for Romania and a Quebec Hydro wind turbine. Also included in the engineered products produced by this division were components purchased under the Canada-U.S. defence sharing agreement.

Versatile Vickers' unique capability in the narrow-gap welding of heavy wall pressure vessels was manifested in a project completed on schedule in December for Petro-Canada. The company is optimistic that, as North American leader in this technology, its prospects are good for significant future business as Canadian tarsands and heavy oil development progresses.

Marine Design

Emphasis continued to be placed on the implementation phase of the Canadian Patrol Frigate (CPF) project, in which Versatile Vickers Systems Inc. has played a major design role. One half of the company's sales were attributable to CPF work. The remainder included a sub-contract for the contract definition phase of TRUMP (Tribal Class Update and Modernization Program) and the MDDO (Marine Design and Drawing Office) contract, which gained a 3-year extension plus a 2-year option exercisable by the Government of Canada. Several set-to-work contracts also were undertaken for major shipyards, including Versatile Vickers, Burrard Yarrows and other companies outside this Group.

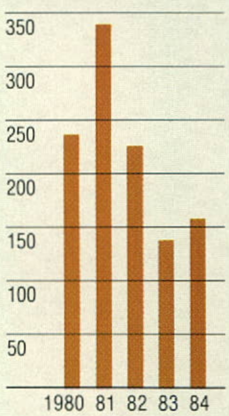


Oil and Gas Group

Beginning in 1976 Versatile diversified into the exploration, development and production of oil and natural gas. The activities of Bralorne Resources Limited extend from Western Canada to the United States and Australia. Through subsidiary operations they also encompass energy-oriented manufacturing, plus ancillary service and supply functions.

Bralorne Resources has built its reputation on the manufacture and supply of high quality products and services to the energy industry, as well as on its activities as a successful oil and gas exploration and production company.

Revenues
(Millions of dollars)



The Corporation's 51% owned subsidiary, Bralorne Resources Limited, is the centrepoint of our involvement in industrial and exploration/development business within the energy sector. A publicly traded, diversified Canadian corporation in its own right, Bralorne operates predominantly in North America but also has been active overseas.

1984 constituted a modest turnaround year for Bralorne. Gross revenue for 1984 was $158 million, cash flow from operations was $18 million, with net income of $108,000. Although the revenue gain is attributable almost entirely to U.S. operations, net income improvement was divided equally between Canada and the United States.

In the U.S., significant liquidation of field inventories and a modest increase in drilling activity precipitated improved demand for products and services. U.S. revenue was 37 percent ahead of 1983, and a positive operating cash flow occurred for the first time since early 1982. The impact of improved revenue did not result in a corresponding increase in profitability due to continuing price pressures and the resulting low margins.

Revenue from Canadian operations was comparable to the previous year, but operating results were significantly improved due to increased oil and gas production income, better margins in some units and reduced financing costs.

The 1984 operating results reflect the company's ongoing cost restraint, inventory reduction and consolidation activities which started in late 1982.

Industrial

A marginal increase in the average seismic crew count in the United States resulted in improved demand for products supplied to the U.S. seismic industry. Nevertheless, severe competition prevented Mark Products Inc. from raising prices to keep pace with increasing costs of materials. This, in turn, placed continued pressure on profit margins. Higher levels of seismic crew activities also led to improved revenues for Mark's Canadian operations. However, identical competitive pressures to those felt in the U.S. prevented improvement in the level of operating profits.

OMSCO Industries Inc. expanded its product lines of valves, collars and associated drill systems equipment. Triangle Grinding, Inc. moved into U.S. and Canadian metal-cutting industries outside the energy sector from which 60 percent of 1984 sales were derived. Supreme Contractors, Inc. successfully tested a new, prefabricated boardroad mat system for use in drillsite construction. Improved industry levels in the domestic activity of Esse International, Inc. together with its expanding international operations resulted in considerable improvements over 1983.

Bralorne's Canadian industrial segments registered a slight increase in total revenue. Barber Industries, which operates one of the largest metal fabricating and machining facilities in Western Canada, benefited from the increased oil exploration and the growing needs of gas producers. Barber Offshore's machining operations on the East Coast had a very active first half, but demand for pipe threading dropped drastically thereafter. Vam Premium Connections Ltd., a joint venture owned (49%) with Vallourec S.A. of France, completed several significant threading orders for the East Coast offshore market. Custom Structures showed steady improvement, Crown Caterers experienced a modest increase in activity levels, Jarco Services' markets and profitability were affected severely by the decline in deep wells, while Polesystems generated increased revenue and profitability in large part because of its high mast lighting standard with a newly-patented mechanical latch.

Oil & Gas

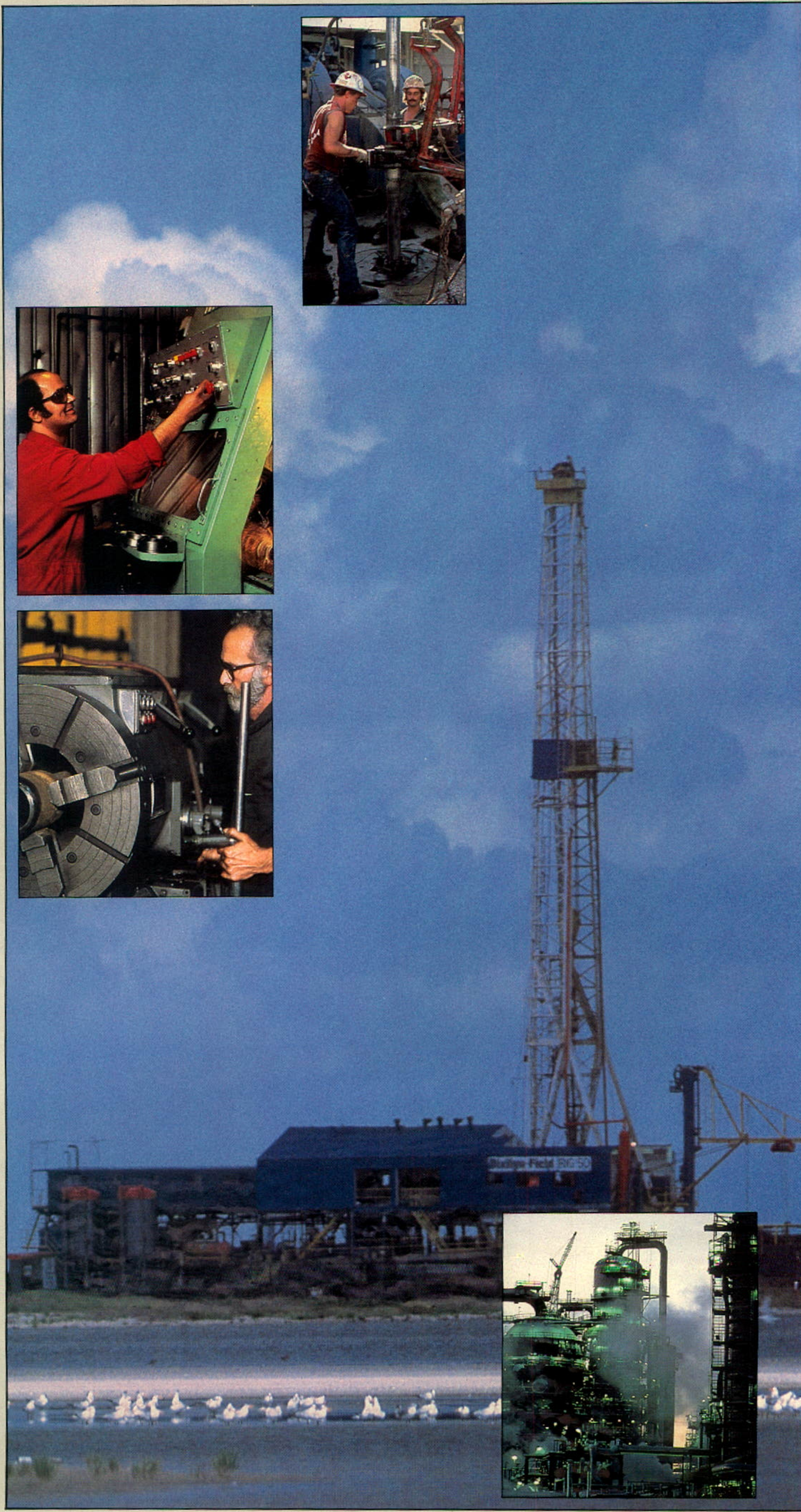
In Canada this Division focused attention on maintaining gas production, increasing oil production, the acquisition of lands for new exploration prospects and the completion of the Donnelly gas plant in Alberta. Bralorne participated in drilling seven gross (1.9 net) exploratory wells and 15 gross (3.5 net) development wells. Two exploratory wells were completed as gas producers, and one as an oil producer. Of the development wells, eight (2.0 net) wells were completed as oil producers, four were dry and abandoned, while one was converted to a water disposal well. Through aggressive marketing, the Division was able to maintain its level of gas production. Production of crude oil and natural gas liquids increased to 46 cubic metres per day (291 barrels/day) from 1983 levels of 36 cubic metres per day (229 barrels/day).

According to independent consultants, at year-end Bralorne's Canadian proven and probable crude oil and natural gas liquid reserves were 274,000 cubic metres (1,726,000 barrels). Natural gas reserves were 3,288 million cubic metres (116.7 billion cubic feet).

In the U.S., by concentrating on developing existing properties and maximizing production, from U.S. oil and gas operations Bralorne maintained its average daily gas production and increased daily oil production. The company participated in drilling six gross (1.22 net) wells in Texas, resulting in three gas and two oil wells. Low rates of take by gas purchasers resulted in an average gas production of 31,000 cubic metres per day (1.1 million cubic feet/day), down almost 14% from 1983. However, successful drilling resulted in oil production increasing to 14 cubic metres per day (91 barrels) compared with 12 cubic metres per day (74 barrels).

The company's U.S. proved net reserves were 27,686 cubic metres (174,174 barrels) of oil/condensate and 77.9 million cubic metres (2.765 billion cubic feet) of natural gas, with probable reserves of 9,693 cubic metres (60,976 barrels) of oil/condensate and 37.1 million cubic metres (1.316 billion cubic feet) of natural gas.

Present value (at 15 percent discount rate) of the company's Canadian and U.S. reserves is $147 million (Canadian).



1984 Financial Review

Management's Statement of Financial Reporting

The consolidated financial statements appearing in this report are the responsibility of management and have been prepared in accordance with accounting principles generally accepted in Canada. The additional financial information found elsewhere in this report is consistent with the accompanying consolidated financial statements.

To meet its responsibilities on a timely basis, the Corporation's management relies on an established system of internal controls and standards to ensure that the assets are safeguarded and that reliable financial records are maintained. These systems are regularly reviewed and reported on by both the Corporation's internal and external auditors, who in turn have direct access to the Audit Committee of the Board of Directors.

The Board of Directors, through its Audit Committee, which is made up of directors who are neither employees nor officers of the Corporation, ensures that management fulfills its responsibility for financial reporting. The Audit Committee meets with management and the internal and external auditors to review internal accounting controls, accounting practices, audit results and the financial reporting of the Corporation. The consolidated financial statements appearing in this report have been reviewed and approved by the Audit Committee of the Board of Directors.

The shareholders' auditors, Thorne Riddell, have examined the consolidated financial statements. Their report describes the nature of their review and provides their opinion on the financial statements.

Earnings per Share

In this report and the accompanying statements and schedules, all reference to "Earnings per Class A and Class B Share" means "Earnings per Class A Subordinate Voting and Class B Common Share".

Fully diluted earnings per share, after providing for the conversion of the Corporation's convertible preferred shares, would have the effect of improving the reported earnings per share. Therefore, in accordance with the recommendations of the Canadian Institute of Chartered Accountants, fully diluted earnings calculations are not reported.

Earnings per share before and after extraordinary items are indicated in Note 10 to the financial statements.

Foreign Exchange

The 1984 earnings include a foreign exchange gain of $1,988,000, compared to a loss of $72,000 in 1983. On a quarterly basis such gains and losses were as follows:

	Gain (Loss) (thousands of dollars)	
	1984	1983
First Quarter . . .	$ 1,309	$(1,712)
Second Quarter . . .	447	272
Third Quarter . . .	305	320
Fourth Quarter . . .	(73)	1,048
	$1,988	$ (72)

Effective January 1, 1984 the Corporation adopted on a prospective basis the recommendations of the Canadian Institute of Chartered Accountants relating to foreign currency translation. The accounting policies required by these recommendations are outlined in Note 1(b) to the financial statements.

It is estimated that the impact of the new translation methods adopted was to decrease net earnings in 1984 by approximately $0.11 per Class A and Class B share. This decrease is principally in two components: (1) the amortization of unrealized losses on translation of U.S. dollar denominated long-term debt on the books of the Corporation and one integrated subsidiary over the life of the debt, rather than recognition of the full loss on repayment of the debt; and (2) the deferral of unrealized exchange gains and losses on working capital items of self-sustaining subsidiaries as a component of shareholders' equity rather than included in net earnings which was the previous practice.

The new balance sheet captions are made up as follows:

	(thousands of dollars)
Changes resulting from translation of long-term debt:	
Conversion of U.S. long-term debt at current rate of exchange	$ 8,041
Amortization in 1984	(2,031)
Deferred foreign exchange	$ 6,010
Changes resulting from translation of self-sustaining subsidiaries:	
Translation of working capital	$ 3,002
Increase in:	
Fixed assets	6,861
Goodwill	3,135
	$ 12,998
Increase in:	
Long-term debt	(6,715)
Deferred income taxes	(1,522)
Minority interests	(704)
	(8,941)
Foreign exchange adjustment before minority interests	4,057
Minority interests	$ (1,967)
Unrealized foreign exchange (carried as a component of shareholders' equity)	$ 2,090

The Corporation has continued to effect some borrowings on a short term basis in those foreign currencies in which its working capital assets are denominated with a view to limiting its exposure to significant fluctuations in the exchange values of those currencies. However, such steps will not completely eliminate the risk of losses on translation. The strength of the U.S. dollar through 1984 and, more particularly in the beginning of 1985, presents a case in point. As a result of the dramatic improvement of the value of the U.S. dollar in terms of the currencies in which it may be translated, the Canadian and Australian currencies have weakened significantly since the year-end. In the case of the Australian dollar, the translation of the net assets denominated in that currency at rates prevailing in February 1985, would generate a considerable loss, which is, however, more than offset by the net gains arising from the improved value of the U.S. dollar.

Long-Term Debt

This table sets out the debt and equity figures, together with the related ratios, at the end of 1982, 1983 and 1984 for Bralorne, Versatile with Bralorne at equity and Versatile on a fully consolidated basis:

	Long-Term Debt (thousands of dollars)	Shareholders' Equity (thousands of dollars)	Debt: Equity Ratio
Bralorne			
December 31, 1982	$137,086	$ 84,976*	62:38
December 31, 1983	$103,349	$121,609*	46:54
December 31, 1984	$102,827	$121,802*	46:54
Versatile with Bralorne at equity			
December 31, 1982	$111,969	$204,690	35:65
December 31, 1983	$121,914	$191,273	39:61
December 31, 1984	$131,650	$193,067	41:59
Versatile fully consolidated			
December 31, 1982	$249,055	$204,690*	55:45
December 31, 1983	$225,263	$191,273*	54:46
December 31, 1984	$234,477	$193,067*	55:45

*Excluding equity of minority shareholders in subsidiaries.

Since the Corporation has adopted the new rules of The Canadian Institute of Chartered Accountants for foreign currency translation, the ratios for 1984 shown above are not directly comparable to those for 1983 and 1982. However, if the Corporation had not adopted these new rules, the ratios of debt to equity for 1984 would have been as follows:

Bralorne	45:55
Versatile, with Bralorne at equity	39:61
Versatile, fully consolidated	54:46

The actual shareholders' equity based on the current value of the fixed assets is greater than that shown in the financial statements, where valuations are based on historical costs. Certain of the lenders to the group of companies recognize current values in assessing debt capacities; for example, the current value of Bralorne's oil and gas properties exceeds cost by $58.2 million which amount, if utilized in assessing the amount of debt made available, would improve the resulting debt to equity ratio.

The Corporation's management is confident that the asset base supporting the debt and equity structure is satisfactory.

In the 1984 consolidated statement of changes in financial position, the reduction of long-term debt is stated at $9.2 million. In the same statement for the nine months ended September 30, 1984, this amount was stated at $18.5 million. The change in the fourth quarter, and therefore for the entire year, resulted principally from Bralorne's successful negotiations to extend certain of the maturity dates of its debt so that the re-classification of these amounts to current in the earlier part of the year was no longer necessary and, as a result, the "reduction" of long-term debt in the fourth quarter is negative and adjusts the entire year's figure accordingly.

Income Taxes

The statement of earnings for 1984 shows an income tax recovery of $3.2 million on income of $3.8 million. The Corporation's policy of accounting for income taxes is set out in Note 1(h) to the financial statements and the recovery noted above is detailed in Note 13.

An apparent anomaly exists in that, even though the Corporation has reported pre-tax income in 1984, a recovery of income taxes has been recorded. This results from a combination of factors arising from consolidating the earnings of a number of entities subject to varying income tax regulations. The principal contributions to the recovery, as set out in Note 13, are the impact of oil and gas rate reductions and rebates, effective income tax rates in foreign jurisdictions which are lower than those applicable in Canada and deduction of items allowed for tax purposes, such as the 3% inventory allowance available in Canada, which are not booked for accounting purposes.

The Corporation continues to record as an extraordinary item the income tax reduction arising from the utilization by certain subsidiaries of losses for tax purposes incurred in prior years, all in accordance with generally accepted accounting principles.

The current asset section of the balance sheet includes deferred income taxes in the amount of $13.7 million, which represents an increase over the balance at December 31, 1983 of $7.7 million. This account arises from timing differences in recording expenses for accounting and tax purposes; examples are warranty provisions and the cost of extending credit terms in the farm equipment business. As indicated in the footnote covering accounting policies, the Corporation recognizes the cost of extending credit terms to farm equipment dealers at the time of sale. The amount of this provision is affected by the levels of receivables and interest rates and is not allowed as a deduction for tax purposes until the cost is incurred.

Working Capital and Cash Flow

Working capital increased by $5.3 million in 1984, bringing the balance at the end of the year to $188.1 million, slightly more than the balance at the end of 1982.

Operations generated $45.6 million in working capital during the year and $67.2 million from all sources. The principal uses of working capital were capital expenditures of $39.5 million (including $18.4 million in Bralorne), reduction of long-term debt of $9.2 million and cash dividends of $8.7 million.

On the other hand, cash flow on a consolidated basis was negative during 1984. For the most part this was due to the relatively high volume of business in the latter part of the year for farm equipment products which developed from the introduction of the Corporation's new tractor line. While the restraint measures applied in late 1982 and 1983 were still in effect, the farm equipment production lines were geared up for the new products, necessitating utilization of the Corporation's lines of credit to a degree which was considerably higher than that of 1983.

The Corporation's bank lines of credit are on an unsecured basis. Certain of the operating subsidiaries borrow in their own names and, in these cases, their assets become the security for the facilities made available. Some of the bank loans outstanding at the end of the year are in the name of foreign subsidiaries; these loans also serve to offset in part fluctuations in exchange rates.

Note 6 to the financial statements sets out the principal payments due on long-term debt from 1985 through 1989 and indicates that the sum of $44.4 million will mature in 1986. In turn this amount will become part of current liabilities in 1985 and accordingly will serve as a reduction of working capital in that year unless steps are taken to alter the maturity dates or substitute new debt in its place. Of the amount of $44.4 million, the sum of $18.5 million is applicable to Bralorne. The Corporation is examining the means available to it to offset the impact of its reduction in working capital as a result of the forthcoming long-term debt principal payments coming due and is confident that appropriate measures will be in place during 1985 to deal with the problem.

Pension Plans

A review of recent actuarial valuations of the Corporation's pension plans indicates that there are no material unfunded liabilities.

Auditors' Report

To the Shareholders of
Versatile Corporation

We have examined the consolidated balance sheet of Versatile Corporation as at December 31, 1984 and the consolidated statements of earnings and earnings reinvested in the business and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles which, except for the change in the method of accounting for foreign currencies as described in note 2 to the financial statements, have been applied on a basis consistent with that of the preceding year.

Vancouver, Canada
February 15, 1985

Thorne Riddell
Chartered Accountants

Versatile Corporation

Consolidated Balance Sheet as at December 31, 1984

(in thousands of dollars)

Assets

	1984	1983
Current Assets		
Cash and term deposits	$ 8,767	$ 23,362
Accounts receivable	238,198	145,061
Income taxes recoverable	185	17,887
Inventories (note 3)	121,345	137,415
Prepaid expenses	3,077	3,312
Deferred income taxes	13,737	6,010
	385,309	333,047
Investments and Loans		
Investment and advances — finance subsidiaries	31,979	29,197
Employee share purchase plan loans (note 4)	3,135	3,206
Long-term receivables and other assets	2,822	8,383
	37,936	40,786
Fixed Assets (note 5)	278,705	264,016
Intangible Assets and Deferred charges		
Goodwill	33,903	31,977
Patents	2,732	3,024
Financing costs	828	910
Deferred foreign exchange	6,010	—
	43,473	35,911
	$745,423	$673,760

Liabilities

	1984	1983
Current Liabilities		
Bank loans	$ 68,167	$ 39,422
Accounts payable and accrued liabilities	118,691	100,692
Current portion of long-term debt	10,303	10,128
	197,161	150,242
Long-term Debt (note 6)	224,174	215,135
Deferred Income Taxes	35,634	26,714
Minority Interests	95,387	90,396
	$355,195	$332,245

Shareholders' Equity

	1984	1983
Share Capital (note 7)	113,534	114,203
Earnings Reinvested in the Business	77,443	77,070
Unrealized Foreign Exchange	2,090	—
	193,067	191,273
	$745,423	$673,760

Contingency (note 14)

Subsequent event (note 15)

On behalf of the Board:

Peter Paul Saunders, *Director*

Ronald L. Cliff, C.A., *Director*

Versatile Corporation

Consolidated Statement of Earnings and Earnings Reinvested in the Business for the year ended December 31, 1984

(in thousands of dollars)

	1984	1983
Revenue		
Manufacturing	$529,772	$400,174
Service	99,839	89,116
	629,611	489,290
Costs and expenses		
Cost of sales	478,899	398,715
Selling, general and administrative	84,829	79,994
Long-term debt interest	30,716	31,537
Other interest	6,718	7,143
Depreciation, depletion and amortization	30,432	29,799
	631,594	547,188
	(1,983)	(57,898)
Other income (note 8)	5,753	3,037
	3,770	(54,861)
Income taxes (recovery) (note 13)		
Current	60	(18,496)
Deferred	(3,286)	(6,464)
	(3,226)	(24,960)
Earnings (loss) before undernoted items	6,996	(29,901)
Equity in net earnings of finance subsidiaries	1,880	940
Minority interests	(1,730)	2,626
Earnings (loss) before extraordinary items	7,146	(26,335)
Extraordinary items (note 9)	1,940	3,305
Net earnings (loss)	9,086	(23,030)
Earnings reinvested in the business at beginning of year	77,070	110,868
	86,156	87,838
Share issue expenses	—	1,212
	86,156	86,626
Dividends declared		
Preferred shares	6,772	7,056
Class A and Class B shares	1,941	2,500
	8,713	9,556
Earnings reinvested in the business at end of year	$ 77,443	$ 77,070

Earnings per Class A and Class B share (note 10)

Versatile Corporation

Consolidated Statement of Changes in Financial Position for the year ended December 31, 1984
(in thousands of dollars)

	1984	1983
Working Capital Derived from		
Operations		
Earnings (loss) before extraordinary items	$ 7,146	$ (26,335)
Items not affecting working capital		
Depreciation, depletion and amortization	30,432	29,799
Deferred income taxes	7,399	(9,237)
Deferred foreign exchange	2,031	—
Minority interests	1,730	(2,626)
Other	(3,175)	(1,888)
	45,563	(10,287)
Income tax reduction arising from utilization of prior years' losses of subsidiaries	1,940	—
Increase in long-term debt	3,483	12,362
Proceeds from sale of fixed assets	3,647	4,176
Issue of Class A and Class B shares	204	19,921
Issue of common shares of subsidiary company	—	17,726
Issue of preferred shares of subsidiary companies	4,396	30,881
Investments and loans	5,008	1,048
Effect of foreign exchange rate changes	3,002	—
	67,243	75,827
Working Capital Applied To		
Business acquisitions, net of working capital	—	9,523
Additions to fixed assets	39,454	14,283
Reduction of long-term debt	9,151	34,510
Cash dividends	8,685	9,508
Intangible assets and deferred charges	11	2,020
Decrease in minority interests	3,806	9,725
Redemption of preferred shares	793	796
	61,900	80,365
Increase (Decrease) in Working Capital	5,343	(4,538)
Working Capital at Beginning of Year	182,805	187,343
Working Capital at End of Year	$188,148	$182,805

Versatile Corporation

Notes to Consolidated Financial Statements for the year ended December 31, 1984

1. Summary of Accounting Practices

The financial statements of the Corporation have been prepared by management in accordance with accounting principles generally accepted in Canada, consistently applied except for the change described in Note 2. The significant accounting policies followed by the Corporation are summarized hereunder.

(a) Basis of consolidation

These financial statements consolidate all subsidiary companies other than those in the finance business. Finance subsidiaries are recorded on the equity basis with separate disclosure of financial information (see note 11).

All subsidiary companies are wholly owned with the exception of Bralorne Resources Limited, which is 51.49% owned.

(b) Foreign currencies

Foreign currency transactions entered into directly by the Corporation as well as the financial statements of integrated foreign operations are translated using the temporal method. Under this method, current assets (excluding inventories), current liabilities and long-term monetary assets and liabilities are translated at year-end exchange rates. Other balance sheet items are translated at historical exchange rates. Income statement items are translated at average rates prevailing during the year, except for the cost of inventories and depreciation which are translated at their respective historical rates. Translation gains and losses are included in income except for unrealized gains and losses arising from the translation of long-term monetary assets and liabilities which are deferred and amortized over the lives of the related items.

Self-sustaining foreign operations are translated using the current rate method. Under this method all assets and liabilities are translated at year-end exchange rates. Translation adjustments arising from changes in exchange rates result in the unrealized foreign exchange in shareholders' equity. These adjustments are not included in income until realized through a reduction in the Corporation's net investment. Income statement items are translated at rates of exchange prevailing during the year.

(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) Fixed assets

Fixed assets are recorded at acquisition cost. Where government grants are received for a particular asset, the cost of that asset is reduced accordingly.

(e) Depreciation

Depreciation is provided on fixed assets at various rates intended to depreciate the cost of the assets over their estimated useful lives.

(f) Oil and gas interests

The Corporation 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 proven oil and gas reserves.

(g) Intangible assets and deferred charges

Goodwill, which represents the excess of the cost of investments in subsidiaries over amounts allocated to tangible assets, is written off by charges against earnings over a maximum of 40 years.

Patents are amortized over 17 years.

Financing costs are charged to earnings over the terms of the debt to which they relate.

(h) Deferred income taxes

The Corporation provides income taxes on reported earnings or losses, with the result that differences between these taxes and current taxes for the year are reflected in deferred income taxes.

(i) 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 performed. If it appears that a contract will result in a loss, the full amount of the estimated loss is provided for immediately.

(ii) Income from farm equipment 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.

(j) **Warranty expenses**

The Corporation provides for expected normal warranty costs at the time of sale. Other warranties are specifically provided for as the expense becomes known.

2. Accounting Change

Effective January 1, 1984, the Corporation changed its method of accounting for foreign currency translation in its financial statements to the methods described in note 1(b).

The financial statements relating to periods prior to 1984 have not been restated. Had the translation method used in prior years been followed, it is estimated net earnings for 1984 would have increased by approximately $3,000,000 ($0.11 per Class A and Class B share).

3. Inventories

	1984	1983
	(in thousands of dollars)	
Finished goods	$ 45,872	$ 45,453
Work-in-process	28,423	35,742
Raw materials and supplies	47,050	56,220
	$121,345	$137,415

4. Employee Share Purchase Plan Loans

The Corporation and certain of its subsidiaries have established share purchase plans under which they loan funds, interest free, to enable senior employees to acquire shares at market price. These loans are repayable over varying terms up to eleven years.

5. Fixed Assets

	1984			1983
	Cost	Accumulated Depreciation and depletion	Net	Net
	(in thousands of dollars)			
Agricultural and cold storage				
Land	$ 8,481	$ —	$ 8,481	$ 7,866
Buildings	52,038	12,720	39,318	34,615
Machinery and equipment	51,940	27,082	24,858	22,956
	112,459	39,802	72,657	65,437
Marine and industrial				
Land	1,663	—	1,663	1,663
Floating drydocks, piers and buildings	50,017	25,025	24,992	25,700
Machinery and equipment	31,816	22,997	8,819	6,804
	83,496	48,022	35,474	34,167
Oil and gas				
Land	7,003	—	7,003	6,513
Buildings	19,781	6,419	13,362	13,367
Machinery and equipment	93,806	45,715	48,091	47,983
Oil and gas interests	127,030	25,887	101,143	95,580
Mining interests	975	—	975	969
	248,595	78,021	170,574	164,412
Total	$444,550	$165,845	$278,705	$264,016

Notes
Continued

6. Long-Term Debt

	1984	1983
	(in thousands of dollars)	
Versatile Corporation and wholly owned subsidiaries		
Bonds and debentures		
9.75% sinking fund secured bonds, maturing 1987	$ 1,750	$ 2,012
11% Series A sinking fund debentures, maturing 1993	16,272	16,929
10% Series B debentures, maturing 1986 (U.S. $15,000,000)	19,821	17,712
13% term loan secured by Series C debentures, maturing 1990	25,000	25,000
15.25% Series D debentures, maturing 1991 (U.S. $17,000,000)	22,464	20,121
15.50% Series E debentures, maturing 1987 (U.S. $20,000,000)	26,428	23,672
9.25% Industrial Development Revenue Bond (U.S. $5,500,000)	7,268	7,422
Other (including U.S. $4,690,000)	12,647	9,046
	131,650	121,914
Bralorne Resources Limited		
Debentures		
12.875% Series A sinking fund secured debentures, maturing 1995	34,000	37,000
Notes payable and bank loans (secured)		
Bearing interest at varying rates (average rate at December 31, 1984 — 12.5%; 1983 — 12.8%) (including U.S. $51,789,000)	68,434	65,930
Other	393	419
	102,827	103,349
Total	234,477	225,263
Less current portion included in current liabilities	10,303	10,128
	$224,174	$215,135

Principal payments due on long-term debt for the next five years are:

1985	$10,303,000
1986	$44,362,000
1987	$44,484,000
1988	$16,659,000
1989	$16,589,000

Certain long-term debt is secured by fixed or floating charges on assets.

7. Share Capital

Authorized
7,750,000 cumulative redeemable preferred shares without par value
Unlimited number of cumulative redeemable junior preferred shares without par value
Unlimited number of non-cumulative redeemable junior preferred shares without par value
Unlimited number of Class A Subordinate Voting shares without par value (Class A shares)
Unlimited number of Class B Common shares without par value (Class B shares)

		1984	1983
		(in thousands of dollars)	
Outstanding			
1,454,715	$1.40 cumulative redeemable preferred shares Series A at $15 per share	$ 21,821	$ 22,722
1,789,200	$2.625 cumulative redeemable convertible junior preferred shares Series 1 at $25 per share	44,730	44,730
14,920,992	Class A shares	22,120	21,903
12,822,083	Class B shares	24,863	24,848
		$113,534	$114,203

Changes in Class A and Class B shares during the year were as follows:

	Class A		Class B	
	Shares	Amount	Shares	Amount
		(in thousands of dollars)		(in thousands of dollars)
Balance outstanding at January 1, 1984	14,888,905	$21,903	12,819,331	$24,848
Shares issued:				
Employee share purchase plan	29,826	204	—	—
Optional stock dividend plan	2,261	13	2,752	15
Balance outstanding at December 31, 1984	14,920,992	$22,120	12,822,083	$24,863

The rights and restrictions applicable to the Class A shares and Class B shares are identical except that the Class A shares are entitled to one vote per share whereas the Class B shares are entitled to ten votes per share.

The dividend rights of the Class A shareholders and Class B shareholders include the right to receive dividends in either cash or stock.

During 1984, 60,100 of the cumulative redeemable preferred shares were purchased for cancellation for a consideration of $793,000. These shares are redeemable at the option of the Corporation at a price of $16.10 per share decreasing to $15.00 per share after June 30, 1988. The Corporation has agreed to purchase in the open market 4% per year of the outstanding preferred shares at prices not exceeding $14.50 per share.

The cumulative redeemable convertible junior preferred shares are convertible at the option of the holder into Class A shares to December 31, 1989 at a conversion price of $6.90 per share. They are redeemable from 1986 to 1988 at $26.25 per share and after 1988 reducing 25 cents per share yearly to $25.00 in 1993 and thereafter. The Corporation has agreed to purchase in the open market 1% of the convertible preferred shares outstanding in each quarter commencing January 1, 1990 at a price not exceeding $25.00 per share.

Notes
Continued

8. Other Income

	1984	1983
	(in thousands of dollars)	
Interest	$ 1,511	$ 1,353
Gain (loss) on foreign exchange	1,988	(72)
Gain on sale of fixed assets	867	660
Other	1,387	1,096
	$ 5,753	$ 3,037

9. Extraordinary Items

	1984	1983
	(in thousands of dollars)	
Gain arising from dilution of interest in a subsidiary company	$ —	$ 3,305
Income tax reduction arising from utilization of prior years' losses of subsidiaries	1,940	—
	$ 1,940	$ 3,305

10. Earnings per Class A and Class B Share

Earnings per Class A and Class B share are calculated using the weighted average number of such shares outstanding.

	1984	1983
Earnings (loss) per Class A and Class B share		
Before extraordinary items	$ 0.01	$ (1.30)
After extraordinary items	$ 0.08	$ (1.17)

11. Finance Subsidiaries

The significant financial information relating to the operations of the finance subsidiaries for 1984 and 1983 is as follows:

	1984	1983
	(in thousands of dollars)	
Gross income	$ 13,582	$ 12,820
Earnings before income taxes	$ 2,435	$ 1,208
Net earnings	$ 1,880	$ 940
Net investment in mortgages, properties, finance contracts and leases	$103,845	$ 99,355
Accounts receivable	1,774	1,585
	$105,619	$100,940
Bank loans payable	$ 59,745	$ 58,650
Accounts payable	1,055	550
Income taxes	747	603
Long-term debt	12,093	11,940
Advances from affiliates	11,076	12,725
Shareholder's equity	20,903	16,472
	$105,619	$100,940

12. Related Party Transactions

Certain directors, and private companies controlled by such directors, have periodically loaned funds to the Corporation repayable on demand and bearing interest at the prime rate less 0.5%. During 1984 the maximum and minimum loaned to the Corporation under this arrangement were $10,437,000 and $5,499,000 respectively. At December 31, 1984 these loans amounted to $9,244,000 and are included in accounts payable and accrued liabilities.

An agreement exists between the Corporation and Mr. F.W. Fitzpatrick, a director of the Corporation, whereby the Corporation will acquire from him, under certain terms and conditions and at prevailing market prices, up to 285,000 common shares of Bralorne Resources Limited. No shares were purchased from him during 1984.

13. Income Taxes

The provision for income taxes reflects an effective tax rate which differs from the Canadian corporate tax rate of 49.9% for the following reasons:

	1984	1983
Combined basic Canadian federal and provincial income tax rate	49.9%	50.2%
	(in thousands of dollars)	
Provision for (recovery of) income taxes based on combined basic Canadian federal and provincial income tax rate	$ 1,882	$(27,540)
Increase (decrease) results from:		
Manufacturing and processing credits	(451)	1,279
Investment tax credits	(103)	2,330
Lower rate on earnings of foreign subsidiaries	(1,631)	445
Inventory allowances	(1,180)	(1,437)
Oil and gas resource reductions	(1,283)	(1,967)
Other items	(460)	1,930
Recovery of income taxes per financial statements	$ (3,226)	$ (24,960)

14. Contingency

In June 1984 the Corporation entered into an agreement for the purchase from Dome Petroleum Limited of all of its shares in Davie Shipbuilding Limited. The consideration to be paid by the Corporation will be nominal. The closing of the transaction remains subject to certain conditions.

15. Subsequent Event

A wholly owned subsidiary of Bralorne Resources Limited has agreed to purchase the minority interest in Mark Products, Inc., a 53% owned subsidiary. A special meeting of the stockholders of Mark Products, Inc., will be held on February 22, 1985 to approve the transaction. The cost of acquiring the minority interest is U.S. $18,668,000 and will be financed from an existing line of credit.

16. Segmented Information

December 31,1984 (in thousands of dollars)

	Industry Segments							
	Agricultural and Cold Storage		Marine and Industrial		Oil and Gas		Consolidated	
	1984	1983	1984	1983	1984	1983	1984	1983
Revenues	$309,919	$208,190	$162,041	$142,743	$157,651	$138,357	$629,611	$489,290
Earnings								
Operating profit (loss) before unallocated items	$ 24,180	$ 733	$ 6,660	$ (9,832)	$ 13,396	$ (2,611)	$ 44,236	$ (11,710)
General corporate expenses							(8,785)	(7,508)
Interest expense							(37,434)	(38,680)
Other income							5,753	3,037
Income taxes							3,226	24,960
Equity in net earnings of finance subsidiaries							1,880	940
Minority interests							(1,730)	2,626
Extraordinary items							1,940	3,305
Net earnings (loss) per financial statements							$ 9,086	$ (23,030)
Identifiable assets								
Segment assets	$338,062	$246,837	$ 60,474	$ 66,738	$306,399	$313,833	$704,935	$627,408
Corporate assets							8,509	17,155
Investment and advances — finance subsidiaries							31,979	29,197
Total assets per financial statements							$745,423	$673,760
Capital expenditures	$ 15,969	$ 3,124	$ 3,906	$ 1,609	$ 19,579	$ 9,550	$ 39,454	$ 14,283
Depreciation, depletion and amortization	$ 7,385	$ 7,153	$ 2,685	$ 2,771	$ 20,362	$ 19,875	$ 30,432	$ 29,799

The Corporation operates primarily in three industry segments — agricultural and cold storage, marine and industrial and oil and gas operations. There are no significant sales between industry segments.

Agricultural and cold storage operations comprise production and sale of four-wheel drive tractors, swathers, sugar cane harvesters and tillage equipment, and the operation of public freezing and cold storage warehousing. Marine and industrial operations comprise construction and repair of various types and sizes of ships, barges and tugs, repair of industrial machinery, manufacture of specialized heavy machinery and fabrication of metal structures. Oil and gas operations comprise manufacture and repair of resource industry equipment, manufacture and supply of camp facilities and catering services to resource camps and oil and gas exploration and production.

Sales between geographic segments are accounted for at prices comparable to open market prices for similar products and services. Inter-segment sales in 1984 were $156,495,000 from Canada ($101,643,000 in 1983).

Revenue from Canadian operations includes export sales of $48,363,000 in 1984 ($32,340,000 in 1983).

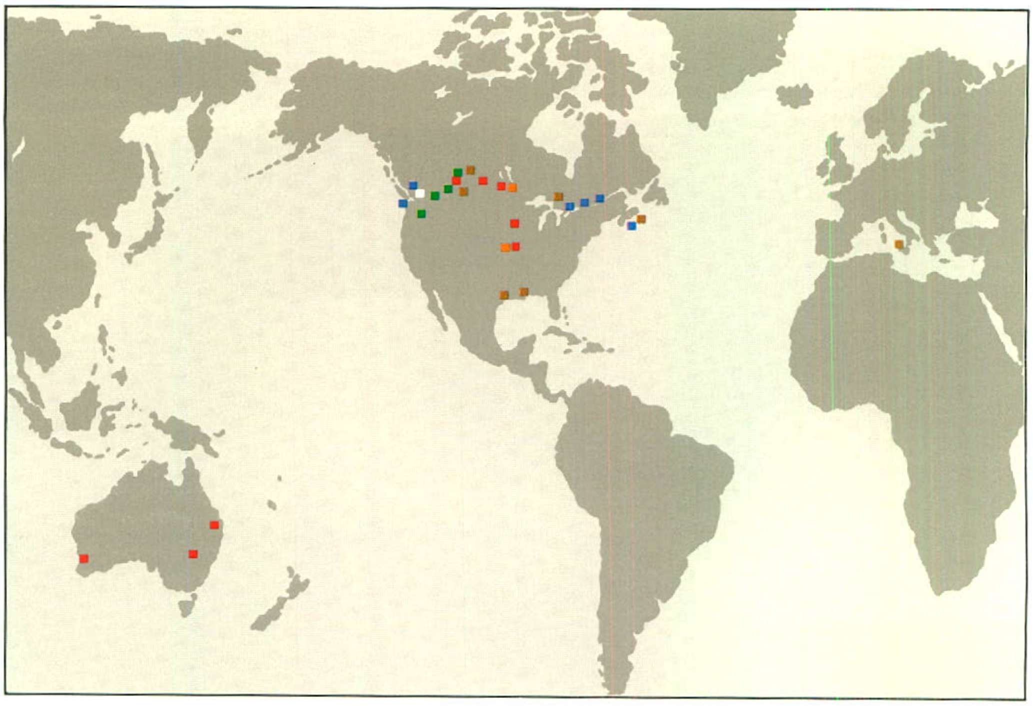
Geographic Segments							
Canada		United States		Australia		Other	
1984	1983	1984	1983	1984	1983	1984	1983
$357,383	$299,139	$209,035	$144,655	$ 59,370	$ 38,562	$ 3,823	$ 6,934
$ 39,215	$ (2,503)	$ (861)	$ (10,133)	$ 5,771	$ (287)	$ 111	$ 1,213
$372,099	$336,198	$287,519	$245,700	$ 40,914	$ 41,412	$ 4,403	$ 4,098

Historical Review

	1984	1983	1982	1981	1980
Revenues					
Agricultural and cold storage operations	$309,919	$208,190	$264,714	$343,183	$263,156
Marine and industrial operations	162,041	142,743	267,910	215,220	106,381
Oil and gas operations	157,651	138,357	227,125	337,340	239,964
	629,611	489,290	759,749	895,743	609,501
Costs and Expenses					
Cost of sales	478,899	398,715	588,293	640,509	429,034
Selling, general and administrative	84,829	79,994	104,980	87,615	65,919
Long-term debt interest	30,716	31,537	33,330	23,011	14,135
Other interest	6,718	7,143	19,586	15,962	9,709
Depreciation, depletion and amortization	30,432	29,799	30,925	23,351	14,935
	631,594	547,188	777,114	790,448	533,732
	(1,983)	(57,898)	(17,365)	105,295	75,769
Other income	5,753	3,037	5,316	5,078	4,398
	3,770	(54,861)	(12,049)	110,373	80,167
Income taxes (recovery)	(3,226)	(24,960)	(10,658)	48,519	33,466
Earnings (loss) before undernoted items	6,996	(29,901)	(1,391)	61,854	46,701
Equity in net earnings of finance subsidiaries	1,880	940	1,266	214	(540)
Minority interests	(1,730)	2,626	(1,476)	(17,844)	(12,493)
Earnings (loss) before extraordinary items	7,146	(26,335)	(1,601)	44,224	33,868
Gain arising from dilution of interest in a subsidiary company	—	3,305	—	—	—
Income tax reductions	1,940	—	438	3,791	1,980
Net earnings (loss)	$ 9,086	$ (23,030)	$ (1,163)	$ 48,015	$ 35,848
Assets and Capitalization					
Assets used in the Corporation:					
Working capital	$188,148	$182,805	$187,343	$164,175	$121,641
Investments and loans	37,936	40,786	36,788	49,522	44,908
Fixed assets (net)	278,705	264,016	272,742	232,039	151,980
Intangible assets and deferred charges	43,473	35,911	35,367	35,881	26,600
Total	$548,262	$523,518	$532,240	$481,617	$345,129
Financed by:					
Long-term debt	$224,174	$215,135	$233,897	$213,233	$148,768
Deferred income taxes	35,634	26,714	37,441	38,384	25,715
Minority interests	95,387	90,396	56,212	59,637	43,416
Preferred shares	66,551	67,452	68,664	24,645	25,680
Class A and Class B shareholders' equity	126,516	123,821	136,026	145,718	101,550
Total	$548,262	$523,518	$532,240	$481,617	$345,129

	1984	1983	1982	1981	1980
Per Class A and Class B Share (after preferred dividends) in dollars					
Earnings (loss) after extraordinary items	**$0.08**	$(1.17)	$(0.15)	$ 1.93	$ 1.51
Fully diluted earnings after extraordinary items	**0.08**	(1.17)	(0.15)	1.79	1.33
Dividends paid - Class A and Class B shares	**0.07**	0.10	0.27	0.30	0.1975
Book value	**4.56**	4.47	5.50	6.03	4.47
Market price					
Class A - high	**10.375**	11.25	14.00	19.50	—
- low	**5.50**	6.125	5.00	10.50	—
Class B - high	**10.50**	11.125	14.00	18.75	14.50
- low	**5.00**	6.00	4.90	10.50	5.25
Other Statistics					
Number of shares outstanding at year end					
Preferred (Senior)	**1,454,715**	1,514,815	1,577,615	1,643,015	1,712,015
Preferred (Junior)	**1,789,200**	1,789,200	1,800,000	—	—
Class A shares	**14,920,992**	14,888,905	12,368,284	12,067,493	—
Class B shares	**12,822,083**	12,819,331	12,346,894	12,084,448	11,352,964
Number of security holders					
Preferred (Senior)	**2,036**	2,160	2,379	2,439	2,553
Preferred (Junior)	**877**	1,022	1,207	—	—
Class A shares	**2,669**	3,098	3,177	3,283	—
Class B shares	**2,260**	2,594	2,974	3,045	2,699
Number of employees	**6,427**	5,845	6,934	9,890	6,902

Corporate Directory



The map illustrates the location of operations summarized in the directory, as well as divisional, subsidiary and other major installations.

Head Office

Versatile Corporation
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Vancouver, British Columbia
Canada V7X 1K3
(604) 669-3141
Peter Paul Saunders,
Chairman and President

Agricultural Group

Versatile Farm Equipment Company
1260 Clarence Avenue
P.O. Box 7300
Winnipeg, Manitoba
Canada R3C 4E8
(204) 284-6100
Paul M. Soubry, *President*

Versatile Noble Cultivators Company
P.O. Box 60, Nobleford, Alberta
Canada T0L 1S0
(403) 824-3711

Versatile Toft Ltd.
3 Maryborough Street
P.O. Box 932, Bundaberg
Queensland, Australia 4670
(71) 72-2622
Leo J. Mulkearns, *General Manager*

Versatile Farm Equipment Pty. Ltd.
321 Douglas Mawson Road
P.M.B. 18, Dubbo,
New South Wales
Australia 2830
(68) 82-6300
John N. Oulton, *General Manager*

Versatile Farm Equipment Corporation
5900 Deramus Avenue
Kansas City, Missouri
U.S.A. 64120
(816) 241-6232
Larry S. Leavelle, *Vice-President and U.S. Sales Manager*

Cold Storage Group

Versatile Cold Storage Corporation
2115 Commissioner Street
Vancouver, British Columbia
Canada V5L 1A6
(604) 255-4656
Stewart W. Reeder, *President*

B.C. Ice and Cold Storage Division
2115 Commissioner Street
Vancouver, British Columbia
Canada V5L 1A6
(604) 255-4656
Gary M. Stewart, *Vice-President*

Alberta Cold Storage Division
3839 Ogden Road, S.E.
Calgary, Alberta
Canada T2G 4N7
(403) 262-6460
Roy Rogers, *Vice-President*

Versatile Cascade Cold Storage Inc.
406 Second Street
P.O. Box 709
Lynden, Washington
U.S.A. 98264
(206) 354-2138
Ronald M. Langwell,
Vice-President and General Manager

Financial Services Group

Versatile Credit Corporation
1540 Gamble Place
Winnipeg, Manitoba R3T 1N6
(206) 453-5441
Jack C. Hughes, *Vice-President and General Manager*

Versatile Credit Corporation
Suite 403, 2800 Rockcreek Parkway
North Kansas City, Missouri
U.S.A. 64117
(816) 842-3357
Norman G. Taylor, *President*

Oil and Gas Group

Bralorne Resources Limited
Suite 3100,
205 - 5th Avenue S.W.
Calgary, Alberta
Canada T2P 2V7
(403) 261-9060
F. William Fitzpatrick,
Chairman, President and Chief Executive Officer.

Marine and Industrial Group

Burrard Yarrows Corporation
109 East Esplanade
P.O. Box 86099
North Vancouver,
British Columbia
Canada V7L 1A1
(604) 988-2111
Donald W. Challinor, *President*

Versatile Davie Inc.
P.O. Box 130
Levis, Quebec
Canada G6V 6N7
(418) 837-5841
Maurice Provencher, *President*

Versatile Vickers Inc.
5000 Notre Dame Street East
Montreal, Quebec
Canada H1V 2B4
(514) 256-2651
Bernard P. Charbonneau,
President

Versatile Vickers Systems Inc.
5000 Notre Dame Street East
Montreal, Quebec
Canada H1V 2B4
(514) 256-2651
Rear Admiral (Ret.)
William B. "Bill" Christie,
President

Shareholder Information

Auditors

Thorne Riddell
Chartered Accountants
Vancouver, British Columbia

Bankers

Bank of Montreal
Vancouver, British Columbia

Bank of British Columbia
Vancouver, British Columbia

Registrar and Transfer Agent

The National Victoria and Grey Trust Company
Vancouver, Calgary, Winnipeg, Toronto, Montreal, and its agent

Canada Permanent Trust Company
Regina and Halifax

Optional Stock Dividend Program

Owners of Versatile Corporation Class A shares and Class B shares are eligible to participate in the Corporation's Optional Stock Dividend Program.

In lieu of cash, common shareholders may elect to receive a dividend in Class A shares or Class B shares (whichever is held) valued at the weighted average market price of the shares on the Toronto Stock Exchange during the five trading days prior to the meeting of the Board of Directors at which the dividend is declared.

During 1984 a total of 2,262 Class A shares and 2,752 Class B shares were issued pursuant to the Program.

The Program provides Class A and Class B shareholders with a convenient method of obtaining additional Class A shares and Class B shares without payment of brokerage commissions or service charges.

Shares

as at December 31, 1984

	issued and outstanding	authorized
Class A Subordinate Voting shares ("Class A")	14,920,992	unlimited
Class B Common shares ("Class B")	12,822,083	unlimited
Cumulative Redeemable Preferred shares	1,454,715	7,750,000
Cumulative Redeemable Convertible Junior Preferred shares	1,789,200	unlimited

Shares Listed

Vancouver, Toronto and Montreal Stock Exchanges

Dividends

In 1984 the Corporation paid total dividends per Class A shares and Class B shares of 7 cents compared with 10 cents in 1983. No dividends were declared on the Class A shares and Class B shares for the first quarter of 1985. On February 11, 1985 the Board of Directors declared quarterly dividends of 35 cents per share for the Corporation's Cumulative Redeemable Preferred shares, and 65.625 cents per share for the Cumulative Redeemable Convertible Junior Preferred shares, payable on March 29, 1985 to shareholders of record on March 8, 1985.

Directors and Officers

Directors

*‡ **Peter Paul Saunders**
Chairman and President
Versatile Corporation
Vancouver, British Columbia

† **David S. Beatty**
Chairman
Old Canada Investment Corp. Limited
Toronto, Ontario

*‡ **Peter J.G. Bentley**
President and Chief Executive Officer
Canfor Corporation
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
Chairman
Royal Canadian Securities Limited
Winnipeg, Manitoba

F. William Fitzpatrick
Chairman, President and Chief Executive Officer
Bralorne Resources Limited
Calgary, Alberta

Roderick M. Hungerford
Consultant
Vancouver, British Columbia

Joseph B. Jarvis
Vice-President, Pacific Rim
Canfor Pulp Sales (A Division of Canfor Corporation)
Vancouver, British Columbia

Jack S. Lee
President
Versatech Industries
Toronto, Ontario

*† **J. Ronald Longstaffe**
Executive Vice-President
Canfor Corporation
Vancouver, British Columbia

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

† member audit committee
‡ member compensation committee
* member executive committee

Officers

Peter Paul Saunders
Chairman and President

John S. Farrell
Senior Vice-President

G. Martin Greer
Vice-President & General Counsel and Secretary

Kenneth R. Keeping
Vice-President, Human Resources

George A. Morris
Vice-President, Finance and Treasurer

Paul M. Soubry
Vice-President, Agricultural Operations

Katherine J. Clendenan
Assistant Treasurer

Brian G. Kenning
Assistant Vice-President, Corporate Planning

Earl B. Lyle
Assistant Corporate Controller

Terry A. Lyons
Assistant Vice-President, Operations Planning

Bruce M. McKay
Assistant Vice-President, Law

Mark W. Powell
Corporate Controller

In Memoriam

William H. (Bill) Harden

The untimely passing of William H. 'Bill' Harden in November 1984 was sorrowfully felt by all who knew him. Bill was not only the General Manager of Versatile Noble Cultivators Company, but a dedicated companion and friend.

One of the truly distinctive achievements in life is to earn the respect of one's peers. Bill qualified for that distinction without question.

Bill came to Versatile Noble from its parent company, Versatile Farm Equipment, in Winnipeg. Initially he accepted this assignment on a temporary basis. With his quiet dedication, honesty and ability, he rolled up his sleeves and proceeded to pull the company together as a working team. The direction he gave; the knowledge of our products and concepts he learned. Subsequently, he accepted the position permanently and went on to become one of the staunchest supporters Versatile Noble Cultivators has known.

Bill had a great sense of humour and zest for life. In spite of health problems, he participated in company picnics, golf tournaments and curling, and was interested in all company and community projects.

As Paul Soubry, President of Versatile Farm Equipment Company said, "Mr. Harden was a distinguished colleague whom we had the privilege of knowing and working with for many years within the Versatile organization. He was the type of individual of whom only good was spoken. We still miss him, and he will be long remembered by all our people."

Bill Harden is survived by his wife Audrey and four sons.

T.A. (Alec) Arnott

Following a brief illness, T. Alec Arnott died in the Civic Hospital, Ottawa, in January 1985 at the age of 58. Alec became President of Versatile Vickers Systems Inc. (VVSI) after a long and fruitful career with the Canadian Armed Forces.

A native of Merrichville, Ontario, he entered the Marine Corps at the end of World War II. During his naval career he served as the Engineering Officer of HMCS "Gatineau" on her initial commission, and then as Contracts Officer in HMC Dockyard, Halifax. With the commencement of the DDH-280 Program he became Principal Naval Overseer at MIL, Quebec for four years, and spent three further years commanding the Canadian Forces Technical Services Agency in Montreal. There he was in charge of technical and quality assurance aspects of all Department of National Defence procurement in the Quebec region. He became Project Manager, with the rank of Commodore, to establish and get the Canadian Patrol Frigate (CPF) project underway. He became President of VVSI, a major sub-contractor on the CPF project now in progress, in September of 1980.

Alec was a most sincere, able and conscientious gentleman who was highly respected by all who knew him in the Canadian Forces, government and the marine industry. He will be sorely missed not only for his leadership and management skills in guiding VVSI to a dominant position in Canada's marine industry, but for those very special qualities that made him an exceptionally fine human being.

Alec Arnott is survived by his wife Grace and two daughters in Ottawa.

The production of this report would have been impossible without the cooperation of countless individuals. To those both inside and outside the Versatile family upon whose collaboration it was dependent, we wish to extend our special "thanks."

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