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HOWARD ROSS LIBRARY
OF MANAGEMENT

APR 7 1981

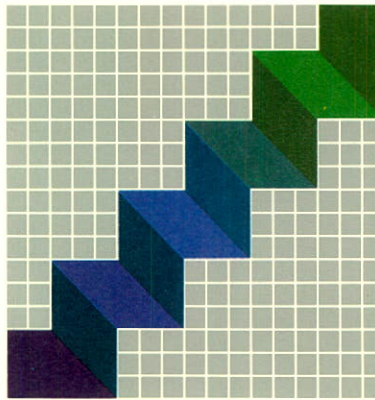
MCGILL UNIVERSITY

Annual General Meeting
The Company's Annual General
Meeting will be held in Vancouver
on April 27, 1981.

VERSATILE CORPORATION

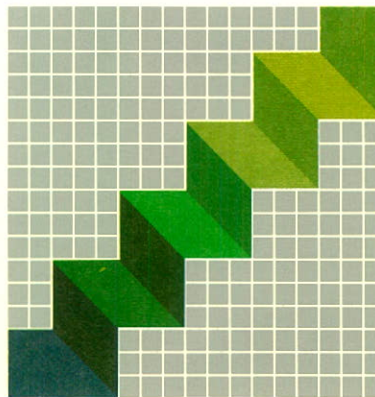
Vancouver, British Columbia

A diversified Canadian manufacturer of specialized industrial products.



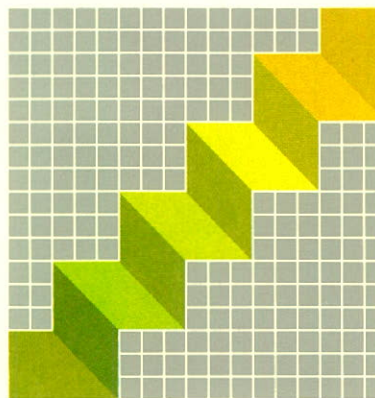
MARINE AND INDUSTRIAL OPERATIONS

Burrard Yarrows Corporation
Vancouver, British Columbia
Vickers Canada Inc.**
Montreal, Quebec



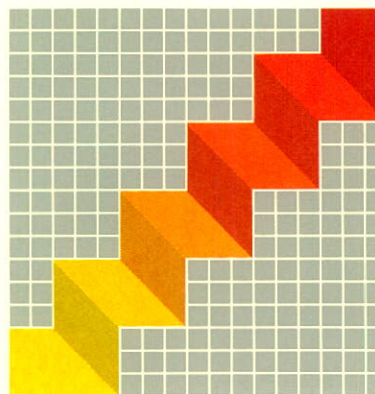
AGRICULTURAL OPERATIONS

Versatile Farm Equipment Company*
Winnipeg, Manitoba
Versatile Farm Equipment Corporation
Kansas City, Missouri
Versatile Farm Equipment Pty. Ltd.
Dubbo, Australia
Versatile Noble Cultivators Company
Nobleford, Alberta
Versatile Toft Ltd.
Bundaberg, Australia



OIL AND GAS OPERATIONS

Bralorne Resources Limited
Calgary, Alberta



OTHER OPERATIONS

Versatile Cold Storage Corporation
Vancouver, British Columbia
Versatile Credit Corporation
Kansas City, Missouri
Winnipeg, Manitoba

*Name change effective January 1, 1981 (formerly Versatile Manufacturing Company)

**Acquired effective January 1, 1981

HIGHLIGHTS

Financial

	1980	1979	Increase
Revenue	\$609,501,000	\$414,544,000	47%
Net earnings	\$ 35,848,000	\$ 26,054,000	38%
Earnings per common share	\$1.51	\$1.09	39%
Capital expenditures	\$ 65,428,000	\$ 27,663,000	
Total common shareholders	2,699	2,262	
Dividends paid			
Preferred	\$ 2,450,000	\$ 2,523,000	
Common	\$ 4,385,000	\$ 2,981,000	

Name Change

On January 30, 1981 Versatile Corporation was federally incorporated. The Company was previously registered in British Columbia under the name Versatile Cornat Corporation.

Re-designation of Shares

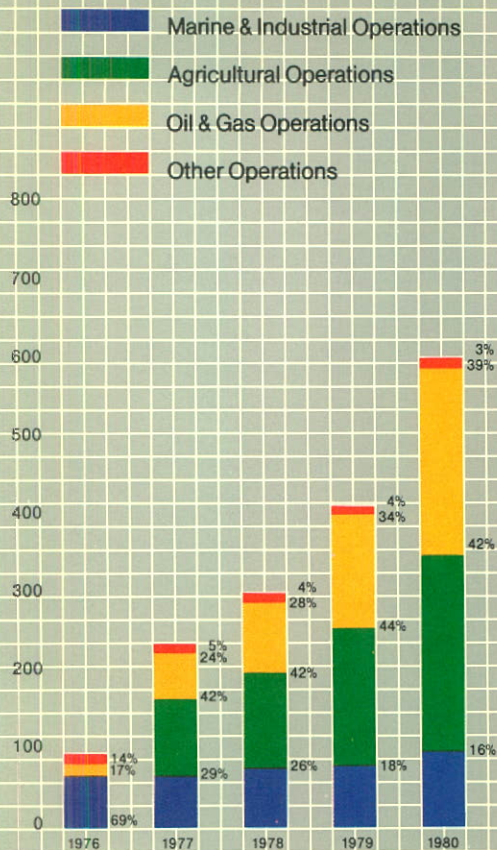
On the authorization of the holders of common shares, the common shares of the Company were designated Class B Common Shares and a new class of shares known as Class A Common Shares was created. For each Class B Common Share held on the record date of February 16, 1981, a stock dividend of one Class A Common Share was declared.

Unless otherwise indicated, earnings per share, dividends paid per common share and the price quotations of the common shares of the Company stated in this Report give effect to the above mentioned stock dividend and the two for one common share split approved in May 1980.

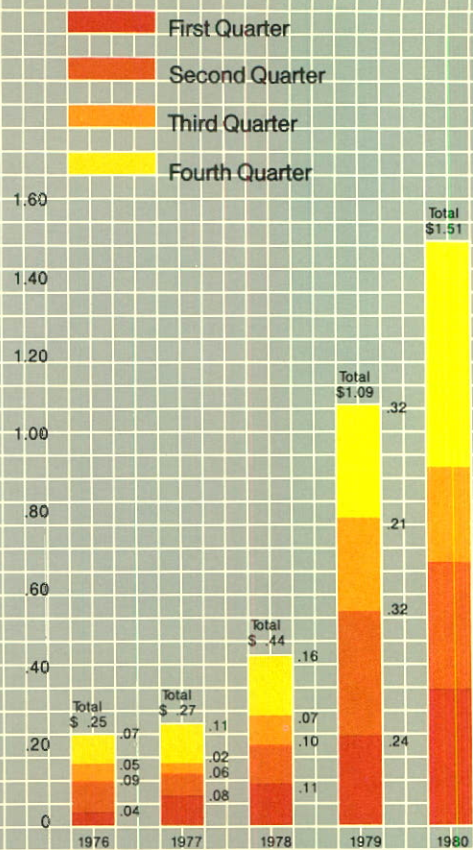
Common Share Equivalents

Prior to May 1980	1 common share
May 1980 – February 1981	= 2 common shares
February 1981	= 2 Class B Common Shares and 2 Class A Common Shares

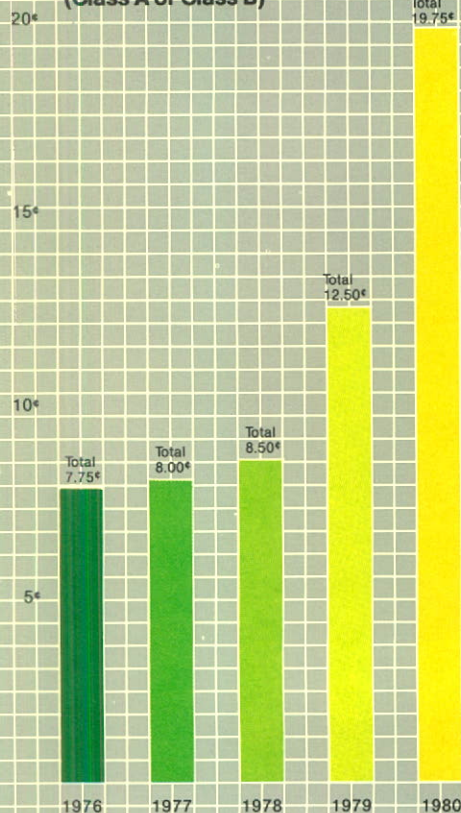
Revenue by Source (millions of dollars)



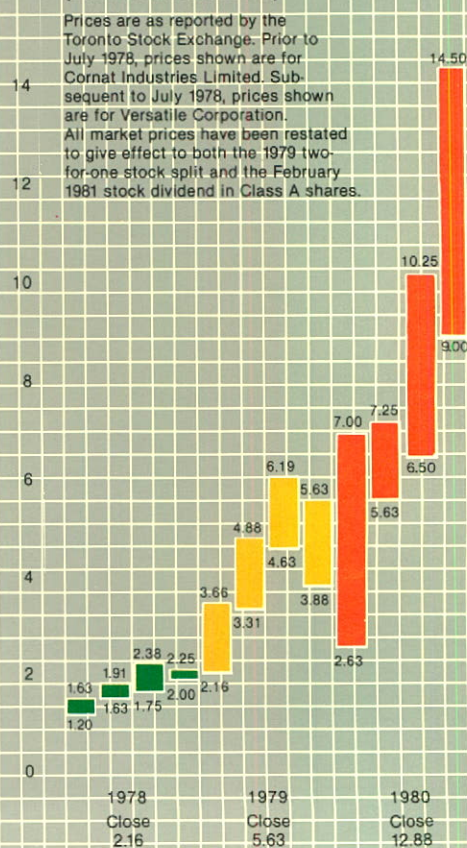
Earnings per Common Share (dollars)



Dividends Paid per Common Share (Class A or Class B)



Quarterly Common Share Price Range (Class A and Class B)



DIRECTORS' REPORT TO SHAREHOLDERS



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

The Company continued to show favourable growth despite a year marked by general economic difficulty and changes in government policy. Revenues, net earnings and earnings per share all increased significantly for the fifth consecutive year.

Financial Review

Consolidated revenues amounted to \$609,501,000 in 1980 compared with \$414,544,000 in 1979, representing an increase of 47%.

Net earnings in 1980 were 38% higher than in 1979, amounting to \$35,848,000, compared with \$26,054,000 in 1979.

After accounting for an income tax reduction on utilization of prior years' losses of newly acquired subsidiaries, 1980 earnings per 1980 common share amounted to \$3.02 compared to \$2.19 in 1979. In terms of shares following the stock dividend of Class A Common Shares declared January 30, 1981 to Class B Common shareholders of record on February 16, 1981, the

1980 earnings amounted to \$1.51 per share compared to \$1.09 in 1979. The fully diluted earnings were \$1.33 compared to 95 cents in 1979.

During the second half of the year cash flow improved significantly, allowing the Company to minimize the use of its Canadian operating lines of credit.

Capitalization and Dividends

During the year the Company twice increased the quarterly dividends on common shares. Based on the 1980 common shares outstanding the common dividend was seven and a half cents in the first quarter, which amount increased to ten cents in the second and third quarters and to 12 cents in the last quarter of 1980, for a total of 39½ cents per share representing an increase of 58% over those paid in 1979.

During 1980 common shareholders were given the option of receiving dividends on their common shares in the form of additional common shares instead of cash. During the year 60,385 common shares were issued under this option.

Two modifications involving the Company's incorporation status and capitalization were proposed and ratified in early 1981. At a

General Meeting held on January 30, 1981, the common shareholders authorized an application to continue the Company in the federal jurisdiction and to change the name to Versatile Corporation. At the same meeting the then existing common shares were redesignated Class B Common Shares and new classes of preferred and common shares were created.

Of these new classes of shares the Class A Common Shares are similar to Class B Common Shares except that, while the former carry one vote per share, the latter carry ten votes per share.

The Board of Directors subsequently declared a stock dividend to holders of Class B Common Shares in the form of one Class A Common Share for each Class B Common Share held on the record date of February 16, 1981. From that date holders of Common Share Purchase Warrants will receive, upon exercising their rights, two Class A and two Class B Common Shares for every two warrants exercised with payment of \$7.25 in cash.

Versatile Corporation Common Share Purchase Warrants – Variance in Exercise Rights

July 1978-May 1980 2 Company warrants	+ \$7.25 buy 1 common share	Stock exchanges traded warrants as full warrants.
May 1980-February 1981 2 Company warrants (4 stock exchange or "trading" warrants)	+ \$7.25 buy 2 common shares	Stock exchanges effectively split warrants into half warrants at the time of the two for one stock split.
February 1981 2 Company warrants (4 stock exchange or "trading" warrants)	+ \$7.25 buy 2 Class B Common Shares and 2 Class A Common Shares	Existing common shares were reclassified as Class B Common Shares and the new Class A Common Shares were declared as a stock dividend. No change in "trading" warrants by stock exchanges.

Operations

Agricultural operations recorded satisfactory sales growth in 1980 due in part to the relatively strong demand for large farm equipment compared to the demand for other agricultural equipment. The plant expansion in Winnipeg, due for completion at the end of 1981, will increase production capacity for the manufacture of current products and provide facilities for increased research and development.

Versatile Toft Ltd. of Bundaberg, Australia, which was acquired effective January 1, 1980, had a successful year as the rising world price of sugar increased demand for its sugar cane harvesting products.

To reflect more clearly the scope of the Company's agricultural operations, Versatile Manufacturing Company changed its name to Versatile Farm Equipment Company and the Versatile name and symbol were adopted by Versatile Noble Cultivators Company and Versatile Toft Ltd.

Oil and gas operations recorded a year of solid growth with the Company's 58% owned subsidiary, Bralorne Resources Limited, contributing substantially to the consolidated results.

Both the federal government's 1980 budget and its National Energy Program are having a detrimental effect on resource exploration in Western Canada, one of Bralorne's major market areas. It is anticipated, however, that reduction in the rate of revenue growth in Canada will be more than offset by increased activity by Bralorne's subsidiaries in the United States. While continuing capital investment in Alberta, Bralorne is actively planning further investment in the United States.

Versatile Corporation is participating in a four-way joint venture for exploration in Alberta with C-I-L Inc., ICI Petroleum (Canada) Inc. and Bralorne Resources Limited, with the latter being the managing partner. The longer range implications of the federal policy and tax treatment of the petroleum industry and their effect on this joint venture have yet to be fully assessed.

During the year Burrard Yarrows Corporation carried out an increased level of ship repair activity. The completion in late 1981 of the new floating dry dock will further enhance the company's worldwide competitive position.

The shipbuilding sector of Burrard Yarrows Corporation was adversely affected by a change in government policy under which the shipbuilding subsidy granted to Canadian shipyards was reduced from 20 percent to nine percent. The reduction in the rate of subsidy combined with the high cost of

labour on the West Coast virtually eliminates the opportunity to compete internationally in the shipbuilding industry. To help counteract the effects of this decision, Burrard Yarrows is placing greater emphasis on its ship repair activities while continuing to seek new shipbuilding contracts primarily in the domestic market.

With the acquisition effective January 1, 1981 of Vickers Canada Inc. of Montreal, the Company substantially increased its industrial manufacturing capabilities. This wholly owned subsidiary specializes in heavy industrial manufacturing, fabrication, machining and assembly operations and in ship repair and marine design services.

The Company expanded its activities in the cold storage warehousing industry through the acquisition of Kiwood Industries Ltd., Vancouver, and Alberta Cold Storage Company. All cold storage warehousing operations were consolidated as Versatile Cold Storage



Changes in the Company's officers during the year included the appointment of Bruce M. McKay and Arthur W. Hames as Assistant Secretaries of the Company. The following senior appointments were made in various divisions and subsidiaries: William H. Harden was named General Manager, Versatile Noble Cultivators Company; John N. Oulton, General Manager, Versatile Farm Equipment Pty. Ltd. (Australia); Jack C. Hughes,



Corporation with divisions in British Columbia and Alberta. In February 1981 Versatile Cold Storage Corporation purchased N.H. Clauson Storage Co. Ltd. in Calgary.

Versatile Credit Corporation was incorporated in Canada in June 1980 to offer retail financing and leasing services to facilitate purchases of farm equipment. The services are similar to those offered by Versatile Credit Corporation in the United States and both companies have been well received in the marketplace.

As part of the Company's strategy to concentrate manufacturing operations in the heavy industrial sector, the assets of Wescraft Manufacturing Company were sold in November 1980 and in January 1981 the assets of Versatile Environmental Products were also sold. Both companies are continuing under new owners.

People

As at December 31, 1980 the Company, its divisions and subsidiaries, employed more than 6,900 people compared with 5,900 at year end 1979. Salaries and wages paid in 1980 were more than \$133,000,000 compared with approximately \$100,000,000 in 1979.



General Manager, Versatile Credit Corporation (Canada). The Directors would like to take this opportunity to welcome those who joined the management group of the Company in 1980 including T.M. (Mike) Moffat, General Manager, Versatile Toft Ltd. and Boris W. Bodnarchuk, Vice-President, Alberta Cold Storage Division, Versatile Cold Storage Corporation.

The efforts and dedication of so many of our employees contributed in great part to our success and we hope to continue to provide and improve programs that will enhance their creativity and working environment.

Outlook

Recent acquisitions and consolidation of operations, together with the completion of a series of plant expansions, are geared to meet the needs of the Company's growing markets. Details related to steps the Company is taking to meet these programs are described in the Operations sections of this Annual Report.

The emphasis the Company places on its diversification, which enables it to cushion effects of

cyclical fluctuations, is of particular importance in the business climate of today. The economies of the Western world are facing a variety of problems including inflation, high interest rates, violently fluctuating foreign exchange rates and growing nationalism. While these factors, primarily outside the Company's control, may have negative effects on the overall corporate results, the Company will attempt to continue to anticipate and counteract unfavourable trends.

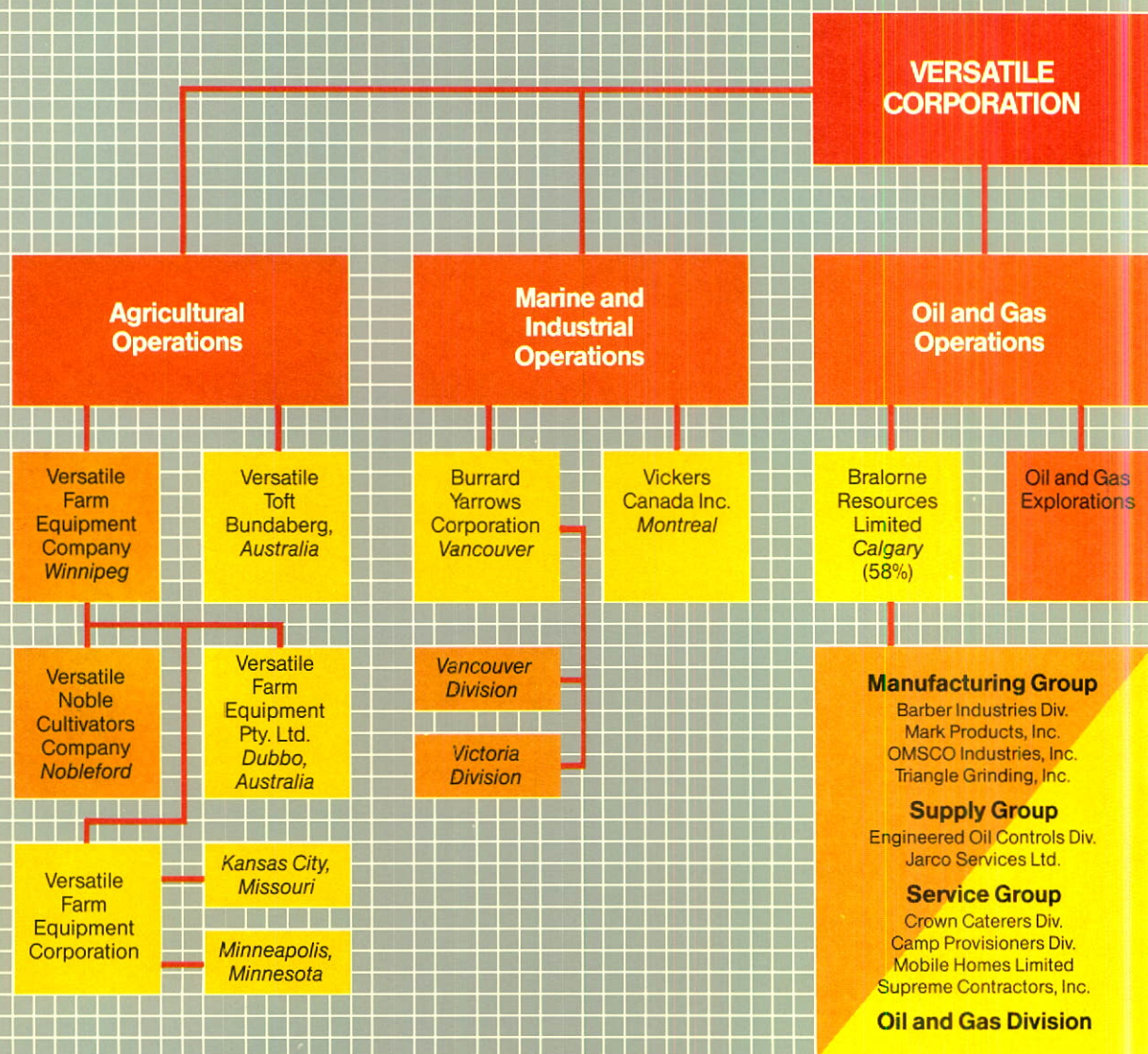
The strong position of Versatile farm equipment products in the agricultural industry, the growth of the Company's oil and gas interests, particularly in the United States, and the opportunities which are becoming apparent in its marine and industrial sector indicate that the Company will maintain its momentum during 1981. In addition, as the strategies which have been implemented are geared to yielding long term rather than short term benefits, their effects should be felt in the coming years as well.



On behalf of the Board,

Peter Paul Saunders

Peter Paul Saunders
Chairman

March 11, 1981



 Divisions
 Subsidiaries
Subsidiaries 100% owned unless otherwise indicated

CORPORATE OPERATIONS

A Canadian corporation with its head office in Vancouver, the Company specializes in diversified industrial manufacturing. Product, market and industry specialization give the Company the ability to cushion cyclical swings in given industrial sectors or geographic locations.

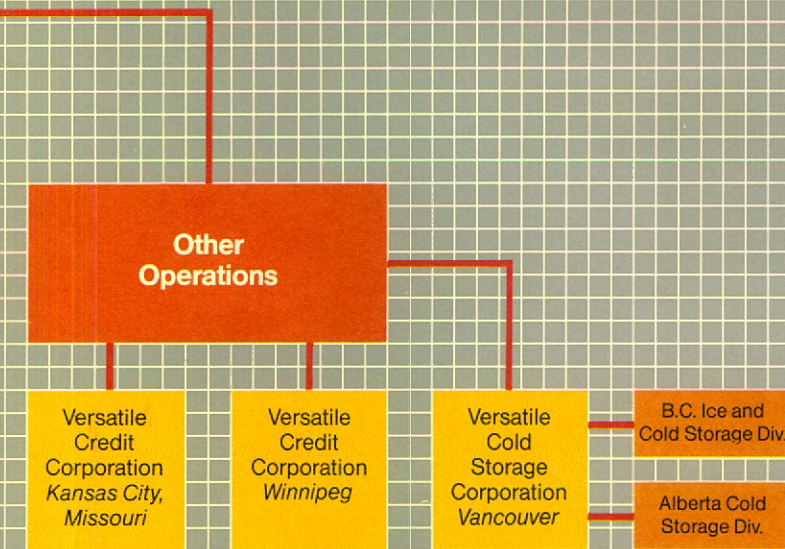
The Company will continue to employ a strategy of development in those industries in which it is already involved and through acquisitions that meet its investment criteria.

Agricultural operations include the manufacture, distribution and sale of four-wheel drive tractors, swathers, specialized tillage equipment and sugar cane harvesting and tillage equipment. Manufacturing facilities are located in Manitoba, Alberta and Queensland, Australia.

Oil and gas operations are carried out by Bralorne Resources Limited, whose products are used in energy exploration and production. The manufacture of components used in oil and gas exploration takes place in Alberta and Texas, the two prime exploration locations. Bralorne also provides services to oil fields and work camps and engages directly and through joint ventures in exploration programs.

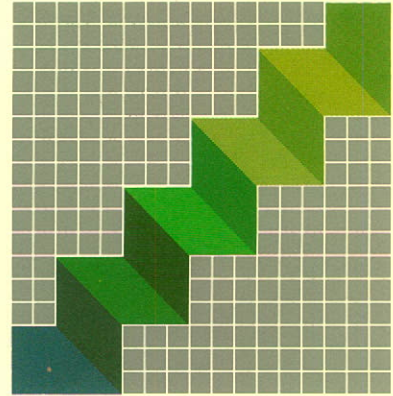
Marine and industrial operations include the Vancouver and Victoria divisions of Burrard Yarrows Corporation, the largest ship repairer in Canada and the third largest shipyard in the country. With the acquisition of Vickers Canada Inc. of Montreal, Versatile increased its capabilities in ship repair and heavy industrial fabrication and machining.

Other operations encompass the cold storage warehousing facilities of Versatile Cold Storage Corporation which operates nine warehouses in British Columbia and Alberta, offering processing, storage and distribution to the food industry. The financial services offered by Versatile Credit Corporation are currently concentrated in the agricultural sector of the company, assisting the purchase of agricultural equipment by farmers and ranchers in Canada and the United States.





AGRICULTURAL OPERATIONS



Versatile Farm Equipment
Company
Winnipeg, Manitoba

Versatile Farm Equipment
Corporation
Kansas City, Missouri

Versatile Farm Equipment Pty. Ltd.
Dubbo, Australia

Versatile Noble Cultivators
Company
Nobleford, Alberta

Versatile Toft Ltd.
Bundaberg, Australia

The Company's agricultural operations recorded increased sales and an improved market share despite widespread drought in North America, fluctuating interest rates and increasing competition. Two factors were significant in bringing about this result. The Company's Winnipeg farm equipment operations were well positioned to take advantage of the relative strength of four-wheel drive tractor markets compared to other segments of the farm equipment industry. In addition the rising price of sugar led to increased demand for sugar cane harvesting equipment which is manufactured in Australia.



Gear installation on the transmission of a Versatile® tractor Model 555.

Versatile Farm Equipment Company

Winnipeg, Manitoba

Versatile Farm Equipment Company is the largest division in the agricultural group, specializing in large four-wheel drive tractors, swathers and complementary agricultural equipment.

The division recorded a satisfactory year, culminated by a strong fourth quarter and demand for the products is continuing. It is anticipated that the additional manufacturing capacity generated by the plant expansion will be utilized to a greater extent during 1981. Improved productivity will result from the introduction of more sophisticated manufacturing methods, including increasing conversion to numerically controlled equipment.

The fuel saved and productivity gained by using large equipment are benefits which the agricultural community is recognizing more and more. Versatile Farm Equipment has been in the forefront of developments in these areas and the refinement of existing products and the research and development of new ideas continue at an accelerated pace. To accommodate these programs a new engineering complex has been built and a new test site acquired. Current engineering projects include testing combine and tractor prototypes, standardizing components common to the various models of swathers, and further development of grain augers and sprayers.

New products being developed for introduction to the marketplace in 1981 and 1982 will broaden the range of four-wheel drive tractors and will give Versatile dealers the world's most complete line of these products to offer their customers. A pre-production run of a prototype pull-type combine and a 450 plus horsepower prototype four-wheel drive tractor will be announced in 1981. These products were first publicly displayed at the Versatile dealer convention held in Winnipeg in March 1980. More than 1,000



The Versatile® Model 895 with 310 horse-power, is the largest of the in-line six cylinder models.

delegates from North America, Australia and Mexico attended, making the convention the largest ever hosted by the company. The dealers viewed equipment displays with the theme "Meeting the Challenges of the 80's": to supply a better diet to the world's population at a time when food supplies are diminishing.

During 1980 innovative sales programs and aggressive marketing strategies enabled Versatile to improve its competitive position in the corn belt states. Farmers and ranchers in Illinois, Indiana, Iowa and Nebraska are major purchasers of four-wheel drive tractors and their acceptance of Versatile models has increased substantially in the past two years. Participation in major North American farm equipment exhibitions has enabled more than 1,000,000 persons to view its products.

The first Versatile North American Dealer Council met in Minneapolis in November 1980. The meeting sessions established lines of



The brake system being assembled on a Versatile® tractor Model 150, the smallest in the Company's line of four-wheel drive tractors.

communication essential in keeping abreast of the changing times and conditions in the marketplace. Special attention was given to merchandising and product planning. Integration of the marketing organizations of Versatile Farm Equipment Company and Versatile Noble Cultivators Company will also strengthen product distribution. North American dealers now total more than 650 and Versatile takes this opportunity to thank them for their efforts which have contributed



Final adjustments before field testing of a prototype, more than 450 horsepower, four-wheel drive tractor.

in great part to this year's success.

The distribution agreement with Fiat Trattori, S.p.A., Turin, Italy is progressing and Versatile tractors have been delivered to Europe, Africa, the Middle East and South America. As training programs for dealers and parts distribution become more widely spread, shipments are expected to increase.



The Fiat Model 40-23 awaiting shipment to European markets.

Versatile Noble Cultivators Company

Nobleford, Alberta

Revenues recorded for the year were satisfactory. Improved fourth quarter sales of blade plows and seed drills offset the effects of the poor economic conditions in the earlier part of the year.

An industrial building was leased in Lethbridge, Alberta to assemble a new model seed drill and expansion plans are underway to accommodate the assembly of these products in Nobleford in 1981.



In Australia, Versatile Toft Ltd. manufactures the world's largest range of cane harvesters.

Versatile Farm Equipment Corporation

Kansas City, Missouri

In the United States, agricultural equipment is sold and distributed by Versatile Farm Equipment Corporation with headquarters in Kansas City.

Service to the U.S. dealer network was improved in 1980 with completion of regional distribution centres in Kansas City, Missouri and Minneapolis, Minnesota. Both locations carry a full range of parts for

Versatile's North American products. Their proximity to the markets they serve enables the company to meet and respond quickly to customer needs.

Versatile Farm Equipment Pty. Ltd.

Dubbo, Australia

The Company's agricultural operations in Australia were greatly reinforced by the move of Versatile Farm Equipment Pty. Ltd. to a new location in Dubbo. The new site permits centralized distribution and service.



Versatile Noble's minimum-till blade cultivators significantly improve moisture and nutrient retention in dry-land farming areas.

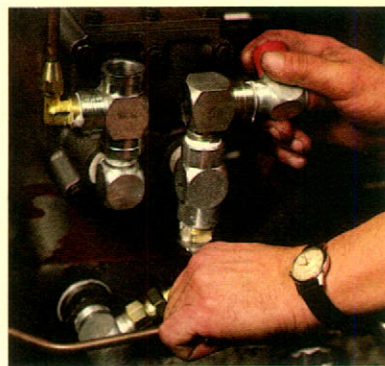
Versatile Toft Ltd.

Bundaberg, Australia

Versatile Toft Ltd. of Bundaberg, Australia ended 1980 in a strong position with increased export sales of sugar cane harvesters, resulting in part from rising sugar prices. Despite the soft demand in Australia, the company continued to dominate the domestic market and inroads were made in export markets traditionally held by competitors. New production equipment helped the company achieve record efficiency levels.

The range of products offered by Versatile Toft Ltd. was expanded during the year with the introduction of a new, low-cost infield transporter and a high-capacity billet planter.

An Australian dealer council was organized to improve communications and is already producing positive results. The dealer network in Australia now has 43 members and the focus in 1981 will be to improve dealer service and product knowledge.



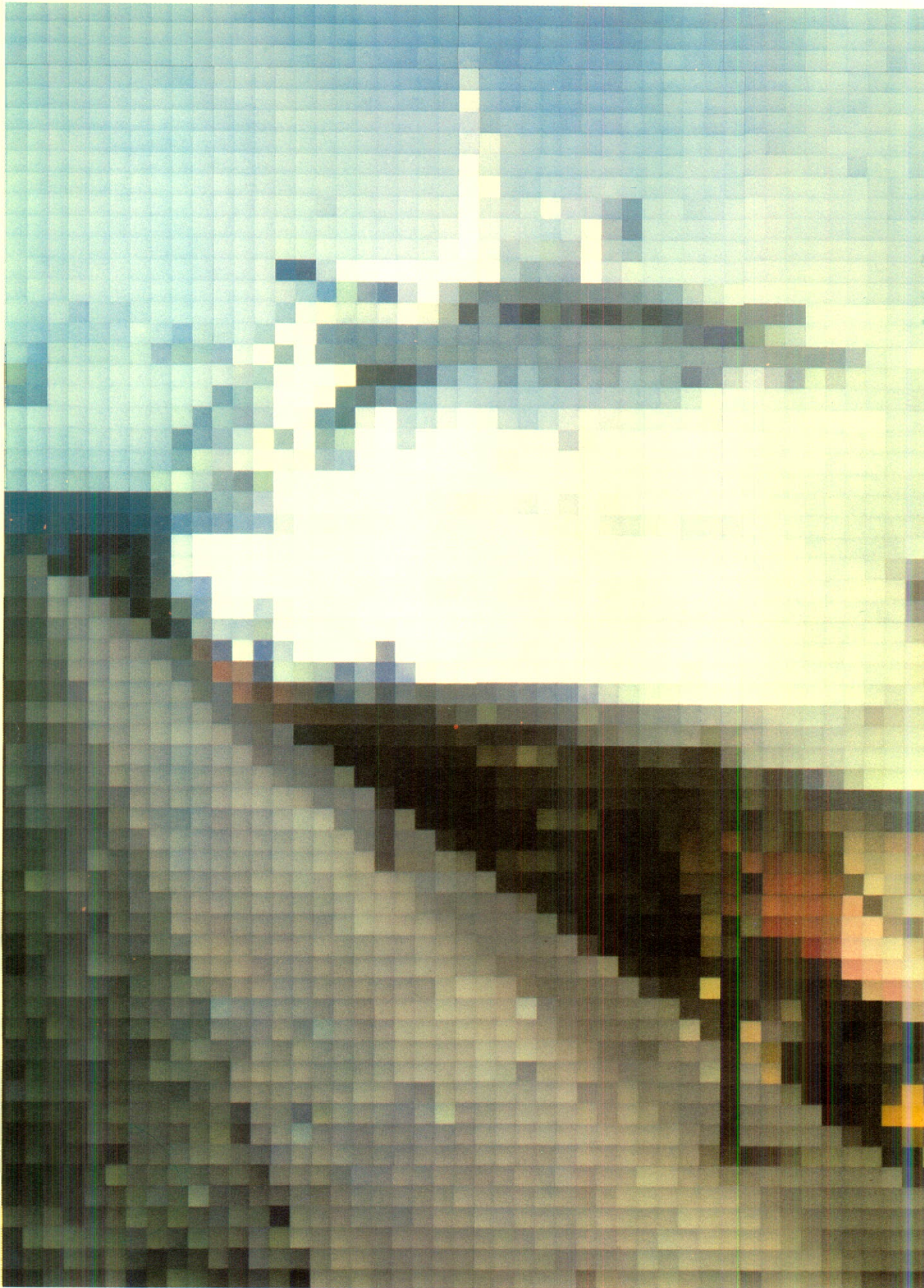
Adjustment of hydraulic system components which are standard equipment on all Versatile® four-wheel drive tractors.

An agreement was negotiated with an Australian implement supplier to provide a range of products which, combined with existing Versatile Toft equipment, will expand the company's ability to meet the requirements of sugar cane growers.

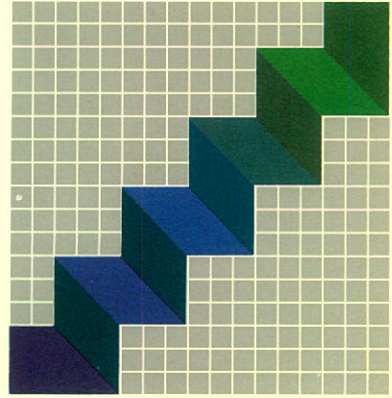
Versatile Toft Ltd. distributes its products through a world-wide network of dealers which in 1980 sold sugar cane harvesting equipment to new markets in Africa, the West Indies, the Middle and Far East as well as to new regions of the southern United States. The joint venture with M. Dedini S.A. Participacoes to manufacture sugar cane harvesters in Brazil has enabled the company to increase product distribution in South America.

Outlook

Agricultural operations will be in a strong position to respond to the expected increase in market demand in the year ahead. Expanded plants, new products and a unified approach to the Versatile identity which will increase product recognition will enable the company to benefit from the industry's positive outlook.



MARINE AND INDUSTRIAL OPERATIONS



Burrard Yarrows Corporation
Vancouver and Victoria
British Columbia

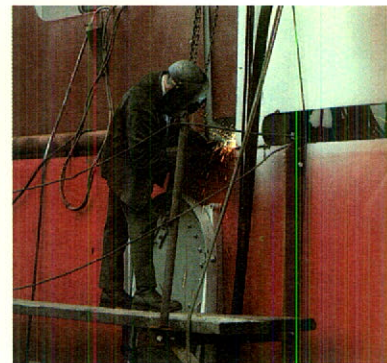
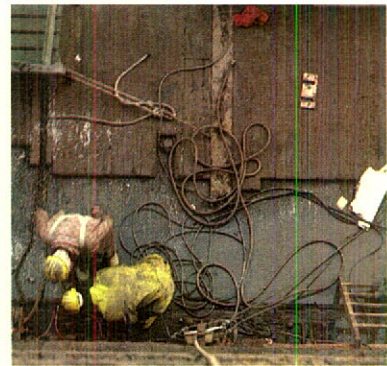
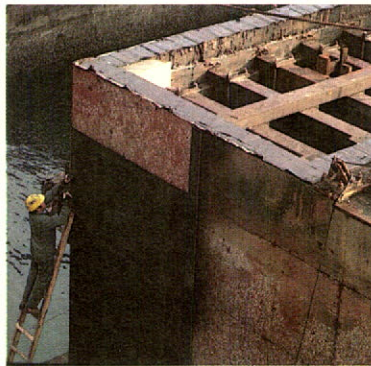
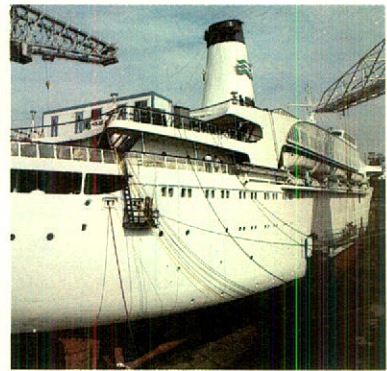
A strong performance by Burrard Yarrows Corporation included an increase in ship repair activity which was shared equally by the Vancouver and Victoria Divisions and was generated by both domestic and foreign customers.

Major contracts completed during the year were repairs to two foreign-flag bulk carriers that suffered extensive hull damage in separate grounding incidents, modifications to two coastal ferries to equip them for alternate routes, dry-dockings of two large containerships for sale inspection purposes, and a significant volume of navy refit work. In addition normal dry-docking and repairs to ships in harbour continued at satisfactory levels.

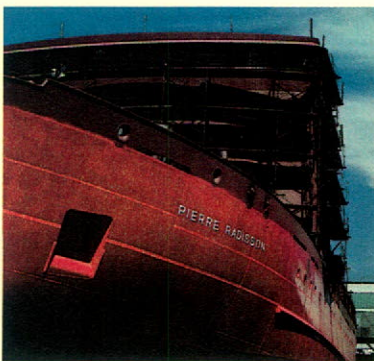
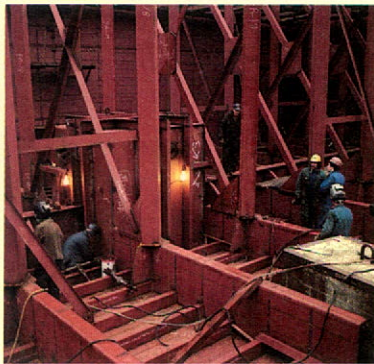
Construction of the new floating dry dock, a new 240-meter mooring pier, cranes, shops and installation of services is well underway and on schedule for completion in October 1981. The \$63.5 million cost of this project is being shared by the federal government and the company, with additional support provided by the provincial government.

These facilities will enable the company to handle deepsea ships of up to 75,000 dwt. in Vancouver and, coupled with operations in Victoria, should consolidate the position of Burrard Yarrows as Canada's leading ship repairer.

During the year the company made substantial progress on a \$58 million contract to build two 1,500 passenger "C" class ferries for the British Columbia Ferry Corporation. The first vessel, "Queen of Surrey", was launched in late August at the Vancouver Division and, after outfitting and trials, will be delivered in April 1981. The second vessel, "Queen of Oak Bay", was launched in late November at the Victoria Division and is scheduled for delivery in May 1981. In June the company was awarded a contract to construct a 15,000-ton self-loading and unloading log carrier and, in November, a \$19 million contract to modify two vessels for the British Columbia Ferry Corporation.



Burrard Yarrows is the largest repairer of foreign deepsea vessels in Canada. Ship repairing has averaged 43% of sales revenue over the past five years.

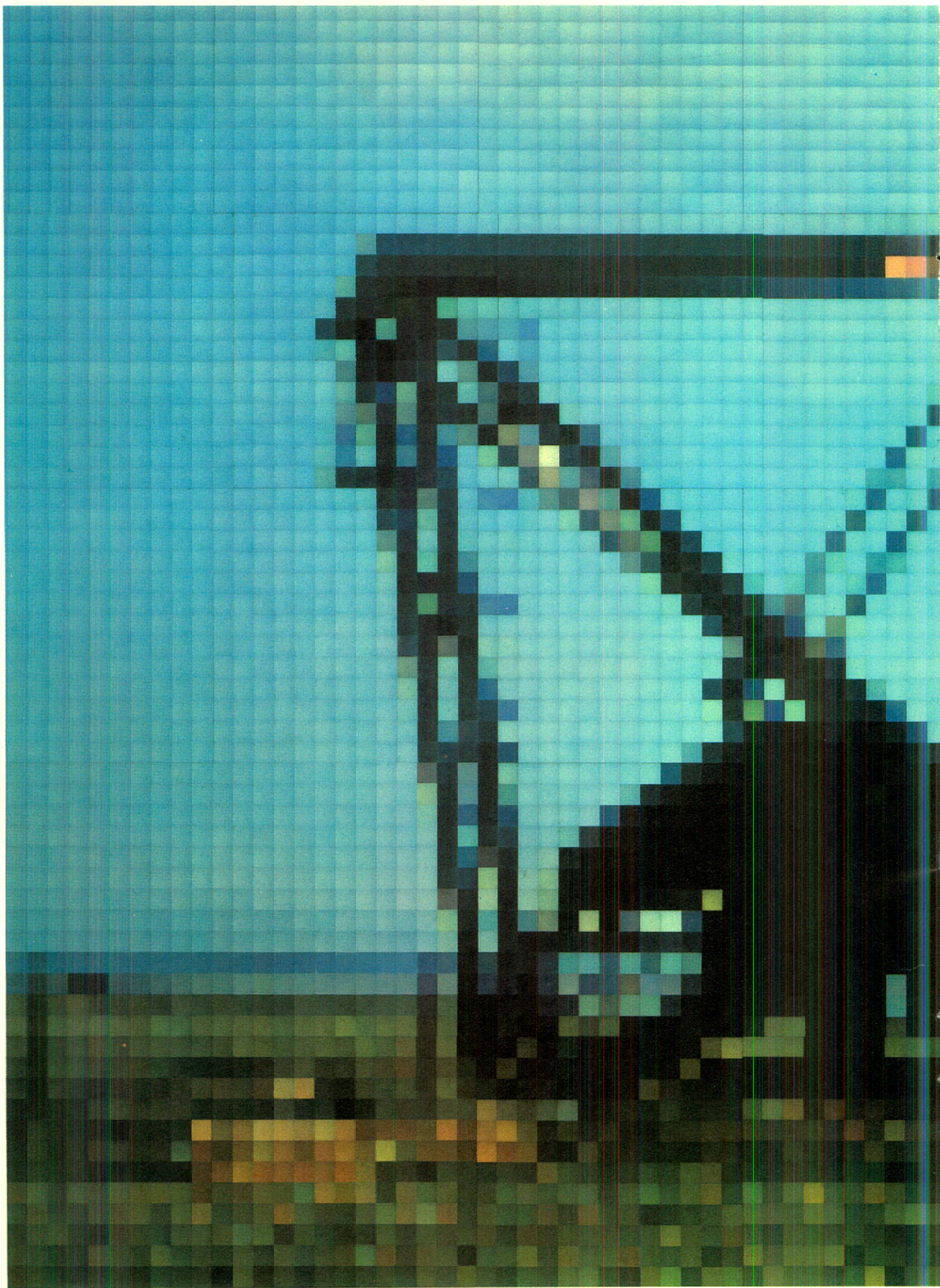


Shipbuilding activities at Burrard Yarrows include construction of specialized vessels such as ferries, icebreakers, tugs and barges.

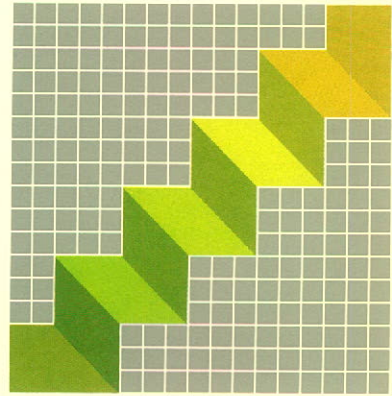
The products and services of the company's industrial sales division continued to receive good market acceptance, especially repairs to heavy machinery and tank fabrication for the forest products industry. This division benefits from the skills developed in the marine sector and gives the company a measure of stability against cyclical fluctuations.

Although the federal government's inconsistent approach to the shipbuilding subsidy causes great difficulties in planning, a number of promising opportunities will face Canadian shipbuilders during the next decade. These include the construction of specialized vessels and floating structures to assist in exploration and development of energy resources, construction of patrol frigates for Canada's armed forces, continued expansion of coastal transportation fleets and the development of a Canadian deepsea merchant marine.

The industry must begin now to upgrade its facilities and human resources if it is to respond to the volume and complexity of potential projects. For its part the government should indicate quickly its responsiveness to the industry's needs and concerns. In anticipation of this, Burrard Yarrows Corporation has already begun the upgrading process. Plans are being developed for further additions to the shipbuilding capacity as the market expands. Apprenticeship training programs will be expanded to help ensure an adequate supply of skilled tradesmen.



OIL AND GAS OPERATIONS



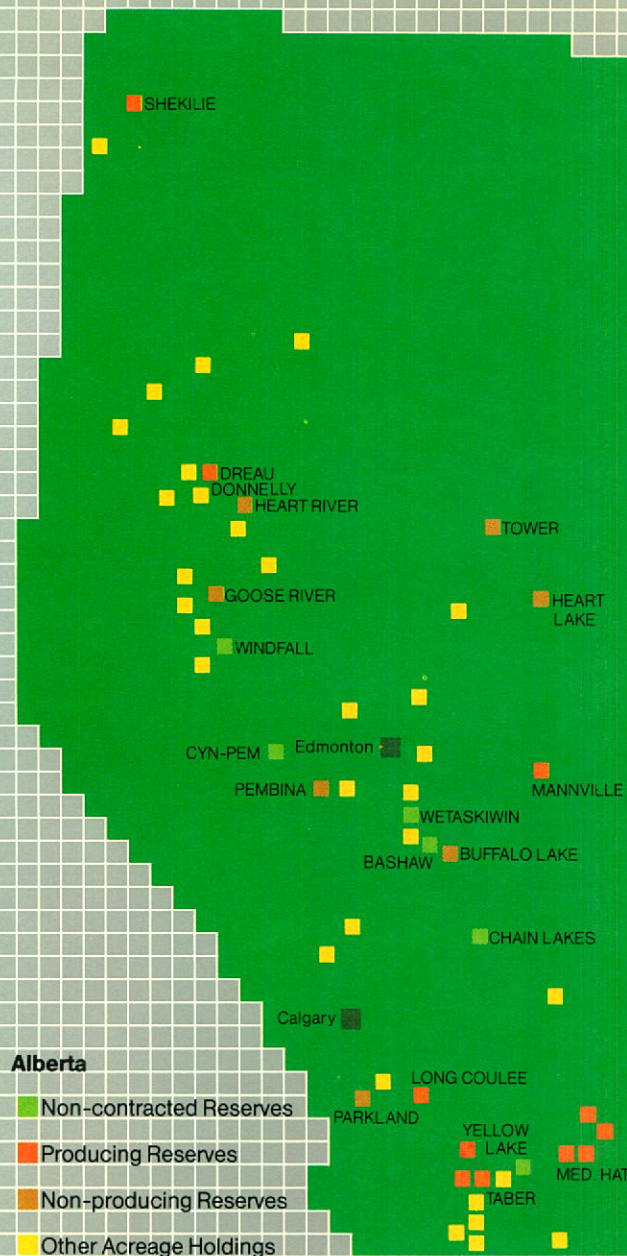
Bralorne Resources Limited
Calgary, Alberta

Accelerating demand for oil and gas exploration products and services in the United States, increased sales of Canadian natural gas at higher prices, acquisitions and volume growth in almost all profit centres highlighted a successful year for Bralorne.

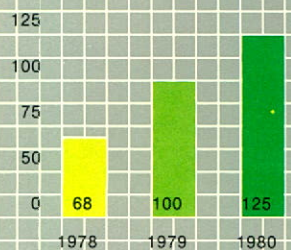
Total revenue reached \$239,964,000 in 1980, an increase of 71% over 1979. Cash flow was \$42,227,000 or \$2.07 per share, up 107% from 1979. Net income was \$20,520,000 or \$1.01 per share, a 91% increase over the previous year.

The 1980 capital investment program saw \$25 million invested in property, plant and equipment, more than double the amount spent in 1979. Oil and gas exploration expenditures of \$17 million were twice the 1979 level.

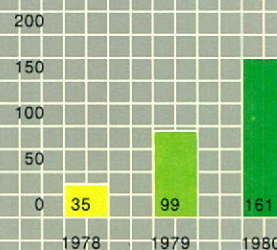
The strongest growth came from the company's holdings in the United States, which contributed half of total revenues and all four operating divisions, Oil and Gas, Manufacturing, Service and Supply, performed well throughout the year.



Natural Gas Reserves – Canada:
Proven and Probable
(billion cubic feet)



Value of Bralorne's petroleum and natural gas reserves
(\$ millions)



The worth of these reserves is calculated net of royalties and operating costs before taxes, discounted at 12%.

Three other notable developments occurred during 1980. In May, Bralorne stock was split three for one. At year end the number of common shares issued and outstanding was 20,516,130. During the third quarter the company issued to Canadian institutions \$40 million of 12 $\frac{7}{8}$ % fixed rate, secured 15-year debentures. Proceeds were used to repay long-term and short-term bank financing. In August the company entered into an agreement with E&B Explorations Inc. to launch a program to determine the viability of reopening the Bralorne gold mine in British Columbia. The mine ceased operations in 1971.

Manufacturing Group

Mark Products, Inc. and OMSCO Industries, Inc., both of Houston, Texas were two of the strongest performers in 1980. Both benefited from the growing demand for exploration products in the United States. Mark manufactures and sells geophones, connectors and cable used to gathering geophysical data. OMSCO manufactures drill collars and other oil field products.

One measure of strong growth is the rate of plant expansion. Early in 1980 Mark acquired an additional 60,000 square feet of space adjacent to its two other Houston plants and also opened a service facility in Denver. Custom Cable of Houston, a Mark subsidiary, added 20,000



Jarco Services Ltd. assembles, leases and services shock subs and patented hydraulic drilling jars from parts manufactured by others to Jarco's designs.

square feet of space and installed one of the world's largest cabling machines. Mark plans to increase production capacity at its Houston plants by an additional 50 percent by mid 1981. OMSCO expanded its plant in 1980 and plans further expansion this year.

A third Houston operation, Triangle Grinding, Inc., manufactures carbide cutting tools for the metal cutting industry. In 1980 Triangle acquired Myco Precision Machining, Inc., a Houston machine shop, to create its own in-house tool manufacturing capability.

Barber Industries Division of Calgary and Edmonton, Alberta also had a strong 1980. Barber completed a 50 percent expansion of its Calgary compressor packaging plant and added Engineered Oil Controls as a division. A new Bralorne affiliate, Barber Offshore Ltd., opened a tubular goods machine shop in St. John's, Newfoundland to service the East Coast drilling industry.

Service Group

A high demand for camp and catering services in Western Canada and the mid-year acquisition of Supreme Contractors, Inc. of Louisiana were key factors in the strong growth recorded by the Service Group.

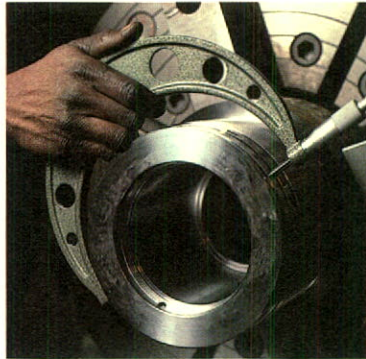
Custom Structures Division of Spruce Grove, Alberta leased additional temporary space in Calgary in 1980 and moved at year-end to a new 100,000 square foot plant in Claresholm, south of Calgary. During the year the Calgary staff worked on the backlog of orders for industrial relocatable housing and the Spruce Grove staff produced an all-steel camp for use in Alaska and a base camp for use by Imperial Oil Limited at Norman Wells, Northwest Territories.

Crown Caterers Division found strong demand for camps and catering services for petroleum exploration crews in Western Canada. Crown's rental housing fleet was expanded during the year.

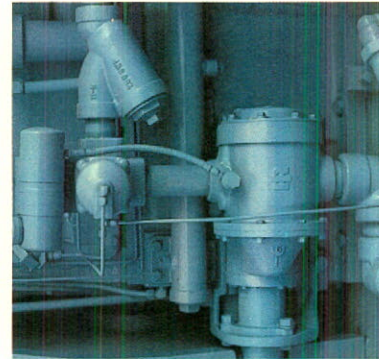
The acquisition of Supreme Contractors in August added considerable strength to the Service Group. Supreme is an oil field service company based in Lafayette, Louisiana. It provides a variety of services, including road and site preparation for drilling locations, and hook-up of production equipment during completion of oil and gas wells.



These downhole tools are used by the drilling industry world-wide.



Manual and numerically controlled lathes such as this one at Barber Industries' Calgary machine plant manufacture a wide variety of petroleum, petrochemical and mining products.



Close-up of a Barber Industries compressor unit: Barber designs, assembles, starts up and services complete natural gas compressor packages for the petroleum industry.

The Group is forecasting continued growth for 1981. It will seek to expand its presence in the United States through Supreme Contractors and through increased involvement by Crown Caterers and Custom Structures in American drilling activity.

Supply Group

The Supply Group was formed at the beginning of 1980 to expand Bralorne involvement in specialized products in manufacturing, rental and sales.

Jarco Services Ltd. of Calgary supplies downhole drilling tools to the drilling industry worldwide. During the year Jarco expanded the inventory of tools it leases. The company also expanded its markets in 1980 by opening an office in Singapore and a servicing facility in St. John's, Newfoundland.

Polesystems Ltd. of Calgary and Winnipeg continued to produce a variety of light standards and overhead traffic structures. It also completed a large order of power poles for Calgary's new Light Rail Transit system.

Oil and Gas Division

Successful drilling results in Canada and the United States and increased natural gas shipments at higher prices were this Division's highlights in 1980.

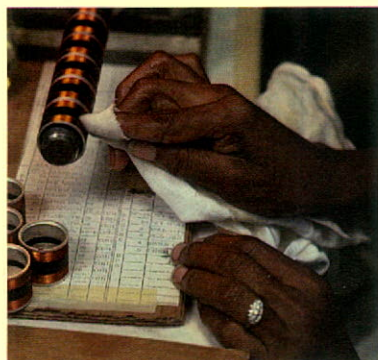
Also of considerable significance were independent assessments of Bralorne natural gas and oil reserves in Canada and the United States.

In Canada, natural gas reserves were 147 billion cubic feet, and oil and natural gas liquids were 1,250,000 barrels for a total value of \$161,721,000. In the United States, natural gas reserves were 2 billion cubic feet, and oil and gas liquids were 440,000 barrels, for a total value of \$11,773,000.

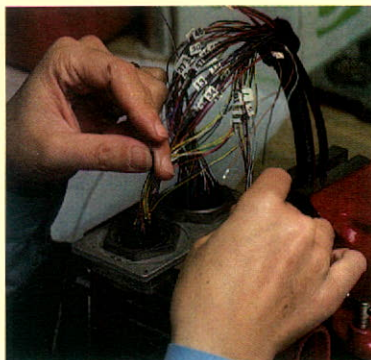
Canadian natural gas production increased steadily during 1980. Average production in 1979 was 9.9 million cubic feet per day. Early in 1980 that figure rose to 17 million cubic feet per day and by year-end had reached 18.8 million cubic feet per day. Average production during 1980 was 14.5 million cubic feet per day.

Canadian oil production averaged 200 barrels per day at year-end 1980, up slightly from 190 barrels per day at year-end 1979.

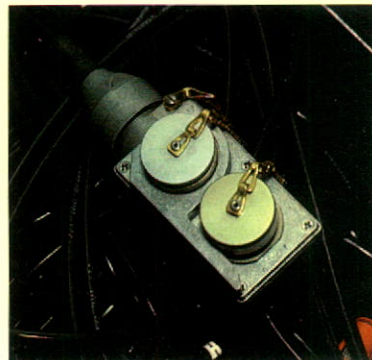
In 1980 Bralorne participated in the drilling of 80 gross wells in Canada. At Medicine Hat, Alberta, 56 of 63 development wells drilled were successful, as were 13 of the 17 exploratory wells drilled in Alberta. One of the most important was the success at Donnelly, about 70 kilometers south of Peace River, Alberta. Bralorne and C-I-L Inc., as equal partners, hold a 100% interest in 24,000 contiguous acres in the area. Three wells completed in the first half of 1980 indicated natural gas reserves in the order of 10 billion cubic feet per drillsite. Four additional wells were drilled in the fourth quarter with satisfactory results.



The inner coils of Mark Products, Inc.'s geophones are hand wound to exacting specifications.



Connectors are used to join sections of seismic cables together while preserving the individual characteristics of electrical signals from each string of geophones.



This is one of Mark Products, Inc.'s patented Amphib connectors.

Bralorne Highlights

	1980	1979
Gross revenue	\$239.9 million	\$140.7 million
Cash flow from operations	\$ 42.2 million	\$ 20.4 million
Per share	\$2.07	\$1.02
Net income	\$ 20.5 million	\$ 10.7 million
Per share	\$1.01	54 cents
Shareholders' equity	\$ 63.5 million	\$ 41.9 million
Per share	\$3.10	\$2.09
Return on average shareholders' equity	39%	29%
Dividends	\$ 2.0 million	\$1.3 million
Per share	10 cents	7 cents
Capital asset expenditures		
Oil and Gas in Canada	\$13.9 million	\$6.1 million
Oil and Gas in United States	\$ 3.1 million	\$1.5 million
Total Oil and Gas	\$17.0 million	\$7.6 million
Property, plant and equipment	\$25.0 million	\$11.4 million
Acquisition	\$ 9.6 million	\$ 4.9 million
Net reserves at December 31		
Natural gas in Canada	147 billion cubic feet	100 billion cubic feet
Crude oil and natural gas liquids in Canada	1,250,000 barrels	1,027,000 barrels

All net earnings per common share are based on the average number of shares outstanding to reflect the 3 for 1 share split in May 1980.

Total oil and gas expenditures in Canada in 1980 were approximately \$13.9 million, including \$6 million for land acquisition, adding approximately 35,000 net acres, \$0.2 million for geophysical work, and \$7.7 million for development and exploration work.

A new joint venture program for exploration in Alberta brings together C-I-L Inc., Versatile Corporation, ICI Petroleum (Canada) Inc. and Bralorne as managing partner. An initial expenditure of \$70 million by the four partners is anticipated.

Oil and gas expenditures in Canada in 1981 will be comparable to the prior year. Activity in the United States increased in 1980 with

participation in the drilling of 18 wells on shore in Texas and Louisiana, representing an expenditure of approximately \$3 million. Six of these wells were completed as oil wells and five as gas wells.

OTHER OPERATIONS



Versatile Cold Storage Corporation operates nine public cold storage warehouses in British Columbia and Alberta.

Versatile Cold Storage Corporation

*Vancouver, British Columbia
B.C. Ice and Cold Storage Division
Operating Plants:
Corpak
Harbour
Kiwood
Valley
Vancouver Cold Storage: East
Gore, West Gore, Terminal Avenue*

*Alberta Cold Storage Division
Operating Plants:
Alberta Cold Storage
Merchant's Cold Storage*

During 1980 Versatile Cold Storage Corporation increased revenues substantially. An improved fruit and vegetable crop and generally increased demand for storage space contributed to the company's strong financial performance.

In addition the lower value of the Canadian dollar contributed to higher storage levels at the Corpak plant as American and Canadian buyers purchased more produce in British Columbia than in the northern Washington area.

Economic difficulties in the frozen fish and roe herring markets resulted in lower fish handling and storage levels in July and August. A strong salmon fishing season led to some recovery through September and October.

Major acquisitions completed in 1980 and early 1981 reinforced the company's position in its industry. The purchase of Kiwood Industries Ltd. of Delta, B.C. provided an important presence in the Fraser Delta fish processing market. The acquisition of the assets of Alberta Cold Storage Ltd. extended the company's market into Alberta with a modern plant in Edmonton and a strong market foundation in Calgary. Expansion into the Calgary market was further strengthened by the acquisition of N.H. Clauson Storage Co. Ltd. early in 1981.

The company was reorganized into two divisions, B.C. Ice and Cold Storage Division and Alberta Cold Storage Division, operating under Versatile Cold Storage Corporation. The Alberta division will concentrate primarily on the storage of frozen meat and the development of the distribution side of the industry. Alberta is a dynamic market with a rapidly growing population and the company sees significant growth prospects there and in the adjacent Northwest Territories.

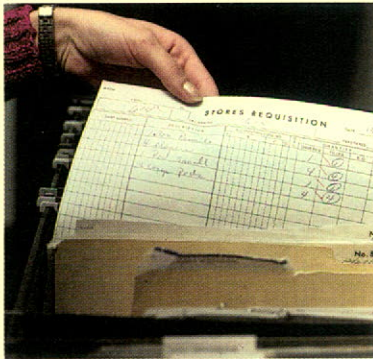
Gains in plant productivity continued in 1980 resulting from improved handling, equipment, organization and computer information control. The four-year program to computerize storage information in the British Columbia division was nearly completed in 1980 and plans are now underway to install the system in the new plants.



The company offers customers approximately 10 million cubic feet of storage space.

Frozen foods distribution, fruit and vegetable freezing, fish processing and meat distribution are among the Company's principal activities.

In 1981 management will focus primarily on maintaining and improving productivity levels, identifying new acquisition targets and plant improvements to conserve energy.



Purchases of Versatile farm equipment in Canada and the United States are facilitated by Versatile Credit Corporation. Offices are located in Winnipeg and Kansas City.

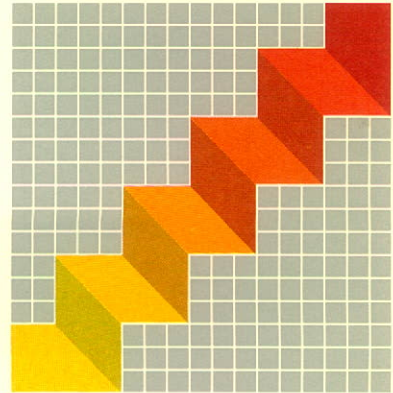
Versatile Credit Corporation

*Winnipeg, Manitoba
Kansas City, Missouri*

Versatile Credit Corporation provides retail financing and leasing facilities to the buyers of Versatile agricultural equipment. The volume of credit business written in the United States increased markedly during 1980 the second full year of the company's operations. Canadian operations commenced in July 1980 with the incorporation of Versatile Credit Corporation. Canadian dealers and farmers were quick to accept the programs which, by year end, had shown impressive market penetration.

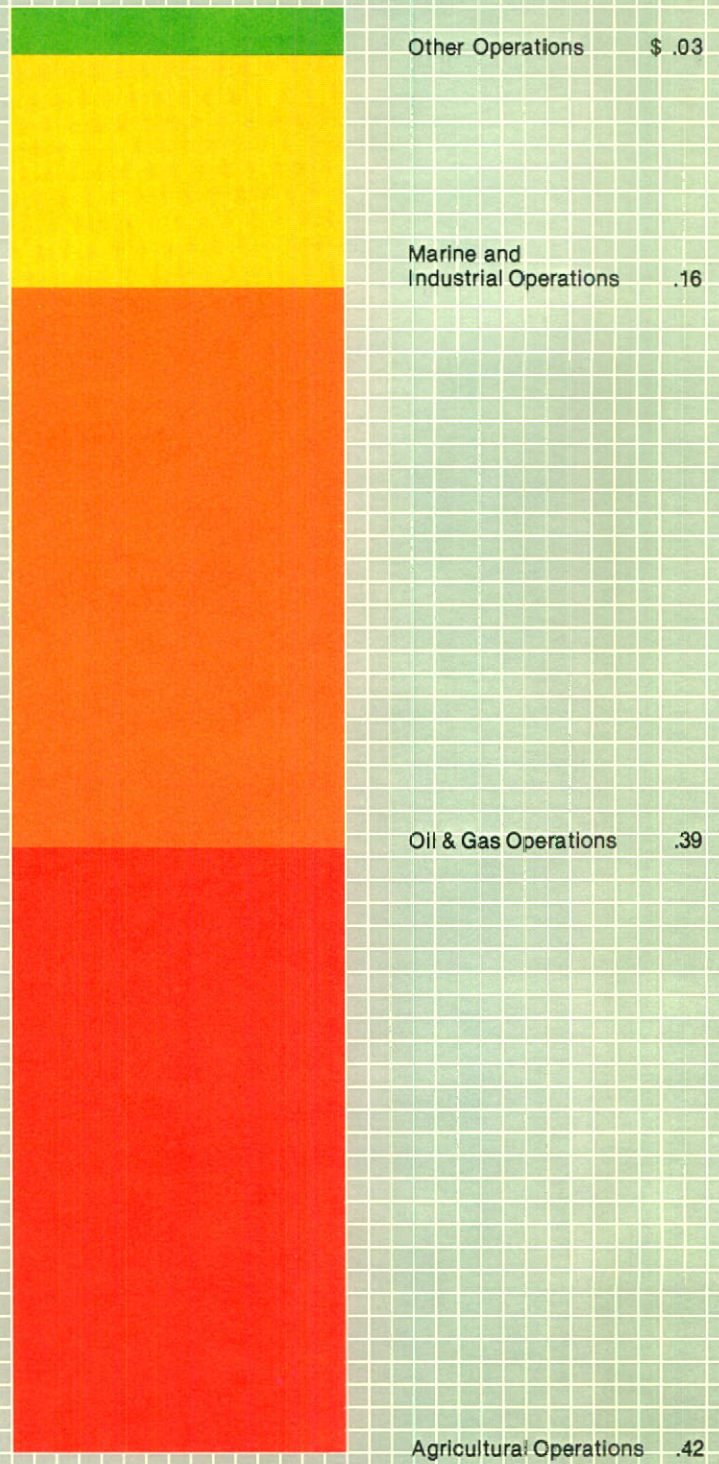
Three of the factors to which this growth can be attributed are applicable in both countries. Money market conditions in North America increased the restrictions on bank loans available to the agricultural community. The energy crisis increased costs of fuel and fertilizers to such an extent that credit needs exceeded available bank funds in much of the market area. Leasing is gaining wider acceptance in the agricultural field with a variety of leasing options available to dealers and customers.

During 1981 marketing and advertising programs will continue to be coordinated at Versatile Farm Equipment Company and its dealer organization in order to provide more complete service for customers. In addition sales finance programs designed specifically for the Versatile Noble and Versatile Toft product lines will be introduced.



The 1980 Revenue Dollar

Source





FINANCIAL REVIEW

Earnings

All groups or divisions of the Company contributed to the improved earnings for the year.

Note 17 to the financial statements sets out earnings data for 1980 in both industry and geographic segments. In future years this note will include the prior year's figures for comparative purposes.

Foreign Exchange

The earnings for the year were improved by a net gain on foreign exchange in the amount of \$1,070,000 whereas the 1979 results were reduced by losses on foreign exchange amounting to \$1,464,000.

The acquisition of Versatile Toft Ltd. based in Australia, together with the continued volatility in exchange rates, increases the Company's exposure to exchange adjustments, which result to a material extent from the translation at current exchange rates of the working capital of foreign subsidiaries.

While such exchange adjustments are included in earnings, the Company considers that their effect, whether positive or negative, is not a measure of its operating performance.

Income Taxes

The effective income tax rate in 1980 was 41.9%, compared to a rate of 43.1% in 1979. While the actual Canadian tax rate increased in 1980 due to the federal surtax on corporate income, the effective tax rate went down because of the increased impact in 1980 of the investment tax credit, the 3% inventory allowance and the research

and development incentive programs.

The deferred income tax account appearing in the current assets section of the balance sheet arises principally from the elimination from consolidated earnings of profits on intercompany sales and from warranty and other provisions reflected in the accounts which are not normally deductible for income tax purposes until the disbursements are actually made.

During 1980 the Company acquired certain subsidiaries which are in a position to utilize losses incurred in prior years for purposes of computing income taxes on future earnings. The consolidated earnings for the year include such income and the resulting income tax reduction is disclosed as an extraordinary item in the earnings statement.

Earnings Per Common Share

With the continuance of the Company under federal jurisdiction and the stock dividend of one Class A common share for every Class B common share held on February 16, 1981, the reporting of earnings per common share has been altered from the basis used in the 1980 quarterly reports. Also the Company is required to disclose earnings per share before and after giving effect to the income tax reduction referred to above. The table at right sets out the 1980 and 1979 earnings per share calculations on the new or 1981 basis, that is after giving effect to the Class A common share stock dividend, and on the old or 1980 basis which reflects the common shares which were outstanding during 1980 after the stock split in May of that year. Both bases show the calculations before and after the effect of the income tax reduction.

	New Basis		Old Basis	
	1980	1979	1980	1979
	(dollars per common share)			
Actual earnings				
<i>before income tax reduction</i>	1.42	1.09	2.84	2.19
<i>after income tax reduction</i>	1.51	1.09	3.02	2.19
Fully diluted earnings				
<i>before income tax reduction</i>	1.25	0.95	2.50	1.90
<i>after income tax reduction</i>	1.33	0.95	2.66	1.90
For the purposes of the Annual Report, all references to earnings per common share are on the new basis.				
The actual earnings per common share, after giving effect to the income tax reduction, in each quarter of 1980 and 1979 are given below.				
			1980	1979
			(dollars per common share)	
First quarter			0.36	0.24
Second quarter			0.33	0.32
Third quarter			0.25	0.21
Fourth quarter			0.57	0.32
			1.51	1.09

Working Capital

Net working capital increased by \$27.5 million in 1980 to a level of \$121.6 million at December 31, 1980. While the increase in 1980 was almost equal to that of 1979, it took place after accounting for capital expenditures of \$65.4 million and advances to the finance companies of \$25.1 million, offset in part by a net increase in long-term debt of \$46.8 million.

Bank Loans

The Company's operating lines of credit were renegotiated during 1980 so that any borrowings under them no longer require security. At the end of the year these lines were not being utilized. However, on December 31, 1980 certain of the subsidiaries were using the lines of credit available to them and these loans are secured by charges on the assets of the individual companies.

Long-Term Debt

Through a term loan secured by an issue of Series C Debentures, the Company raised \$25 million to assist in the financing of the expansion of the farm equipment manufacturing facilities in Winnipeg and in the construction of the new floating dry dock at the shipyards in Vancouver. In addition Bralorne Resources Limited refinanced \$40 million to repay long- and short-term bank financing.

The table at right summarizes the debt: equity ratios in 1980 and 1979 for Bralorne, Versatile with Bralorne at equity, and Versatile fully consolidated.

These calculations are based on the historical cost figures contained in the consolidated balance sheet and do not reflect the current values of the underlying assets which, however, are recognized by the companies' lenders.

Versatile's main activities, through its divisions and wholly-owned subsidiaries, are in the manufacturing and service fields. The consolidation of 58% owned Bralorne Resources Limited and its subsidiaries brings to the group of companies a dimension not generally

	Long-term Debt	Shareholders Equity	Debt: Equity Ratio
	(thousands of dollars)		
Bralorne			
December 31, 1979	\$ 41,124	\$ 41,883	50:50
December 31, 1980	\$ 83,700	\$ 63,560	57:43
Versatile with Bralorne at equity			
December 31, 1979	\$ 44,091	\$ 94,923	32:68
December 31, 1980	\$ 65,068	\$ 127,230	34:66
Versatile (fully consolidated)			
December 31, 1979	\$ 85,215	\$ 94,923	47:53
December 31, 1980	\$ 148,768	\$ 127,230	54:46

contained in a manufacturing business. Of the total consolidated long-term debt, the sum of \$83.7 million relates to Bralorne and is supported by \$173.4 million in oil and gas reserves which are recognized for borrowing purposes but exceed recorded asset values by \$131.4 million.

It is ironic to note that, if Versatile's investment in Bralorne were less than 50%, Bralorne's debt would not show in Versatile's consolidated balance sheet and the debt: equity ratio would be reduced. If the

actual investment in Bralorne were recorded on the equity basis (cost plus the equity in undistributed earnings), it would be shown at \$38.5 million; that value compares with a market value of \$193.8 million at December 31, 1980.

Dividends and Warrants

The dividend declarations reflected in the financial statements are for three quarters only. The dividends for the first quarter of 1981 were declared at a meeting of the Board of Directors held on February 17, 1981 while the dividends for the first quarter of 1980 were declared in the last quarter of 1979.

It is to be noted that the references to the Common Share Warrants in the financial statements and this Report are to the full warrants which have not been subdivided by the Board of Directors at any time since issue. Each warrant is the equivalent of two "half warrants" as have been traded on the stock exchanges since May 1980.

FINANCIAL STATEMENTS

Versatile Corporation
CONSOLIDATED BALANCE SHEET
as at December 31, 1980
(in thousands of dollars)

Assets	1980	1979
Current Assets		
Short-term deposits and marketable securities, at cost	\$ 9,744	\$ 25,202
Accounts receivable	141,773	96,387
Inventories (note 3)	120,159	96,256
Prepaid expenses	4,086	2,290
Deferred income taxes	10,003	6,476
	<u>285,765</u>	<u>226,611</u>
Investments and Loans		
Investment and advances—finance subsidiaries	37,021	12,246
Employee share purchase plan loans (note 4)	4,623	1,820
Long-term receivables and other assets	3,264	2,472
	<u>44,908</u>	<u>16,538</u>
Fixed Assets (note 5)	151,980	95,001
Intangible Assets and Deferred Charges		
Goodwill	24,092	10,558
Patents	1,481	1,547
Financing costs	1,027	642
	<u>26,600</u>	<u>12,747</u>
	<u>\$509,253</u>	<u>\$350,897</u>

Auditors' Report
To the Shareholders of
Versatile Corporation

We have examined the consolidated balance sheet of Versatile Corporation as at December 31, 1980 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 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, 1980 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.

Thorne Riddell
Chartered Accountants
Vancouver, Canada
February 26, 1981

Liabilities

1980

1979

Current Liabilities

Bank loans (note 6)	\$ 34,862	\$ 20,669
Accounts payable and accrued liabilities	106,637	82,560
Income taxes payable	20,842	20,130
Dividends payable	424	1,716
Current portion of long-term debt	1,359	7,350
	<u>164,124</u>	<u>132,425</u>

Long-Term Debt (note 7)

148,768 85,215

Deferred Income Taxes

25,715 14,871

Minority Interests

43,416 23,463

217,899 123,549**Shareholders' Equity****Share Capital (note 8)**

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

100,000,000 common shares
without par value

Outstanding

1,712,015 Series A preferred
shares, at \$15.00

per share

25,680 26,714

11,352,964 common shares

17,991 15,103

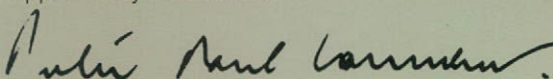
**Earnings Reinvested
in the Business**

83,559 53,106

127,230 94,923\$509,253 \$350,897

Contingent liabilities, commitments and subsequent events
(notes 11, 12 and 13)

Approved by the Directors



PETER PAUL SAUNDERS Director



RONALD L. CLIFF, C.A. Director

Versatile Corporation
CONSOLIDATED STATEMENT OF EARNINGS AND EARNINGS REINVESTED IN THE BUSINESS
Year ended December 31, 1980
(in thousands of dollars)

		1980	1979
Revenue	Manufacturing	\$505,288	\$360,349
	Service	104,213	54,195
		<u>609,501</u>	<u>414,544</u>
Costs and expenses	Cost of sales	429,034	294,047
	Selling, general and administrative	65,919	45,390
	Long-term debt interest	14,135	8,486
	Other interest	9,709	3,687
	Depreciation, depletion and amortization	14,935	8,069
		<u>533,732</u>	<u>359,679</u>
Earnings from operations		75,769	54,865
Other income (expenses)	Interest	2,099	2,331
	Gain (loss) on foreign exchange	1,070	(1,464)
	Gain on sale of fixed assets	1,061	794
	Other	(172)	(1,096)
		<u>4,058</u>	<u>565</u>
		79,827	55,430
Income taxes	Current	27,207	24,427
	Deferred	6,259	(547)
		<u>33,466</u>	<u>23,880</u>
Earnings before undernoted items		46,361	31,550
	Minority interests	12,493	5,496
Earnings before extraordinary item		33,868	26,054
	Income tax reduction on utilization of prior years' losses of newly acquired subsidiaries	1,980	-
Net earnings		35,848	26,054
Earnings reinvested in the business at beginning of year		53,106	32,556
		<u>88,954</u>	<u>58,610</u>
	Dividends declared (note 10)		
	Preferred shares	1,825	2,523
	Common shares	3,570	2,981
		<u>5,395</u>	<u>5,504</u>
Earnings reinvested in the business at end of year		\$ 83,559	\$ 53,106

Earnings per common share (note 9)

Versatile Corporation
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
 Year ended December 31, 1980
 (in thousands of dollars)

	1980	1979
Working Capital Derived from		
Operations		
Net earnings	\$ 35,848	\$26,054
Items not affecting working capital		
Depreciation, depletion and amortization	14,935	8,069
Deferred income taxes	9,786	4,698
Minority interests	12,493	5,496
Other	(745)	(316)
	72,317	44,001
Increase in long-term debt	109,219	28,085
Proceeds from sale of fixed assets	6,923	3,677
Increase (decrease) in minority interests	7,605	(656)
Proceeds from issue of common shares	1,817	1,374
Other	326	(1,347)
	198,207	75,134
Working Capital Applied to		
Business acquisitions, net of working capital	2,078	6,831
Additions to fixed assets	65,428	27,663
Reduction of long-term debt	62,394	10,534
Increase (decrease) in investment and advances – finance subsidiaries	25,115	(4,477)
Intangible assets and deferred charges	7,644	141
Cash dividends declared	4,324	5,504
Employee share purchase plan loans	2,803	915
Redemption of preferred shares	966	525
	170,752	47,636
Increase in Working Capital	27,455	27,498
Working Capital at Beginning of Year	94,186	66,688
Working Capital at End of Year	\$121,641	\$94,186

Versatile Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 1980

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 (see note 15) and to adopt the equity method of accounting for the finance subsidiaries. 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 year end 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 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 year end 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) Fixed assets

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 fixed assets 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 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 40 year period.

Patents are being amortized over a period of 17 years.

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

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

Versatile Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 1980

2. Acquisitions

Effective January 1, 1980 the Company acquired all the shares of Toft Bros. Industries Limited, a manufacturer of sugar cane harvesting and related tillage equipment, located in Australia. Effective July 1, 1980 Bralorne Resources Limited acquired all the outstanding shares of Supreme Contractors, Inc., a company engaged in road and drill site preparation in Southern Louisiana and East Texas. The Company also acquired assets and shares of businesses involved in cold storage operations.

These acquisitions have been accounted for on the purchase method, with the operating results from the dates 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 at right:

Assets acquired	(in thousands of dollars)
<i>Fixed assets</i>	\$12,111
<i>Other assets</i>	1,023
<i>Goodwill</i>	6,878
	<hr/> 20,012
Deduct	
<i>Long-term debt</i>	16,876
<i>Deferred income taxes</i>	1,058
	<hr/> 17,934
	<hr/> 2,078
Working capital acquired	13,584
Total consideration	<hr/> \$15,662

The consideration was settled in cash and notes payable.

3. Inventories

	1980	1979
	(in thousands of dollars)	
Finished goods	\$ 32,448	\$25,560
Work-in-process	36,302	26,493
Raw materials and supplies	51,409	44,203
	<hr/> \$120,159	<hr/> \$96,256

4. Employee Share Purchase Plan Loans

The Company 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 the market price. These loans are repayable over varying terms up to eleven years.

Versatile Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 1980

5. Fixed Assets

	1980		1979	
	Cost	Accumulated depreciation and depletion	Net	Net
	(in thousands of dollars)			
Agricultural operations				
Land	\$ 4,787	\$ —	\$ 4,787	\$ 1,375
Buildings	18,488	3,388	15,100	8,867
Machinery and equipment	21,586	8,128	13,458	7,969
	44,861	11,516	33,345	18,211
Marine and industrial operations				
Land	1,458	—	1,458	1,201
Floating drydocks, piers and buildings	12,489	8,467	4,022	1,034
Machinery and equipment	10,841	9,621	1,220	1,137
	24,788	18,088	6,700	3,372
Oil and gas operations				
Land	3,918	—	3,918	3,347
Buildings	13,191	2,051	11,140	6,328
Machinery and equipment	53,733	13,178	40,555	29,011
Oil and gas interests	53,285	6,818	46,467	26,601
Mining interests	941	—	941	946
	125,068	22,047	103,021	66,233
Other				
Land and foreshore leases	585	22	563	579
Buildings	9,691	3,312	6,379	5,095
Machinery and equipment	5,644	3,672	1,972	1,511
	15,920	7,006	8,914	7,185
Total	\$210,637	\$58,657	\$151,980	\$95,001

6. Current Bank Loans

The outstanding bank loans were made to subsidiary companies and are secured by charges on certain fixed and other assets of these subsidiaries. When the Company borrows, its bank loans are unsecured.

7. Long-Term Debt

	1980	1979
	(in thousands of dollars)	
Bonds and debentures		
11% Series A sinking fund debentures, maturing 1993	\$ 18,697	\$19,168
10% Series B debentures, maturing 1986 (U.S. \$15,000,000)	17,712	17,712
9¾% sinking fund secured bonds, maturing 1987	2,824	2,874
13.14% term loan secured by Series C debentures, maturing 1985	25,000	—
6% to 7½% Industrial Development Revenue Bonds (U.S. \$1,340,000; 1979—\$2,315,000)	1,572	2,548
12½% Series A sinking fund secured debentures, maturing 1995	40,000	—
	<u>105,805</u>	<u>42,302</u>
Secured notes		
Bearing interest at varying rates (average rate at December 31, 1980—8.1%; 1979—11.2%) (U.S. \$8,808,000)	10,352	12,128
Bank loans		
Bearing interest at varying rates (average rate at December 31, 1980—20.9%; 1979—15.3%) (U.S. \$28,300,000)	32,770	36,741
Other	1,200	1,394
Total	<u>150,127</u>	<u>92,565</u>
Less current portion included in current liabilities	<u>1,359</u>	<u>7,350</u>
	<u>\$148,768</u>	<u>\$85,215</u>
Payments due on long-term debt for the next five years are:	1981	\$ 1,359,000
	1982	6,687,000
	1983	12,027,000
	1984	10,899,000
	1985	39,482,000

The long-term debt is secured by notes, debentures or charges on certain fixed and other assets.

Versatile Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 1980

8. Share Capital

Changes in common shares during the year, after giving retroactive effect to the two for one stock split from January 1, 1980, were as follows:

	Shares	Amount (thousands of dollars)
Balance outstanding at beginning of year	10,867,682	\$15,103
Shares issued		
For warrants	400,822	1,453
As stock dividends	60,385	1,071
Employee share purchase plan	24,075	364
Balance outstanding at end of year	11,352,964	\$17,991

During the year 68,900 of the \$1.40 Series A preferred shares were purchased for cancellation for a consideration of \$966,000. 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.

The dividend rights of the common shareholders were changed during the year to include the right to receive dividends in either cash or stock.

There are warrants outstanding at December 31, 1980 entitling the holders thereof to purchase 1,390,755 common shares at \$7.25 for every two shares, to July 29, 1983.

9. Earnings Per Common Share

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 basis 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.

Earnings per common share, after giving effect to the class A common share stock dividend on the class B common shares in 1981 (see note 13[a]), are:

	1980	1979
Net earnings per common share		
Before extraordinary item	\$1.42	\$1.09
After extraordinary item	\$1.51	\$1.09
Fully diluted earnings per common share		
Before extraordinary item	\$1.25	\$.95
After extraordinary item	\$1.33	\$.95
Earnings per common share based on the common shares outstanding during 1980 are:		
	1980	1979
Net earnings per common share		
Before extraordinary item	\$2.84	\$2.19
After extraordinary item	\$3.02	\$2.19
Fully diluted earnings per common share		
Before extraordinary item	\$2.50	\$1.90
After extraordinary item	\$2.66	\$1.90

10. Dividends	During the year the Company paid the equivalent of 39½ cents per common share (1979-25 cents)	based on the 1980 common shares outstanding.
11. 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 Company's pension plans indicate that there are no material unfunded liabilities.
12. Commitments	(a) A subsidiary company has awarded contracts for the construction of a 204 metre floating dry dock and related facilities estimated to cost \$63,500,000, and to be substantially complete by November 30, 1981. Federal and provincial government contributions towards this project are forecast to total \$47,600,000. At December 31, 1980 the estimated costs of completion of the dry dock and related facilities were \$46,400,000, and the	related government grants were \$33,500,000. Under the terms of the contribution agreement, the Federal government is entitled to receive a portion of any eventual proceeds of disposition. (b) The Company and Bralorne Resources Limited have undertaken to spend approximately \$34,000,000 by July 1, 1983 as partners with others in a joint venture for the exploration and development of petroleum resources.
13. Subsequent Events	(a) In January 1981, the Company was continued under the Canada Business Corporations Act, under the name Versatile Corporation. In addition, the common shares were redesignated as Class B common shares and a new class of Class A common shares was created. The rights and restrictions applicable to the Class A and Class B common shares are identical except that the Class A common shares are entitled to one vote per share whereas the Class B common	shares are entitled to ten votes per share. A stock dividend of one Class A common share for each class B common share held was declared to shareholders of record on February 16, 1981. (b) In February 1981 the Company agreed that it would acquire all the outstanding shares of Vickers Canada Inc. of Montreal, a company specializing in industrial manufacturing, fabrication, machining and assembly operations and ship repair and marine design services.
14. Remuneration of Directors and Senior Officers		
		1980 Number Amount
Aggregate remuneration paid to directors and senior officers	18	\$864,600
Amount included above for remuneration of directors as directors	12	\$ 76,500
		1979 Number Amount
	19	\$788,351
	12	\$ 76,200

Versatile Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 1980

15. Supplementary Information

The significant financial information relating to the operations of the finance subsidiaries for 1980 and 1979 is as follows:

	1980	1979
	(in thousands of dollars)	
Gross income	\$ 2,288	\$ 2,932
Loss for the year	\$ 340	\$ 361
Investment in mortgages, properties, finance contracts and leases	\$ 40,082	\$11,519
Amount owing from (to) Versatile Corporation	\$(22,414)	\$ 2,701
Note payable	\$ 1,000	—
Long-term debt	\$ 1,255	\$ 2,335
Shareholders' equity	\$ 14,749	\$15,089

17. Segmented Information 1980
(in thousands of dollars)

Industry Segments

	Agricultural Operations	Marine and Industrial Operations	Oil and Gas Operations	Other
Revenue				
External sales	\$253,989	\$99,725	\$239,964	\$15,823
Inter-segment sales	—	—	—	—
	\$253,989	\$99,725	\$239,964	\$15,823
Earnings				
Operating profit (before unallocated items)	\$ 36,889	\$ 6,933	\$ 54,686	\$ 3,929
General corporate expenses				
Interest expense				
Other income (expenses)				
Income taxes				
Minority interests				
Extraordinary item – income tax reduction				
Net earnings per financial statements				
Identifiable assets				
Segment assets	\$186,810	\$25,275	\$239,056	\$ 10,975
Corporate assets				
Investments and advances – finance subsidiaries				
Total assets per financial statements				
Capital expenditures	\$ 14,686	\$ 4,012	\$ 45,435	\$ 1,295
Depreciation, depletion and amortization	\$ 3,072	\$ 471	\$ 10,590	\$ 802

The Company operates primarily in three industry segments – agricultural, marine and industrial and oil and gas operations.

Agricultural operations comprise production and sale of four-wheel drive tractors, swathers, sugar cane harvesters and tillage equipment. Marine and industrial operations comprise construction and repair of

16. Related Party Transactions

Certain directors, and private companies controlled by such directors, have periodically loaned funds to the Company repayable on demand and bearing interest at the prime bank rate less ½ of 1%. During 1980 the maximum and minimum amounts loaned to the

Company under this arrangement were \$11,777,000 and \$4,175,000 respectively. At December 31, 1980 the total of such loans amounted to \$8,056,000 and are included in accounts payable and accrued liabilities.

Geographic Segments				
Consolidated	Canada	United States	Australia	Other
<u>\$609,501</u>	\$415,150 23,080	\$128,349 71	\$57,207 —	\$8,795 —
	<u>\$438,230</u>	<u>\$128,420</u>	<u>\$57,207</u>	<u>\$8,795</u>
\$102,437 (6,041) (20,627) 4,058 (33,466) (12,493) 1,980	\$ 65,776	\$ 31,431	\$ 4,430	\$ 800
<u>\$ 35,848</u>				
\$462,116 10,116 37,021	\$291,659	\$119,812	\$44,228	\$6,417
<u>\$509,253</u>				
<u>\$ 65,428</u>				
<u>\$ 14,935</u>				

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 development.

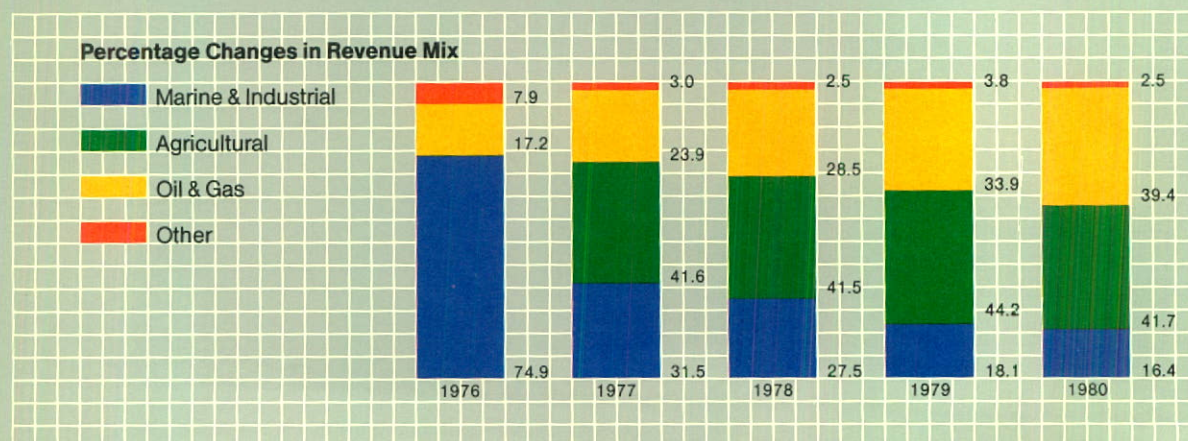
Transfers between geographic segments are accounted for at

prices comparable to open market prices for similar products and services.

Revenue from Canadian operations includes export sales of \$113,991,000.

Versatile Corporation
HISTORICAL REVIEW
(in thousands of dollars)

	1980	1979	1978	1977	1976
Revenues					
Agricultural Operations	\$253,989	\$182,509	\$125,911	\$101,692	—
Oil and Gas Operations	239,964	140,700	86,408	58,488	\$ 17,207
Marine and Industrial Operations	99,725	76,734	77,861	71,610	68,989
Other Operations	15,823	14,601	12,857	12,895	13,580
	<u>609,501</u>	<u>414,544</u>	<u>303,037</u>	<u>244,685</u>	<u>99,776</u>
Cost and Expenses					
Cost of sales	429,034	294,047	231,085	187,872	76,194
Selling, general and administrative	65,919	45,390	29,524	21,259	9,783
Long-term debt interest	14,135	8,486	5,305	5,745	1,508
Other interest	9,709	3,687	4,113	2,400	689
Depreciation, depletion and amortization	14,935	8,069	6,702	5,717	2,019
	<u>533,732</u>	<u>359,679</u>	<u>276,729</u>	<u>222,993</u>	<u>90,193</u>
Earnings from operations	75,769	54,865	26,308	21,692	9,583
Other income including equity in earnings of finance subsidiaries and partly owned companies	4,058	565	4,834	3,268	1,116
	<u>79,827</u>	<u>55,430</u>	<u>31,142</u>	<u>24,960</u>	<u>10,699</u>
Income taxes	33,466	23,880	13,544	11,648	4,564
Earnings before items shown below	46,361	31,550	17,598	13,312	6,135
Minority interests	12,493	5,496	7,023	6,313	503
Earnings from continuing operations	33,868	26,054	10,575	6,999	5,632
Loss from discontinued operations	—	—	—	1,348	344
Income tax reduction on utilization of prior years' losses	1,980	—	—	—	—
	<u>35,848</u>	<u>26,054</u>	<u>10,575</u>	<u>5,651</u>	<u>5,288</u>
Net earnings	35,848	26,054	10,575	5,651	5,288
Dividends declared					
Preferred shares	1,825	2,523	1,914	9	11
Common shares	3,570	2,981	1,909	1,679	2,034
	<u>5,395</u>	<u>5,504</u>	<u>3,823</u>	<u>1,688</u>	<u>2,045</u>
Net earnings reinvested in the business in the year	\$ 30,453	\$ 20,550	\$ 6,752	\$ 3,963	\$ 3,243



Versatile Corporation
HISTORICAL REVIEW
(in thousands of dollars)

	1980	1979	1978	1977	1976
Assets and Capitalization					
Assets used in the Company:					
Working capital	\$121,641	\$ 94,186	\$ 66,688	\$ 58,929	\$ 13,971
Investments and loans	44,908	16,538	18,669	18,714	48,038
Fixed assets (net)	151,980	95,001	65,747	61,304	48,158
Intangible assets and deferred charges	26,600	12,747	5,827	11,976	4,223
Total	\$345,129	\$218,472	\$156,931	\$150,923	\$114,390
Financed by:					
Long-term debt	\$148,768	\$ 85,215	\$ 60,945	\$ 62,817	\$ 68,062
Deferred income taxes	25,715	14,871	8,870	6,601	3,269
Minority interests	43,416	23,463	13,573	42,224	7,780
Preferred shares	25,680	26,714	27,258	102	118
Common shareholders equity	101,550	68,209	46,285	39,179	35,161
Total	\$345,129	\$218,472	\$156,931	\$150,923	\$114,390
Per 1980 Common Share (After Preferred Dividends) in dollars					
Earnings after extraordinary item	\$ 3.02	\$2.19	\$0.88	\$0.54	\$0.51
Fully diluted earnings after extraordinary item	2.66	1.90	.79	.53	.50
Cash flow from operations	6.37	3.86	2.29	1.77	.70
Dividends paid—preferred (old series)	—	—	.60	1.20	1.20
Dividends paid—Series A preferred	1.40	1.40	.70	—	—
Dividends paid—Common	.395	.25	.17	.16	.16
Book value	8.94	6.28	4.36	3.74	3.36
Market price—high	29.00	12.38	4.75	3.44	2.75
—low	11.25	4.32	2.40	2.40	2.00
Other Statistics					
Number of shares outstanding at year end					
Preferred (old series)	—	—	—	6,701	7,779
Series A preferred	1,712,015	1,780,915	1,817,215	—	—
Common	11,352,964	10,867,682	10,628,370	10,490,702	10,463,202
Number of securities holders					
Preferred shares (old series)	—	—	—	58	60
Series A preferred shares	2,553	2,707	2,637	—	—
Common shares	2,699	2,262	2,579	2,874	2,806
Warrants	1,380	1,438	2,399	—	—
Number of employees	6,902	5,924	4,013	5,761	4,276

CORPORATE DIRECTORY

Directors

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

†Member Audit 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
- J. William Hudson**
Vice-President, Marine and
Industrial Operations
- George A. Morris**
Vice-President, Finance and
Treasurer
- Paul M. Soubry**
Vice-President, Agricultural
Operations
- Kenneth R. Keeping**
Assistant Vice-President,
Corporate Services
- Bruce M. McKay**
Assistant Secretary
- Arthur W. Hames**
Assistant Secretary

Head Office

2603-595 Burrard Street
Box 49153 Bentall Centre
Vancouver, British Columbia
Canada V7X 1K3
(604) 683-7681
Telex: 04-507837

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, NASDAQ

Shares and Warrants Issued and Outstanding

As of December 31, 1980

Common shares	11,352,964
Cumulative Preferred Series A	1,712,015
Warrants	1,390,755

As of February 16, 1981

Class A Common Shares	11,488,338
Class B Common Shares	11,488,338
Cumulative Preferred Series A	1,704,715
Warrants	1,264,915

Divisional and Subsidiary Offices

Agricultural Operations

Versatile Farm Equipment Company
1260 Clarence Avenue
Winnipeg, Manitoba, Canada
R3T 1T3
Paul M. Soubry, President

Versatile Farm Equipment Pty. Ltd.
292 Douglas Mawson Drive,
East Dubbo
New South Wales, 2830, Australia
John N. Oulton, General Manager

Versatile Noble Cultivators Company
Nobleford, Alberta, T0I 1S0
William H. Harden, General Manager

Versatile Toft Ltd.
Bundaberg, Queensland, 4670,
Australia
T. M. Moffat, General Manager

Marine and Industrial Operations

Burrard Yarrows Corporation
109 East Esplanade
North Vancouver, British Columbia
V7L 4J6
J. William Hudson, President

Vickers Canada Inc.
5000 Notre Dame Street East
Montreal, Quebec H1V 2B4
Harold W. Blakley, President

Oil and Gas Operations

Bralorne Resources Limited
2910 Bow Valley Square 2
205-5th Avenue S.W.
Calgary, Alberta T2P 2Y7
F. William Fitzpatrick, President

Other Operations

Versatile Cold Storage Corporation
2115 Commissioner Street
Vancouver, British Columbia
V5L 1A6
Stewart W. Reeder, President

Versatile Credit Corporation
5900 Deramus Avenue
Kansas City, Missouri, U.S.A. 64120
John P. Hanrahan, President

Versatile Credit Corporation
1213 Chevrier Boulevard
Winnipeg, Manitoba R3T 1Y4
Jack Hughes, General Manager



Versatile Corporation Operations

- Agricultural Operations manufacturing facilities
- Agricultural Operations distribution facilities
- Oil and Gas Operations manufacturing facilities
- Oil and Gas exploration and exploration servicing
- Marine and Industrial Operations manufacturing facilities

