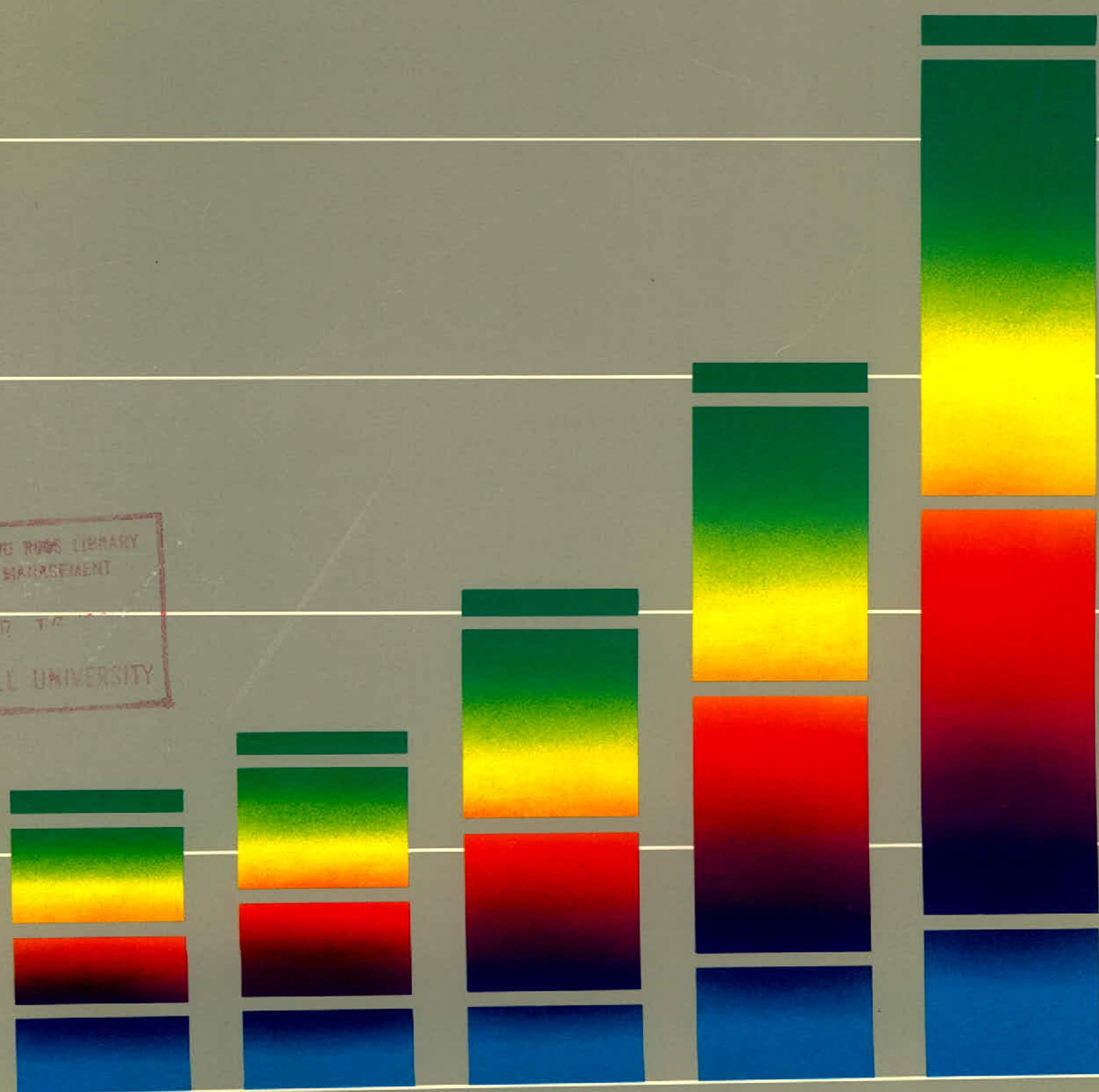
Versatile Corporation Annual Report 1981



CONTENTS

Annual General Meeting

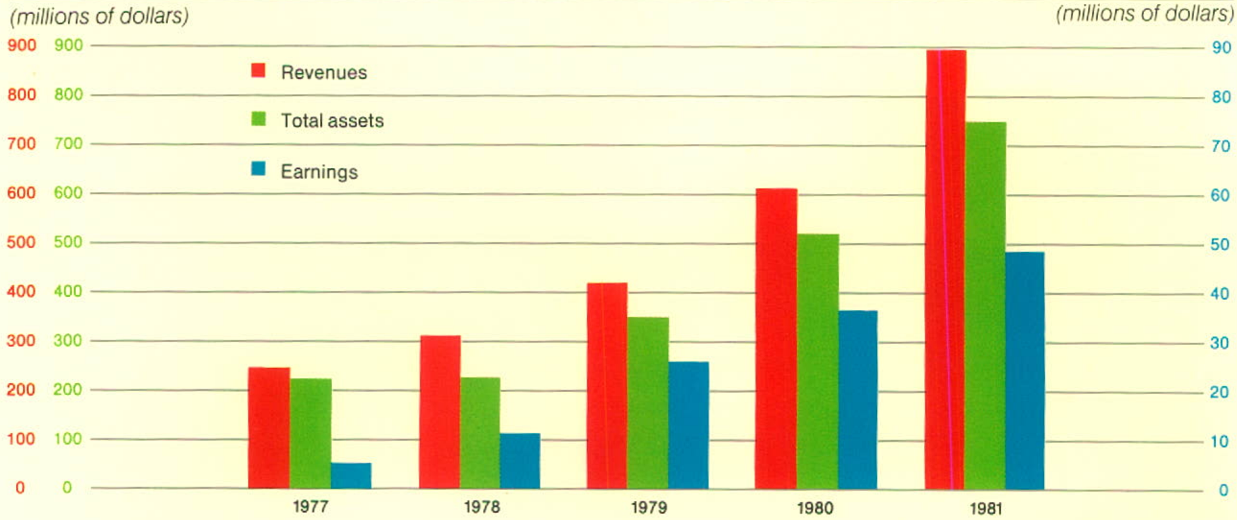
The Corporation's Annual General Meeting will be held in Vancouver on Friday, April 30, 1982 at 1:30 p.m.

The Corporation was incorporated in 1969 under the name Cornat Industries Limited and its name was changed to Versatile Cornat Corporation in 1978. The Corporation was continued under the Canada Business Corporations Act as Versatile Corporation on January 30, 1981.

HIGHLIGHTS

Financial	***1981***	1980	Percent Change
Revenue	***$ 895.7 million***	$ 609.5 million	+47
Net earnings	***$ 48.0 million***	$ 35.8 million	+34
Earnings per common share	***$1.93***	$1.51	+28
Capital expenditures	***$ 85.0 million***	$ 65.4 million	
Dividends paid			
Preferred	***$ 2.3 million***	$ 2.4 million	
Common	***$ 7.2 million***	$ 4.4 million	

Five Year Growth



During the past five years, the Corporation's revenues have increased an average of 40 percent per year, net earnings have increased on average by at least 30 percent per year and the number of employees has grown from more than 4,200 in 1976 to more than 9,800 in 1981.

A consistent strategy during these years has been to provide subsidiaries and divisions with the resources necessary for internal growth. The introduction and development of new products, development of new markets and expanded production capacity generated significant internal growth in all operating groups in 1981.

In early 1982 Corporate Office moved to the newly opened fourth tower of Bentall Centre in Vancouver.

Versatile Corporation is a Canadian industrial enterprise engaged in heavy industrial manufacturing, marine design, construction and repair, oil and gas development, agricultural equipment manufacturing, cold storage warehousing, and financial services. Extensive geographic expansion took place in 1981. The acquisition of Versatile Vickers Inc. in Montreal and its subsidiary Versatile Vickers Systems Inc. in Ottawa, Montreal and Halifax, established a national base for the marine and industrial sector and represented the Corporation's first industrial move into eastern Canada. Oil and Gas Operations expanded into Australia with corporate participation in exploration and development of offshore and onshore acreage. Marketing for the agricultural implements focused on key United States grain and corn belt markets, Mexico and Australia. Cold storage warehouses were added in British Columbia and Alberta.

MARINE AND INDUSTRIAL OPERATIONS

- Production facilities
- Marine design services

OIL AND GAS OPERATIONS

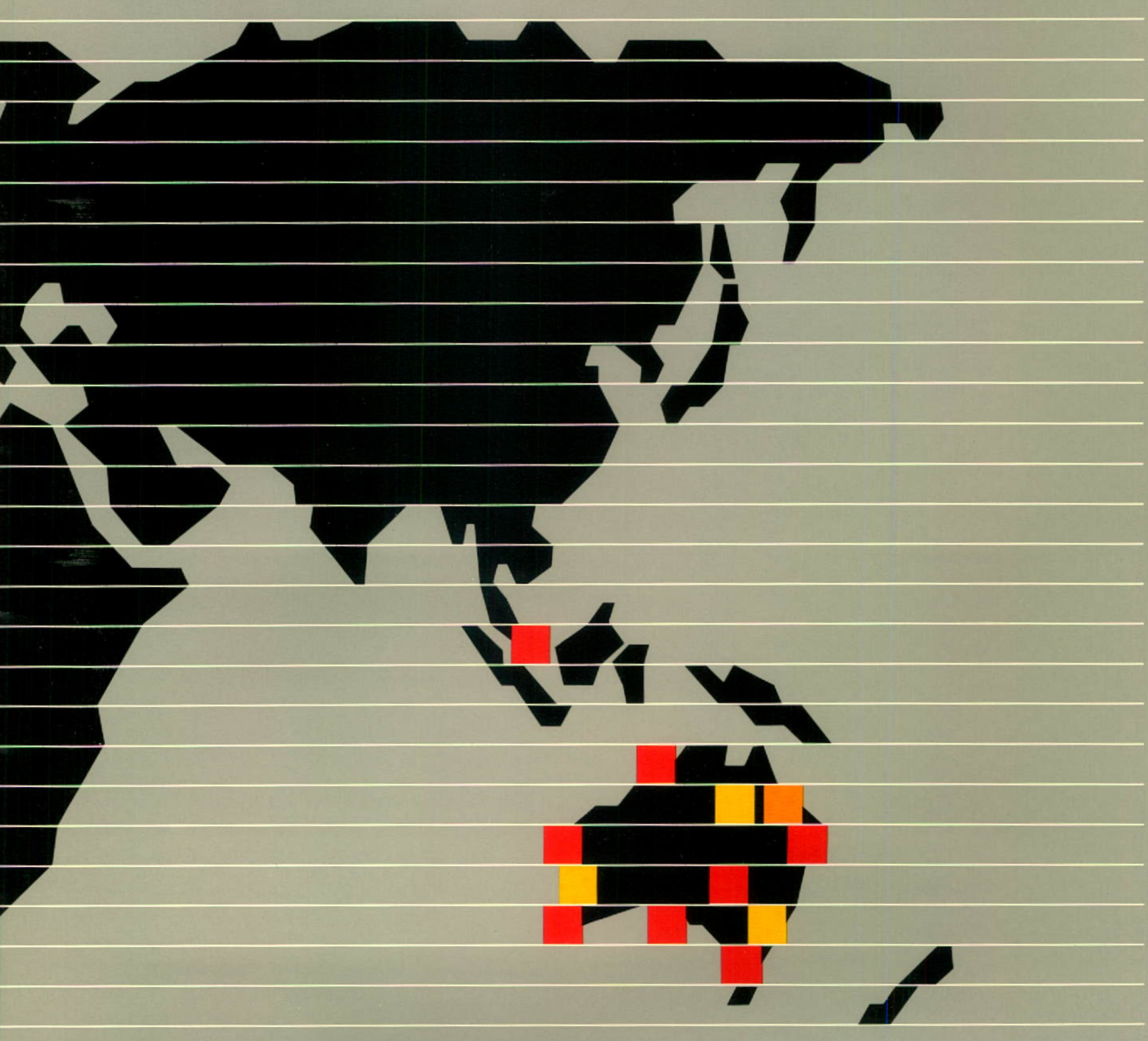
- Products and services
- Oil and gas exploration

AGRICULTURAL OPERATIONS

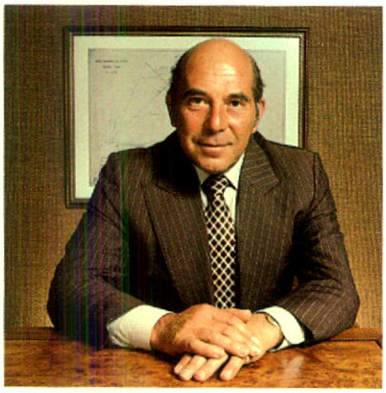
- Manufacturing facilities
- Distribution facilities

COLD STORAGE AND OTHER OPERATIONS

- Processing and storage facilities
- Financial services



DIRECTORS' REPORT TO SHAREHOLDERS

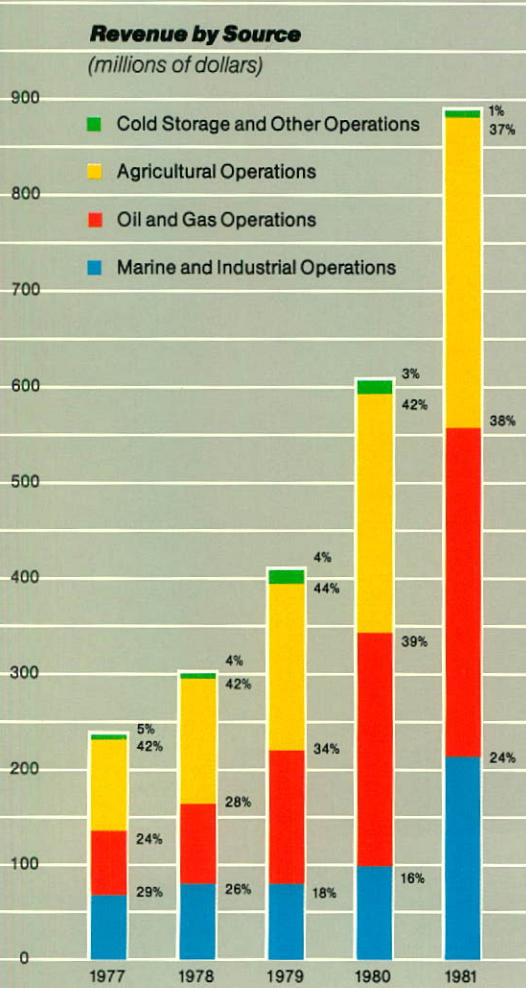


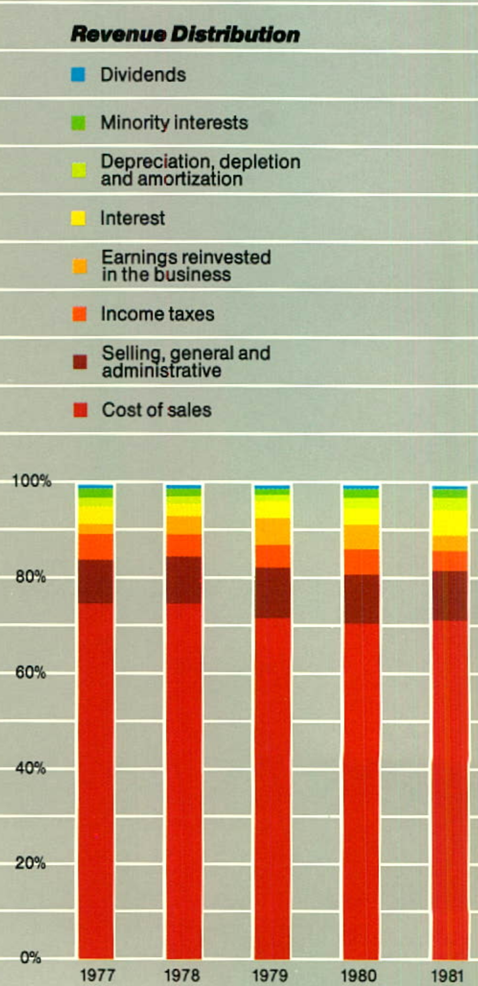
Versatile Corporation had an excellent year in 1981 with all sectors of the Corporation performing well and contributing positively to the consolidated results. This was the fifth consecutive year the Corporation increased revenues and earnings.

Financial Summary

In 1981 consolidated revenues amounted to $895,743,000 compared with $609,501,000 in 1980, representing an increase over the prior year of forty-seven percent. Net earnings in 1981 were $48,015,000, being thirty-four percent over the 1980 earnings of $35,848,000.

1981 earnings were $1.93 per common share ($1.79 fully diluted)





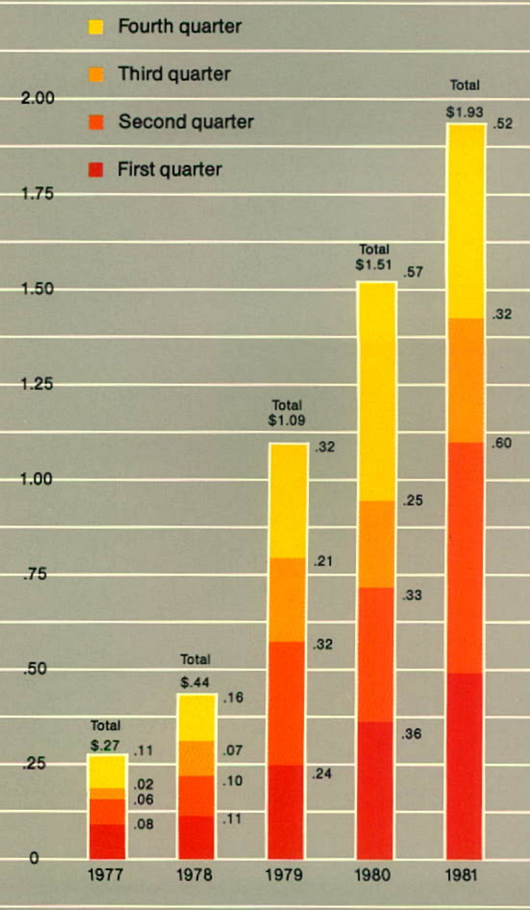
after accounting for the income tax reduction resulting from utilization of prior years' losses of subsidiaries acquired in 1980. Earnings per common share amounted to $1.51 ($1.33 fully diluted) in 1980. These calculations of earnings per common share are based on the average number of common shares outstanding after the declaration to shareholders of record on January 30, 1981 of a stock dividend of one Class A common share for every Class B common share held.

Dividends declared and paid in 1981 to the common shareholders amounted to 30 cents per common share, compared with 19.75 cents calculated on an equivalent basis in 1980, for an increase of 52% in 1981.

During 1981 capital expenditures amounted to $85,027,000 on a consolidated basis, indicating the Corporation's continued commitment to strengthening its position through expansion and modernization of its facilities. The current year's expenditures were financed partly from working capital and, in the case of the Corporation itself, from an increase in long-term debt in the amount of $37 million in U.S. funds acquired through the issue of Series "D" and "E" Debentures.

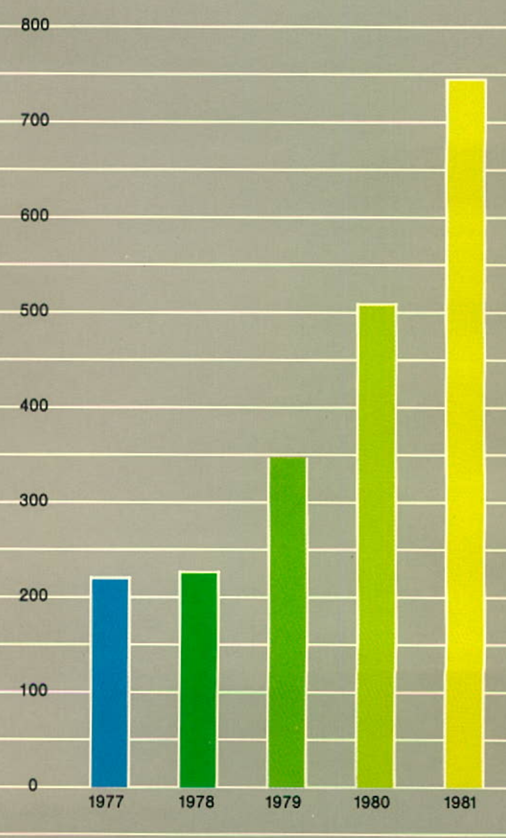
Actual Earnings per Common Share

(dollars) (after extraordinary item)



Total Assets

(millions of dollars)




Burrard Yarrows Corporation floating dry dock.


Versatile Vickers Inc. calandria unit.


Bralorne Resources Limited drilling rig.

Operations Summary

Burrard Yarrows Corporation achieved record high levels of ship repair and higher than anticipated levels of shipbuilding activity. This occurred despite the continuing uncertainty caused by the Canadian government's lack of a long-term shipbuilding assistance policy. Major contracts for construction of icebreakers were awarded to the company during the year. In the ship repair sector a significant event was completion of the main facilities which form a part of the $63.3 million dry dock project. Inauguration ceremonies took place on October 3, 1981.

Acquisitions added strong industrial manufacturing, ship repair and marine design capabilities in eastern Canada to complement the west coast activities of Burrard Yarrows Corporation and provided exposure to new markets.

The industrial fabrication and ship repair facilities of Vickers Canada Inc., Montreal and its subsidiary, the marine design firm of Vickers Stanwick Systems Inc., Ottawa, were acquired effective January 1, 1981. In July the outside minority interest in Vickers Stanwick was also purchased. The names of both companies were changed to identify them as part of the Versatile group, becoming respectively Versatile Vickers Inc. and Versatile Vickers Systems Inc. In September the marine systems design and engineering firm of L.E. Minogue Consultants Limited of Ottawa was acquired by Versatile Vickers Systems Inc.

Bralorne Resources Limited continued to record overall growth in revenue, cash flow and income. The growth during 1981 was characterized by continued expansion of United States operations which more than offset declines in Canada due to the National Energy Program and prevailing oil and gas taxation provisions.

In July Bralorne Resources Limited acquired Esse International, Inc. of Houston, Texas, a supplier of gas sulphide safety equipment. In March 1982 Bralorne acquired Sagebrush Resources Ltd., a Calgary company involved in oil and gas exploration and production in western Canada and the United States.

The Corporation participated directly in two oil and gas exploration partnership ventures. In Canada, the exploration activity under a joint venture with Bralorne, C-I-L Inc. and ICI Petroleum, Inc. was kept to a minimum. The second venture is taking place in Australia with the Corporation and Bralorne participating in a minor way with the Magnet Group of Perth, Australia in the exploration and development of 115,868,000 (gross) acres.

In the agricultural group, contrary to general North American market conditions, unit sales and market share of four-wheel drive tractors exceeded 1980 levels. Other major agricultural products also showed increased volumes. A number of factors helped to achieve these results. United States, Australian and Mexican markets expanded and reduced availability of farm labour and the trend toward increasingly large farm operations caused the Corporation's product mix to be particularly compatible with market demand.

The Corporation expanded substantially the activities of Versatile Cold Storage Corporation through the acquisition of the businesses of N.H. Clauson Storage Co. Ltd., Calgary, Merchants Cold Storage Limited, Calgary and Alberta Cold Storage Ltd., Edmonton. Versatile Cold Storage reported satisfactory results despite the reduction of frozen food inventories by customers who were affected by high carrying costs.

VERSATILE® Model 1150 four-wheel drive tractor.

Computer monitoring for four-wheel drive tractor.

Calgary cold storage plant.

People

Several management changes occurred at Corporate Office and the subsidiaries. At corporate office, Kenneth R. Keeping was named Vice-President, Human Resources and John W. Long was appointed Corporate Secretary.

At Burrard Yarrows Corporation, D.W. Challinor was appointed Senior Vice-President following the retirement of E.J. Jones after 16 years of dedicated service to the company. The directors would like to take this opportunity to thank Mr. Jones for his invaluable contribution. Mr. Jones will continue as consultant to the Corporation. At Versatile Vickers Inc., Harold W. Blakley was named Vice-Chairman, R. Kenneth Robertson was named President effective March 1, 1982 and Ovila Hétu was appointed to the new position of Vice-President, Human Relations.

At Bralorne Resources Limited, F. William Fitzpatrick, who has been President and Chief Executive Officer, was elected Chairman and Chief Executive Officer and Robert D. Niven was appointed President effective March 1982.

In agricultural operations, Walter S. Hirsch was named Senior Vice-President of Versatile Farm Equipment Company effective January 1, 1982. Also at Versatile Farm Equipment Company, Maurice LeTissier was named Vice-President, Controller and Harry J. Hanley was named to the new position of Vice-President, Dealer Development. At Versatile Farm Equipment Corporation, Larry S. Leavelle was appointed Vice-President and U.S. Sales Manager.

At year-end, employees of Versatile Corporation, its subsidiaries and divisions totalled more than 9,800 and remuneration paid during the year amounted to $228 million.

The directors appreciate that the record financial results for 1981 would not have been possible without the dedicated efforts of the management and staffs of the companies, and wish to express their warm thanks. It is also noted that high productivity is needed to counteract high labour costs and it is hoped that efforts to maintain and improve productivity will continue through 1982.

Outlook

In a difficult economic climate the Corporation was able to maintain the momentum of past years as strategies aimed at generating internal growth and geographic and product diversity took effect.

The year to come promises difficult operating conditions. The worldwide economy is deteriorating and commodity prices are at low levels with no substantial improvement in sight. Management nevertheless believes that there are opportunities for growth.

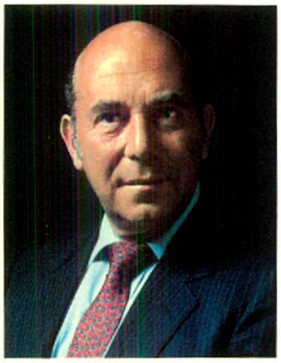
In the marine and industrial sector, ship repair activity is expected to continue at current high levels. The shipyards have a solid base of shipbuilding orders, major naval refit activity for coastal and naval ships will continue and increased demand for industrial manufacturing services is foreseen. Bralorne Resources is positioned to take advantage of future energy development in Canada and, in the short term, the continued increase in United States activity is expected to compensate for Canadian declines. The market positioning of products in the agricultural division will help it weather currently foreseeable difficulties in the farm industry.

The Corporation's products and services are specialized and diversified and they are dedicated to increasing the productivity and efficiency of industrial businesses. These characteristics have cushioned them to a certain extent from the impact of recession and the Corporation believes this will continue.

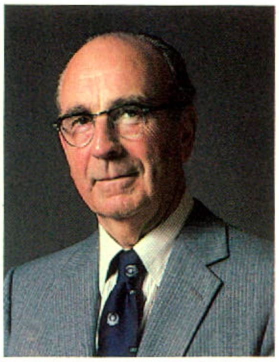
On behalf of the Board,

Peter Paul Saunders
Chairman
March 8, 1982.

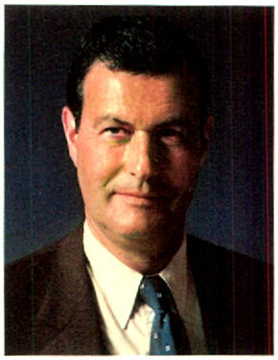
DIRECTORS



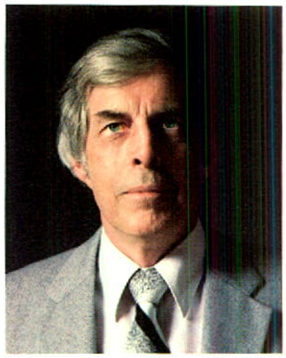
*° Peter Paul Sauders
Chairman and President
Versatile Corporation
Vancouver
British Columbia



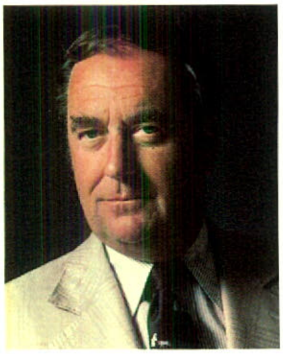
† David S. Beatty
President
Old Canada Investment
Corp. Limited
Toronto, Ontario



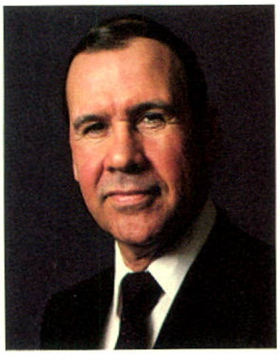
*° Peter J. G. Bentley
President and Chief
Executive Officer
Canadian Forest
Products Ltd.
Vancouver
British Columbia



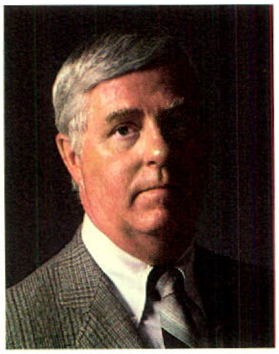
A. Lorne Campbell, Q.C.
Barrister and Solicitor
Aikins, MacAulay
& Thorvaldson
Winnipeg, Manitoba



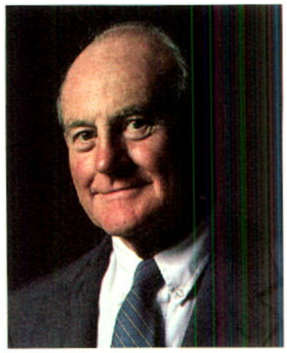
*†Ronald L. Cliff, C.A.
Chairman
Inland Natural Gas
Co. Ltd.
Vancouver
British Columbia



Hon. Douglas D. Everett
President
The Royal Canadian
Securities Company
Limited
Winnipeg, Manitoba



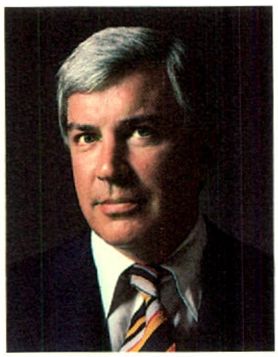
F. William Fitzpatrick
Chairman and Chief
Executive Officer
Bralorne Resources
Limited
Calgary, Alberta



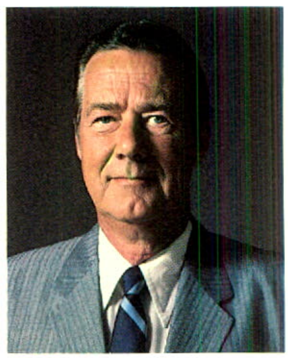
Roderick M. Hungerford
President
Flex-Lox Industries Ltd.
Vancouver
British Columbia

Joseph B. Jarvis
Manager
Canfor Pulp Sales
A Division of Canadian
Forest Products Ltd.
Vancouver
British Columbia

Jack S. Lee
President
Versatech Industries
Toronto, Ontario

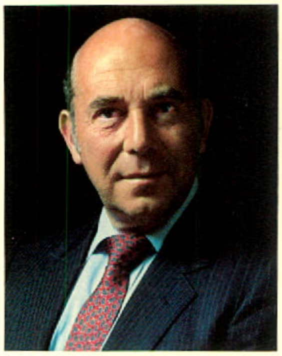


*†J. Ronald Longstaffe
Executive Vice-President
Canadian Forest
Products Ltd.
Vancouver
British Columbia



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

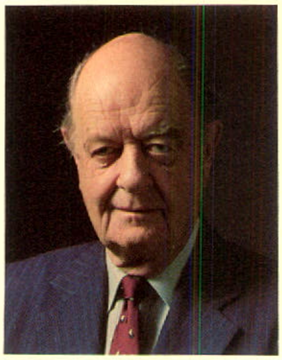
OFFICERS



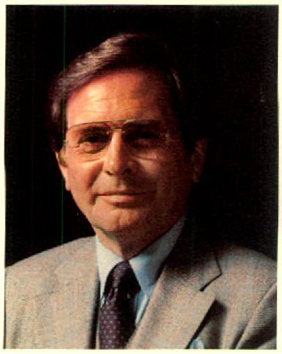
Peter Paul Saunders
Chairman and President

John S. Farrell
Senior Vice-President

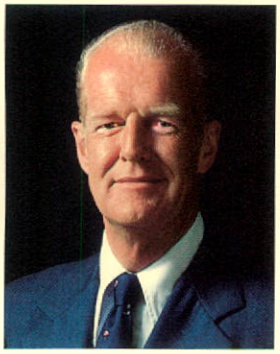
G. Martin Greer
Vice-President & General Counsel



J. William Hudson
Vice-President Marine and Industrial Operations

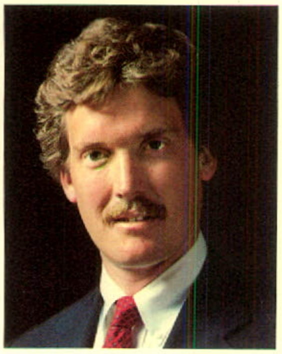


Kenneth R. Keeping
Vice-President Human Resources



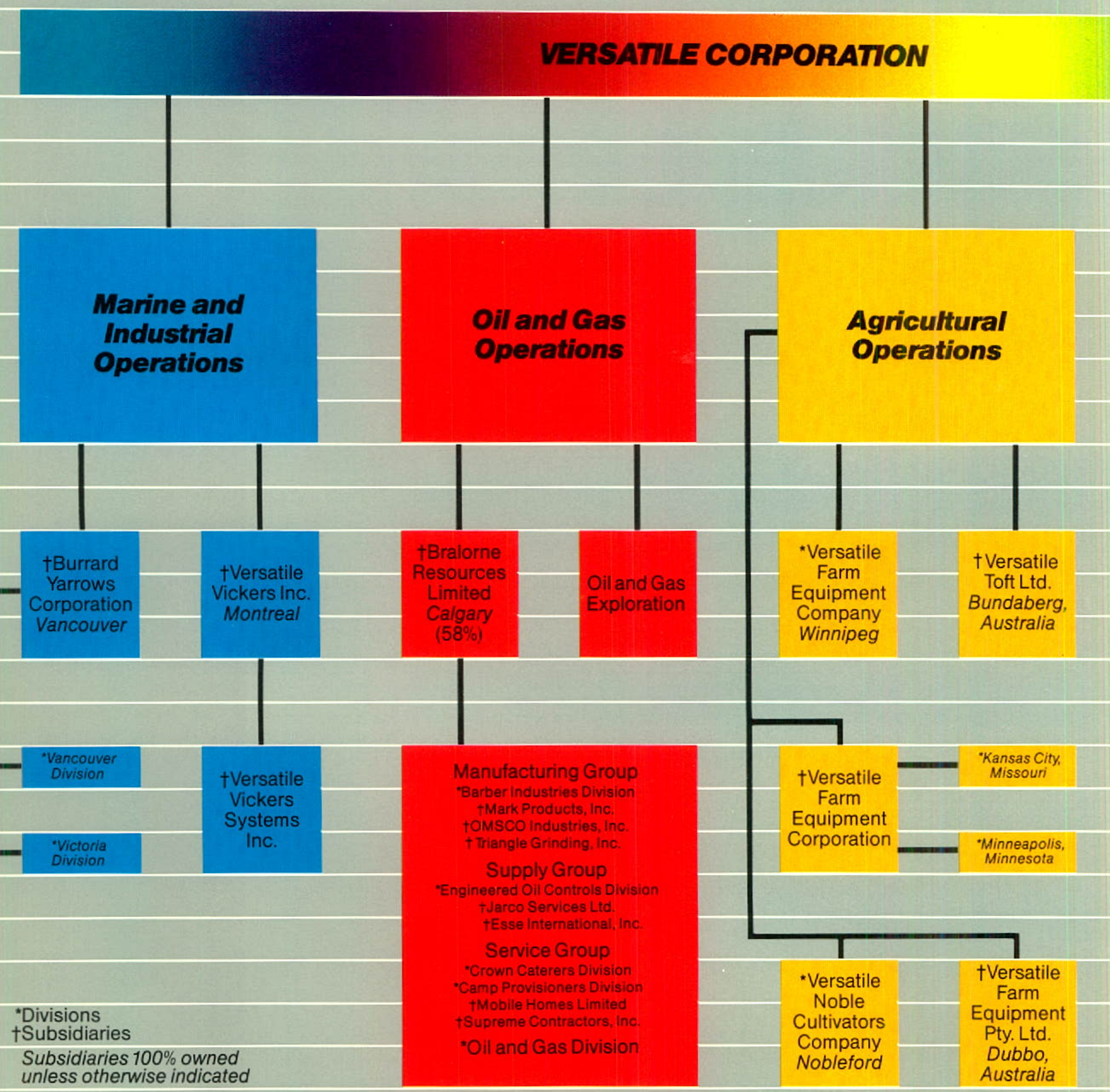
George A. Morris
Vice-President Finance and Treasurer

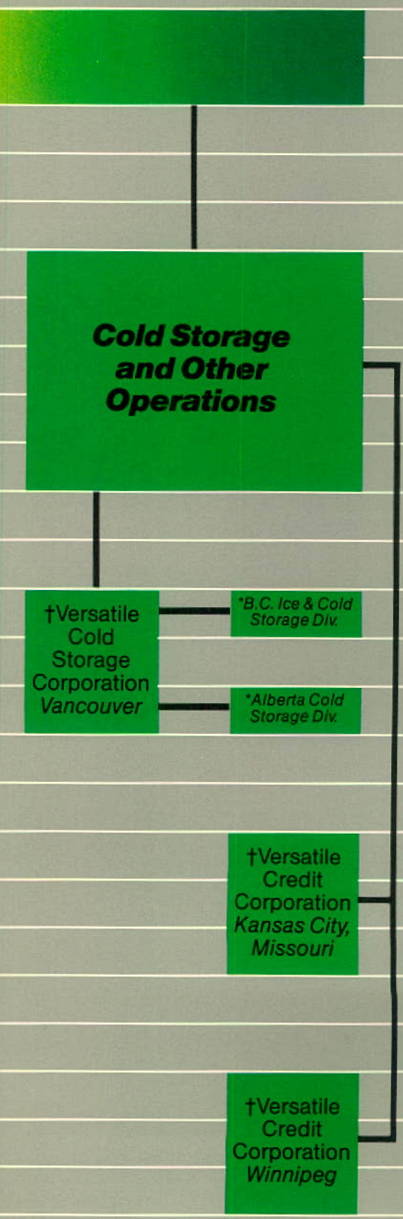
Paul M. Soubry
Vice-President Agricultural Operations



John W. Long
Secretary

† *Member Audit Committee*
* *Member Executive Committee*
° *Member Compensation Committee*


VERSATILE CORPORATION
Marine and Industrial Operations
Oil and Gas Operations
Agricultural Operations
†Burrard Yarrows Corporation Vancouver
†Versatile Vickers Inc. Montreal
†Bralorne Resources Limited Calgary (58%)
Oil and Gas Exploration
*Versatile Farm Equipment Company Winnipeg
†Versatile Toft Ltd. Bundaberg, Australia
*Vancouver Division
*Victoria Division
†Versatile Vickers Systems Inc.
Manufacturing Group
*Barber Industries Division
†Mark Products, Inc.
†OMSCO Industries, Inc.
†Triangle Grinding, Inc.
Supply Group
*Engineered Oil Controls Division
†Jarco Services Ltd.
†Esse International, Inc.
Service Group
*Crown Caterers Division
*Camp Provisioners Division
†Mobile Homes Limited
†Supreme Contractors, Inc.
*Oil and Gas Division
†Versatile Farm Equipment Corporation
*Kansas City, Missouri
*Minneapolis, Minnesota
*Versatile Noble Cultivators Company Nobleford
†Versatile Farm Equipment Pty. Ltd. Dubbo, Australia
*Divisions
†Subsidiaries
Subsidiaries 100% owned unless otherwise indicated



CORPORATE ORGANIZATION

The Corporation's operating groups are illustrated on the organization chart at left.

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

The marine and industrial group builds and repairs ships, manufactures heavy industrial products and provides supporting marine engineering design services. Achieving a balance among shipbuilding, ship repair and industrial fabrication provides a stable base to the work force and thus aids profitability.

Investment in oil and gas development is continuing both through direct participation by Versatile Corporation and through Bralorne Resources Limited. Bralorne and the Corporation are focusing on United States markets and continuing activity in Australia while assessing the long-term outlook and direction of the energy industry in Canada.

The agricultural division manufactures and distributes specialized agricultural equipment. Objectives for 1982 include increasing the North American dealer network by more than 100 dealers and increasing new product research and development. In the longer term the product lines will be expanded to broaden the range of four-wheel drive tractors, combines, swathers, blade plows, cultivators and sugar cane harvesters.

Nine public cold storage warehouses operate in British Columbia and Alberta. Versatile Cold Storage Corporation is maintaining market share through aggressive marketing programs and pursuing new markets in other parts of Canada.


BURRARD YARROWS

MARINE AND INDUSTRIAL OPERATIONS

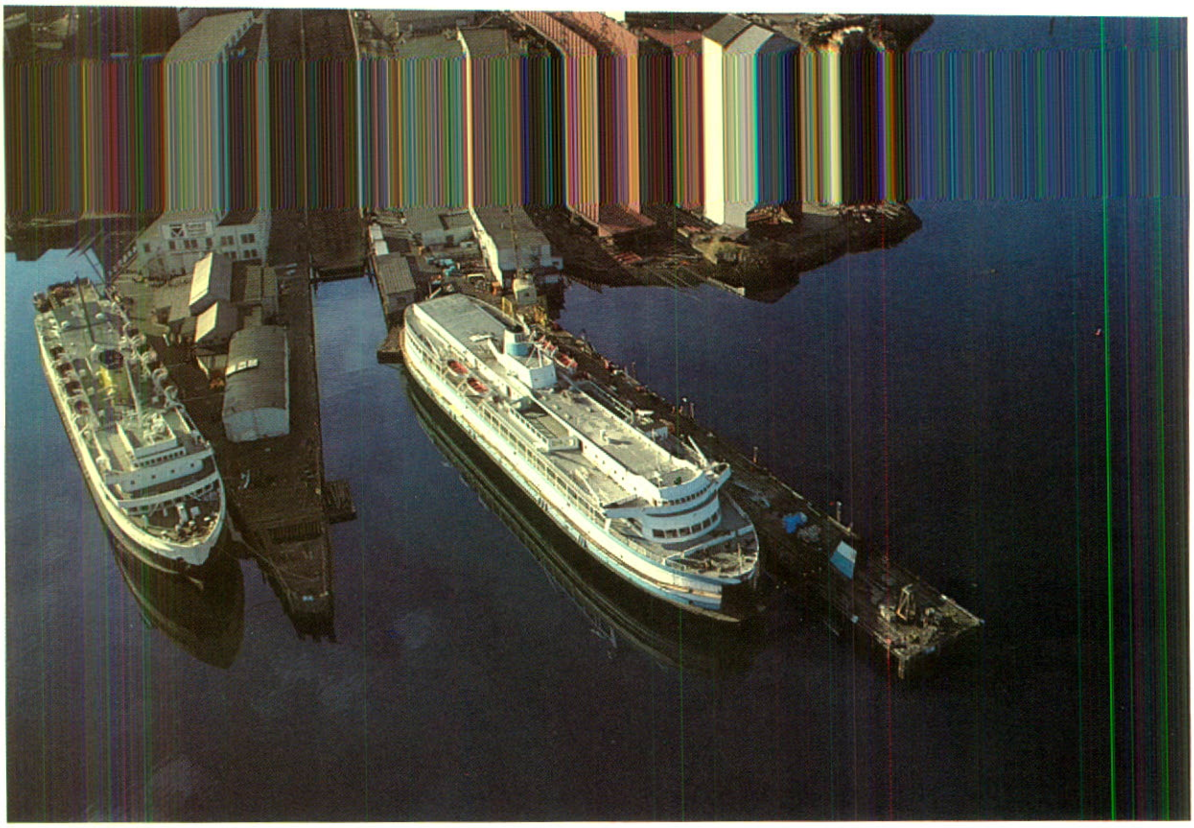
Burrard Yarrows Corporation
Vancouver and Victoria
British Columbia, Canada

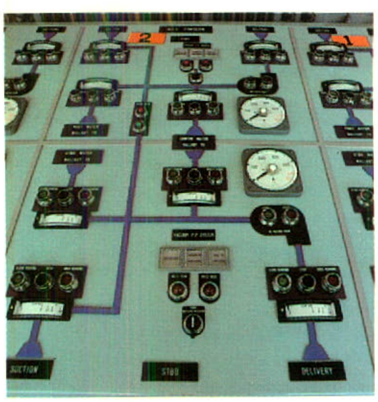
Versatile Vickers Inc.
Montreal, Quebec, Canada

Versatile Vickers Systems Inc.
Ottawa, Ontario
Montreal, Quebec and
Halifax, Nova Scotia, Canada

The new Burrard Yarrows 36,000 metric ton floating dry dock arrived in the Gulf of Georgia en route to Vancouver in late August. After testing and commissioning of the new facility, the first ship was dry-docked on September 19. 204 metres long by 45.8 metres wide, the floating dock has increased five-fold the size of ships that can be repaired at the shipyard from 15,000 to 75,000 deadweight tons.

As a major international port, the second largest in North America, the Port of Vancouver handles 45 million tons of deep-sea cargo per year. With some 2,300 deep-sea ships arriving in a typical year, Vancouver is in an advantageous location for ship maintenance and repair facilities. Burrard Yarrows is now equipped to provide repair service to over 80 percent of those ships, more than any other shipyard on Canada's west coast.





Above: The latest in systems controls are employed in the operation of the floating dry dock.

Top: The Victoria Division of Burrard Yarrows is able to offer dry-docking facilities to deep-sea vessels of up to 100,000 dwt. The division specializes in major conversions. Depicted above are two ferries undergoing "slit and lift" conversions. The vessels are cut between decks, raised, and a new car deck added to double the car carrying capacity.

OPERATIONS REVIEW

Shipbuilding

Shipbuilding activity at Burrard Yarrows Corporation increased during the year. The company delivered two new 1,500 passenger/365 vehicle double-ended ferries, a 15,000 deadweight ton log carrier fitted with two 50 ton log handling cranes and five chip barges. Companies engaged in the coastal transportation on the west coast are a traditional market for the shipbuilding services of Burrard Yarrows.

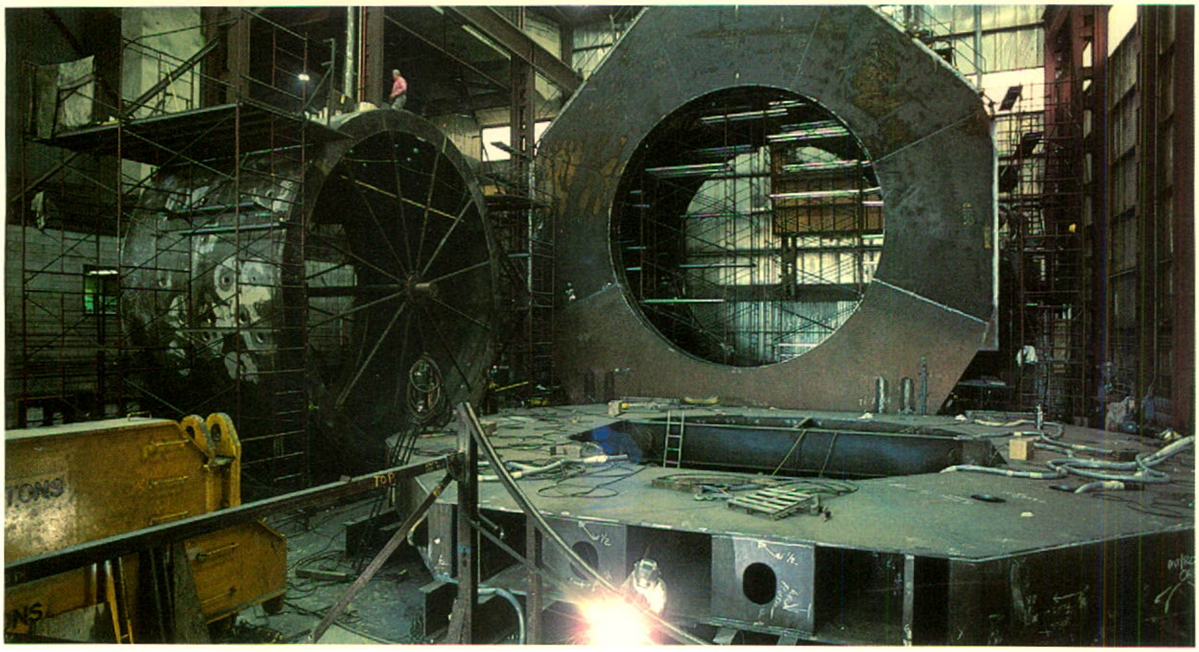
The company was awarded two separate contracts, one of $82 million and another of $29 million, to construct two Arctic Class 4 icebreakers and one Arctic Class 3 icebreaking service vessel. The class number assigned to icebreakers defines the number of feet of first-year ice in which the vessel is capable of operating. With the experience gained in the construction of these and previous vessels for Arctic service, Burrard Yarrows is gaining expertise in building special purpose vessels for this market. Accelerated oil and gas exploration in the Beaufort Sea has increased the market for ice-strengthened vessels.

Ship Repair

In 1981 the volume of ship repair and conversion work handled at Burrard Yarrows was one of the highest in the company's history. Major repair and conversion contracts completed during 1981 included extensive modifications to a domestic cruise ship to prepare her for the Alaska run, unique "slit and lift" conversions to two ferries, main engine repairs, annual refit work on two foreign flag passenger liners and the reconstruction of the hull of a self-propelled log carrier damaged in a grounding incident.

Burrard Yarrows and Versatile Vickers Inc. each completed mid-life refits to naval vessels as part of a major maintenance program for existing vessels undertaken by the Canadian Armed Forces. Versatile Vickers Inc. began work on the second of three refits as part of a $22 million contract it was awarded under the program. Under another contract Versatile Vickers completed a refit of one of the Canadian navy's operational support ships which maintain naval vessels in operating condition at sea by supplying fuel and providing emergency services. In December Burrard Yarrows was awarded an $18 million contract for a similar refit.

Also during the year Burrard Yarrows installed the main facilities of its floating dry dock for which financial assistance was received from the governments of Canada and British Columbia. Total costs will not exceed the budget and the project was substantially completed ahead of schedule. To date bookings for the facility have been good and have met original expectations.



Above: Stainless steel lattice tubes are used in the construction of nuclear reactors.

Top: At Versatile Vickers Inc. end shields for calandria units in which nuclear reaction takes place are engineered to meet the stringent criteria required when converting nuclear power for energy purposes. The 850 megawatt unit above is nearly 5 stories tall and weighs 650 tons.

Industrial Fabrication

Industrial fabrication activity at Burrard Yarrows Corporation accounts for a relatively small amount of the company's total activity but provides the company additional markets for its specialized facilities and services enabling it to diversify its business base.

At Versatile Vickers Inc. industrial manufacturing is the company's major activity. The industrial division produced a variety of products for customers in North America and Europe. These included pressure vessels, refinery equipment, chemical reactors, steam generators for paper mills and heat exchangers. Other engineered products delivered during the year include defence systems for the United States and other NATO countries.

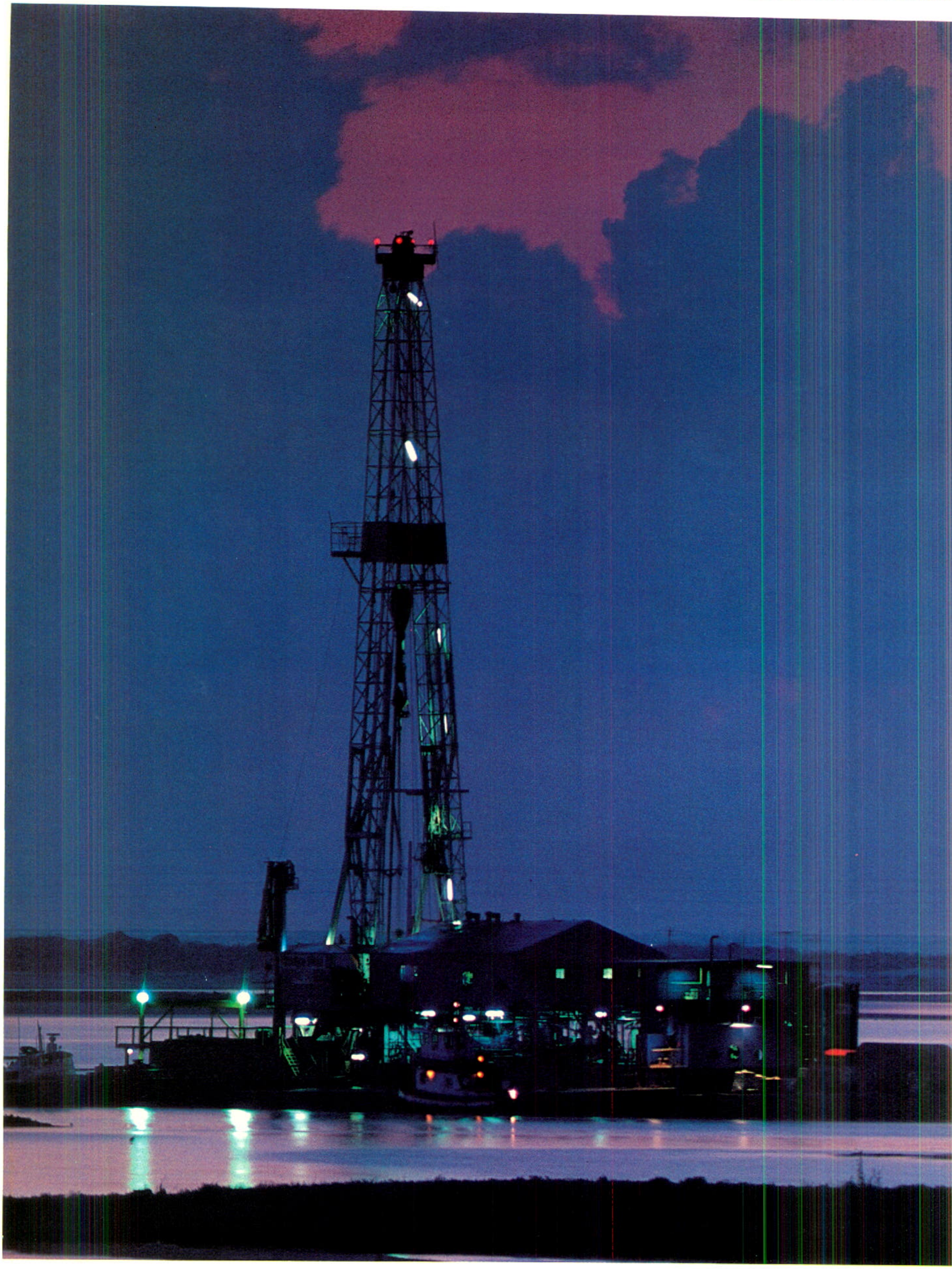
A major United States contract for 46 railway passenger cars was completed and similar passenger cars being supplied to third world countries are nearing completion.

Construction continued on four 850 megawatt calandria units, the primary heat energy source in CANDU nuclear reactors. Two are for delivery in 1982, one in 1984 and one in 1985. In early 1982 the company was awarded a contract for supply of further units for a Romanian installation. The company is tendering on seven 600 megawatt units for export to countries such as Mexico and South Korea.

Marine Design Services

Marine design and engineering services including contract and detail design, material and maintenance control and field supervisor services are offered by Versatile Vickers Systems Inc. The company grew substantially during the year. In Ottawa, the company's design services were expanded with the September acquisition of L.E. Minogue Consultants Limited. A branch of Versatile Vickers Systems in Montreal specializes in detail design work and material control. A new branch in Halifax was opened in November 1981. The combined staff of engineers, designers and draftsmen in the three offices grew from 26 at the start of 1981 to more than 140 by year-end. Also during the year the company entered into an agreement with Y-ARD Ltd. of Glasgow, to combine technical and staff expertise for specific projects. Customers for the design services of Versatile Vickers Systems include the federal government and large industrial corporations.

The competitive position of Versatile Vickers Inc. and Versatile Vickers Systems Inc. has been strengthened as a result of their association with Versatile Corporation. They are also in a position to benefit from the relationship with Burrard Yarrows through exposure to new markets and their ability to offer the combined capabilities of the group.

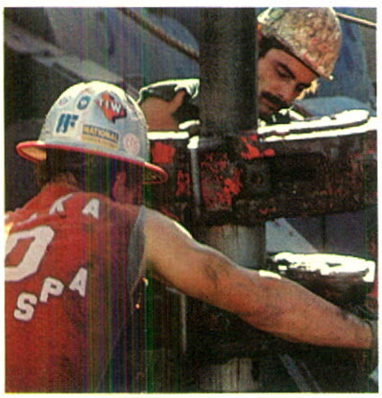


OIL AND GAS OPERATIONS

Bralorne Resources Limited
Calgary, Alberta, Canada

Bralorne is a supplier of products and services to the energy industry and engages directly and through joint ventures in oil and gas exploration. During 1981 revenues from the sale of the company's products and services grew substantially in the United States.

In keeping with the more positive exploration climate in the United States as compared with Canada, approximately 90 percent of Bralorne's $33.8 million capital investment on property, plant and equipment was spent in that country. For the first time, the company's United States oil and gas operations accounted for more than 60 percent of the 1981 $17 million oil and gas exploration expenditures. Bralorne explored for oil and gas in Louisiana and in areas of Texas such as Corpus Christi seen at left.



Above: In 1981, Bralorne's oil and gas drilling took place in Canada, the United States and Australia.

Top: Hydrogen sulphide gas safety equipment is supplied by Esse International, Inc. of Houston, Texas. Esse also rents safety equipment from self-contained breathing equipment to fully-equipped safety trailers, installs safety monitors and alarms, and trains people in the use of the equipment and in basic safety procedures.

OPERATIONS REVIEW

Gross revenues for Bralorne Resources Limited in 1981 were $337.3 million compared to $239.9 million in 1980. Cash flow was $53.8 million compared to $42.2 million in 1980. Net income was $26.6 million compared to $20.5 million in 1980. On a per share basis, cash flow and net income were $2.62 and $1.30 respectively compared to $2.07 and $1.01 in 1980.

The major portion of these results is attributable to growth in Bralorne's United States manufacturing operations. A decrease in Canadian oil and gas industry drilling activity resulted in a proportionate decline in the supply of products and services to the Canadian segment of the energy industry. This was in direct contrast with the rapid growth of sales to the same industry in the United States.

Products and Services, United States

Total revenue from Bralorne's United States products and services was $229.6 million in 1981 compared with $118 million in 1980, an increase of 94 percent. Major contributors were Mark Products, Inc., OMSCO Industries, Inc. and Triangle Grinding, Inc. all of Houston. Mark, which manufactures seismic exploration equipment, and OMSCO, which manufactures drill collars, kellys and kelly valves, had record sales, and income more than doubled 1980 results. Demand for the specialized cutting tools made by Triangle Grinding, Inc. also continued to increase.

Included for the first time in Bralorne's consolidated statements were full year results of Supreme Contractors of Lafayette, Louisiana, acquired in mid-1980. Supreme provides a variety of production and drilling-related services to the petroleum industry in southern Louisiana and east Texas.

The mid-year acquisition of Esse International, Inc. of Houston was also a factor in the increase. Esse operates eight regional offices in the United States which sell and lease hydrogen sulphide gas safety equipment and services.

Products and Services, Canada

Total revenue from Bralorne's Canadian products and services was $67.7 million in 1981 compared with $90 million in 1980, a decrease of 25 percent. To lessen the effects of reduced industry activity, Canadian subsidiaries and divisions of the company turned to United States markets. Mark Products Ltd., of Calgary, recorded revenue gains supplying equipment to crews moving to and working in the northern United States.

Barber Industries of Calgary designated new United States distributors for its wellhead and other specialty products and increased Canadian sales of mining equipment. Company results were nevertheless unfavourable due to the general industry climate and a four-week strike in August. Barber Offshore Ltd., a tubular goods machine shop in St. John's, Newfoundland, had a satisfactory year in 1981 and is expected to benefit in 1982 from offshore oil exploration activity on the east coast.

BRALORNE HIGHLIGHTS	***1981***	1980
Gross revenue	***$ 337.3 million***	$239.9 million
Cash flow from operations	***$53.8 million***	$42.2 million
Per share	***$ 2.62***	$2.07
Net income	***$ 26.6 million***	$ 20.5 million
Per share	***$ 1.30***	$ 1.01
Shareholders' equity	***$ 87.7 million***	$ 63.5 million
Per share	***$ 4.26***	$ 3.10
Return on average shareholders' equity	***35%***	39%
Dividends	***$ 3.1 million***	$ 2.0 million
Per share	***15 cents***	10 cents
Net reserves at December 31		
Natural gas in Canada	***4.2 billion cu. metres***	4.1 billion cu. metres
Natural gas in United States	***155 million cu. metres***	56 million cu. metres
Crude oil and natural gas liquids in Canada	***179 thousand cu. metres***	199 thousand cu. metres
Crude oil and natural gas liquids in United States	***69 thousand cu. metres***	71.5 thousand cu. metres

Bralorne anticipates that the softness in Canadian markets for its products and services will continue through 1982 since forecasts point to continued depression in oil and gas drilling activity.

Products and Services, International

Bralorne Resources PTE Ltd., the Singapore representative of Jarco Services of Calgary, had a successful year due to increased leasing and servicing of down-hole drilling tools in southeast Asia. Mobile Homes Limited of Malta also recorded strong results developing new markets for its mobile camp units in Egypt, Turkey, Oman and Tunisia.

Oil and Gas Exploration, United States

During the year 60 percent of the total $17 million oil and gas exploration expenditures was spent on land acquisition and exploration in Louisiana and Texas. Bralorne participated in drilling 35 exploratory wells, of which 23 were successful and 12 were dry and abandoned.

Independent consultants have valued Bralorne's United States reserves of oil and natural gas at $18.1 million (discounted at 15 percent) compared to $10.7 million in 1980.

Oil and Gas Exploration, Canada

In Canada, Bralorne's oil and gas activity was carefully controlled during 1981. Bralorne curtailed acquisition of new gas-prone lands and concentrated on developing currently-owned lands. At year end the company held 202,168 gross (74,802 net) hectares. Gross hectares are the total land holdings in which the company shares while net hectares reflect the company's 100 percent interest in those holdings.

Present worth of Canadian reserves of natural gas, crude oil and natural gas liquids is $168.6 million (discounted at 15 percent) compared to $138.4 million at year end 1980.

Development drilling was also reduced in 1981 as the company completed its three year production expansion program in the Medicine Hat area. Despite an increase in gas production over 1980 a higher rate of taxation resulted in total Canadian oil and gas revenues of $10 million for 1981 being virtually the same as in 1980.

International sales of Bralorne's products and services, the results of other Canadian subsidiaries, and U.S. oil and gas revenues accounted for approximately $30 million of Bralorne's revenue.

Price Accord, Canada

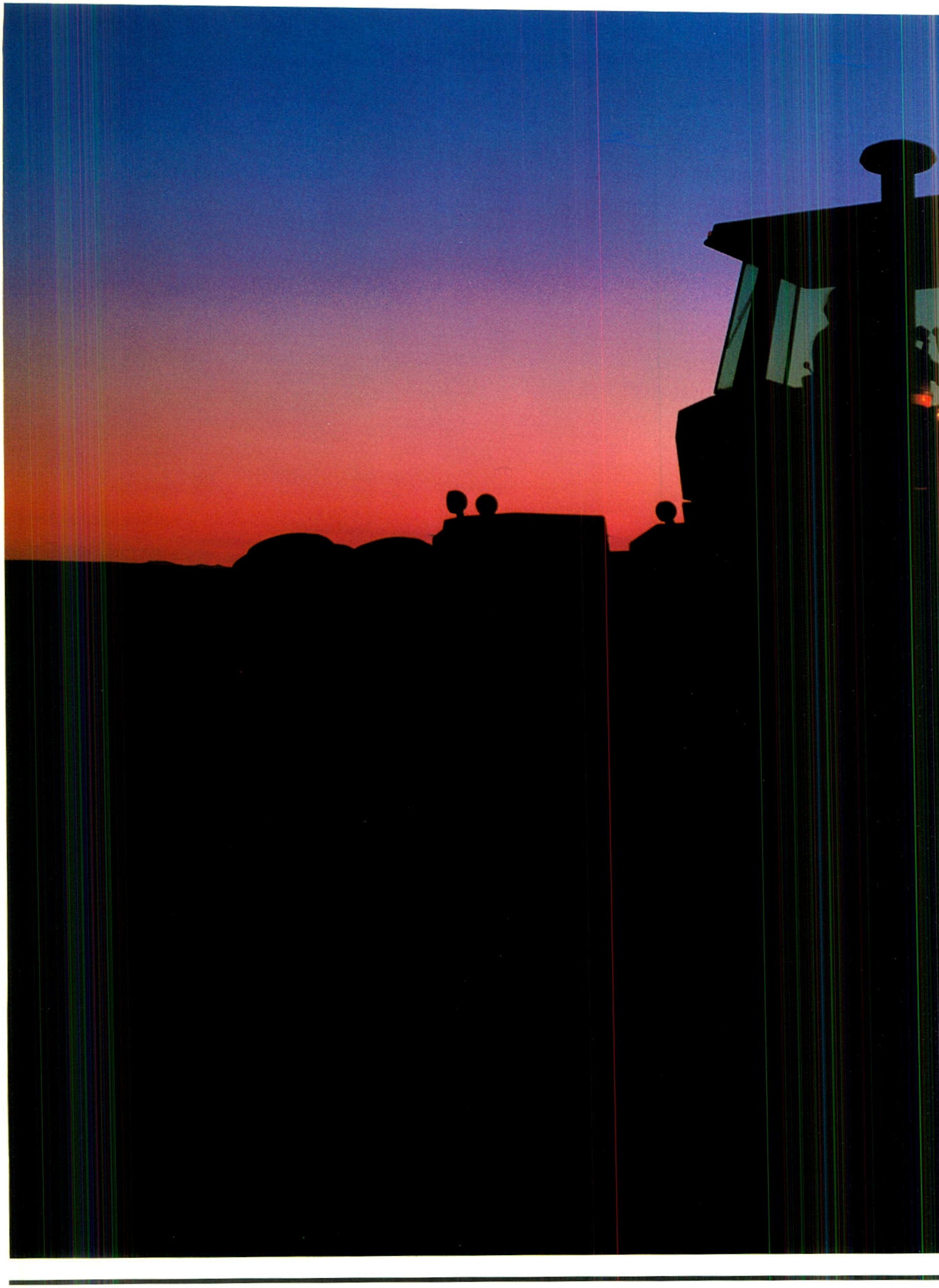
In September the Canadian federal government and the Province of Alberta entered into a five-year price accord covering the price of conventional oil, non-conventional oil and natural gas.

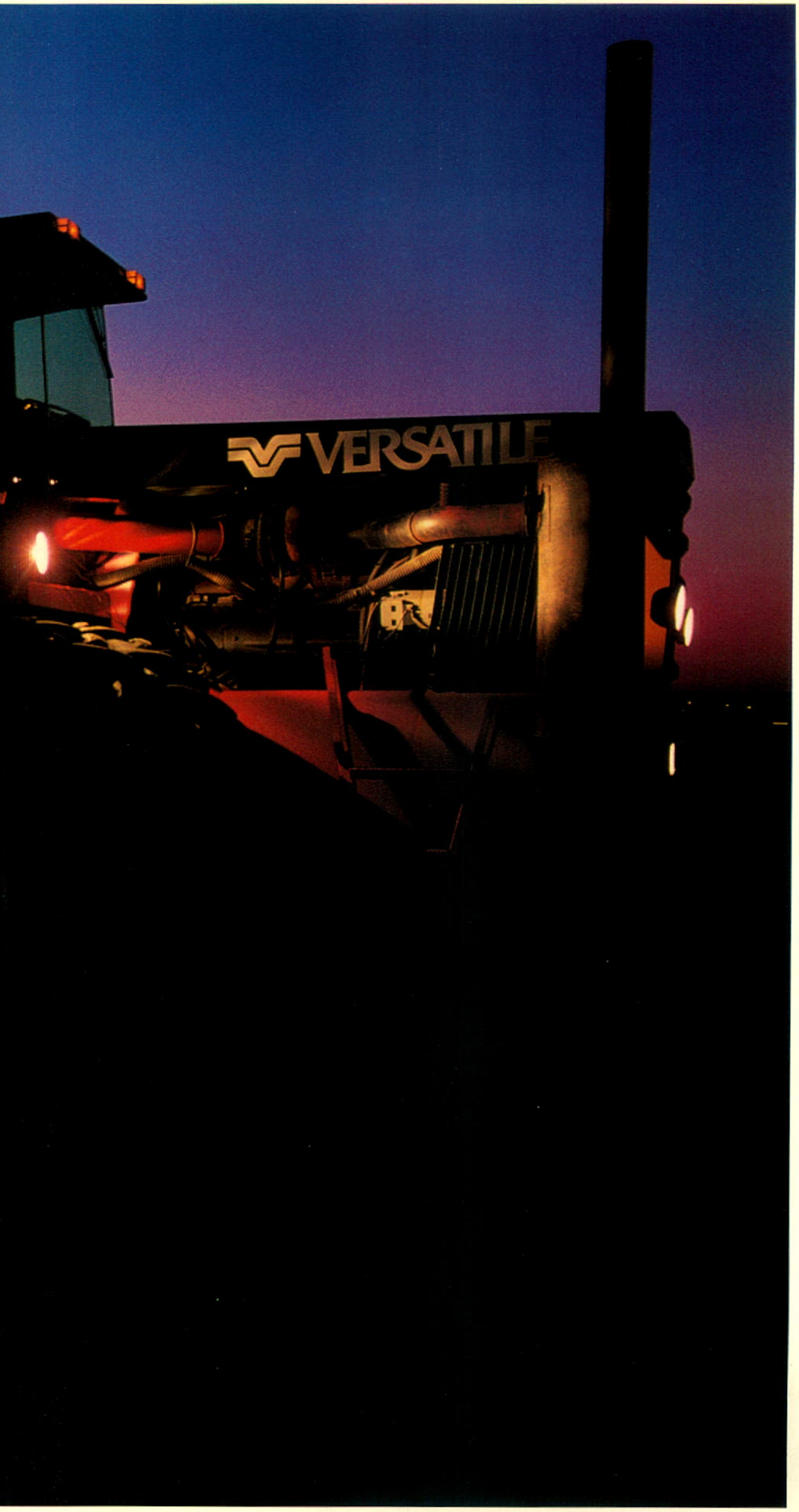
The agreement is clear with respect to new oil price and increased drilling activity may be expected in this area. However, gas prospects far outstrip oil prospects in western Canada and, accordingly, no dramatic improvement in overall drilling activity may be expected merely from increased oil exploration. With respect to natural gas exploration, markets for the gas are not readily available nor is the industry share of the price increases for the 1981-86 period set forth in the agreement sufficient to justify more drilling activity.

The agreement will not improve Bralorne's short-term prospects even though the company is eligible for the maximum incentives under the Canadian ownership provisions.

Gold Mine

During 1981 exploration and restoration work to determine the feasibility of reopening the Bralorne gold mine in British Columbia showed promising results. The joint venture partner, E&B Explorations Inc., which had the option of committing up to $5 million by June 30, 1983 to earn a 50 percent working interest in the mine, did commit the full amount. A decision regarding the reopening of the mine is expected in 1982.





AGRICULTURAL OPERATIONS

Versatile Farm Equipment Company
Winnipeg, Manitoba, Canada

Versatile Farm Equipment Corporation
Kansas City, Missouri, U.S.A.

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

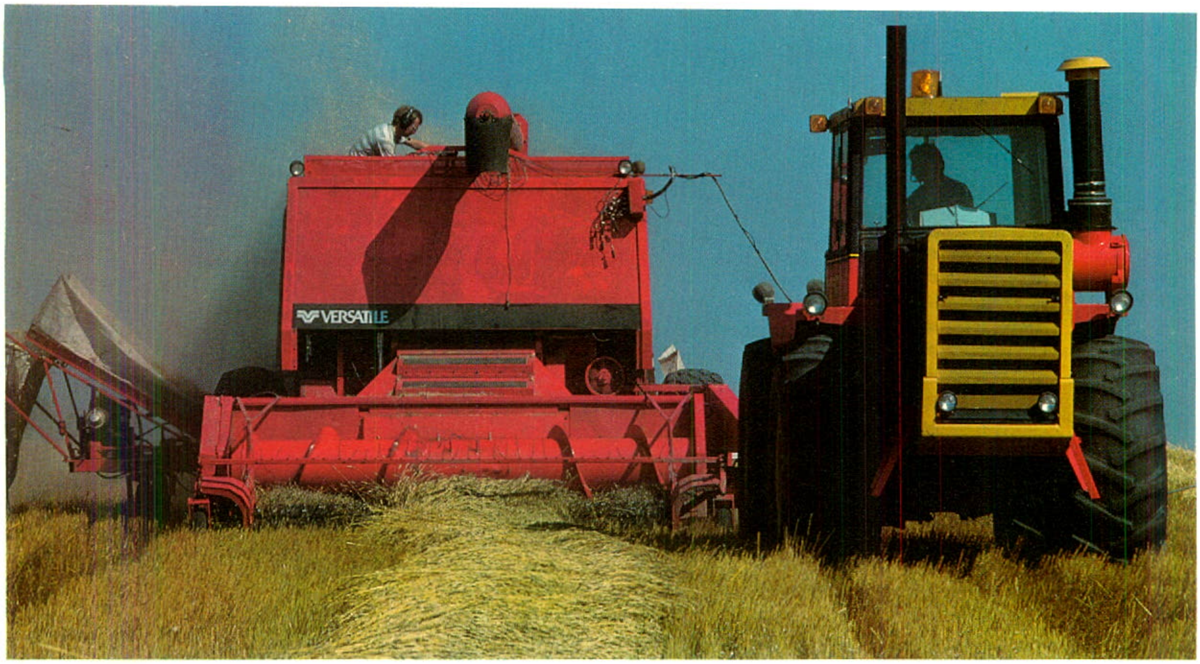
Versatile Noble Cultivators Company
Nobleford, Alberta, Canada

Versatile Toft Ltd.
Bundaberg, Queensland, Australia

The new VERSATILE® 470 horsepower Model 1150 four-wheel drive tractor was launched in December before 650 dealers and customers in Phoenix, Arizona.

Product design and engineering teams used advanced four-wheel drive technology to improve the drive train, cooling and load sensing dual pump hydraulic mechanisms. The new cab design includes a 60 percent increase in visibility, controls placed in the optimum position and computerized instrumentation and monitoring systems.

The typical farm operated by Versatile customers is more than 1,000 acres with the largest being 44,000 acres. Versatile's North American customers range from the Peace River District of Alberta to the Yucatan Peninsula of Mexico and from Sacramento, California to Orlando, Florida.



Above: A Model 1150 four-wheel drive tractor works in California.

Top: A major new product, the VERSATILE® trans-axial pull-type combine features a unique rotary threshing design which provides higher capacity than conventional units. It is shown being pulled by a Model 875 VERSATILE® four-wheel drive tractor.

OPERATIONS REVIEW

Farm equipment manufacturing takes place in three locations: four-wheel drive tractors, combines and swathers at Versatile Farm Equipment Company, Winnipeg, specialized tillage implements at Versatile Noble Cultivators Company, Nobleford, and sugar cane harvesting equipment at Versatile Toft Ltd., Bundaberg, Australia.

In 1981 market leadership for these products was maintained worldwide despite depressed market conditions and heightened competitive pressures, particularly in North America.

Sales and Marketing

Unit sales of four-wheel drive tractors manufactured at Versatile Farm Equipment Company grew in the primary markets of North America. Export markets expanded by 32 percent over 1980. Four-wheel drive tractors were one of the strongest growth areas in the Australian agricultural machinery marketplace in 1981 as unit sales of such tractors increased by almost 30 percent over the previous year while the total market grew approximately 20 percent.

For Versatile Noble Cultivators Company 1981 was a year of considerable change as marketing in Canada, the United States and Australia of its two major product lines, blade plows and seed drills, was completely transferred to Versatile dealers. Marketing integration is resulting in dealers carrying broader and complementary product lines and in more efficient advertising, promotion and distribution.

At Versatile Toft Ltd. unit sales of sugar cane harvesting equipment increased by 10 percent worldwide. The company continues to dominate the Australian market ensuring a strong base for export sales as Australia is a focal point for worldwide sugar industry progress and technology. The creation of a strong dealer network has been important in the development of the widely scattered markets for sugar cane harvesting equipment. In August an international dealer conference held for the first time by Versatile Toft Ltd. attracted dealers from 26 cane growing countries.

Deliveries to Mexico during the year made it the most important single export market for sugar cane harvesters. A large consignment of equipment was shipped to the Middle East and sales to other countries reached expected levels. Significantly in 1981, Toft Mexicana S.A., a distributor handling sugar cane harvesting products in Mexico for several years, was appointed the Mexican distributor for all Versatile farm equipment products.

In the United States Versatile products are distributed by Versatile Farm Equipment Corporation, Kansas City, Missouri, which operates full service centres in Kansas City and Minneapolis, Minnesota. The company had an active year in 1981. Products were shown at 23 farm exhibitions held throughout the United States and at the introduction of the Model 1150 four-wheel drive tractor in Phoenix. Dealer development is one of the company's priorities and 50 dealers were added to the United States network. North American dealer councils and dealer schools aimed at improving product knowledge and dealer service were sponsored.

New models of sugar cane harvesters such as the Versatile Toft Series 3 harvester are being developed in Australia to meet expanding markets in burnt and green cane. Green cane can be harvested in wetter climates, ferments less rapidly and is therefore less susceptible to sugar losses in transport. Conversely burnt cane must be refined more quickly but contains lower levels of extraneous matter. The choice of harvesting method is subject to a variety of factors: mill location and capability, climate and the dictates of tradition.

In Australia, Versatile Farm Equipment Pty. Ltd., which distributes Versatile tractors and tillage equipment in that country, opened a new office and larger distribution facility in Dubbo, New South Wales and added a warehouse in Kewdale, Western Australia. These expansions reflect the importance of the Australian market for Versatile products and will facilitate service to dealers. The large size of Australian farms is particularly suited to the high capacity, fuel efficient Versatile equipment.

Product Development

To expand Versatile's specialized product lines and maintain market leadership, existing products are adapted to new uses and new products are developed. Engineering research and development expenses increased by 33 percent in 1981 over 1980. These expenditures included initial construction of a test track on 85 acres south of Winnipeg. The facilities, which will be in operation in the spring of 1982, will expedite the testing under controlled conditions of combines, swathers and four-wheel drive tractors. Use of the track for testing will substantially shorten the evaluation time required to test and verify machine capacity, safety and design.

In Winnipeg, new products introduced in 1981 included the Model 1150, increasing top-of-the-line horsepower from 335 to 470 and the Model 160 bi-directional four-wheel drive tractor with 84 horsepower, which replaced the Model 150 at 70 horsepower. Production of the Model 2000 trans-axial flow pull-type combine also commenced.

In Nobleford, engineering research and development have historically been the company's strengths. Such expenditures increased by 105 percent in 1981 over 1980 resulting in modifications to current production methods and a new generation of minimum and zero tillage equipment.

In Australia, a new series of cane harvesters and a new bulk billet planter are being developed to broaden the range of products serving the green and burnt cane markets. In 1981 a new full-track transporter went into production.

Manufacturing

Manufacturing activity throughout the group in 1981 was 20 percent above the previous year, representing a real growth of approximately 50 percent since 1978.

In 1981 group capital expenditures were $17 million. A major portion of these capital funds was used to upgrade and increase machine shop and manufacturing capability. In Winnipeg the main assembly line was relocated and extended to expand assembly capacity by more than 65 percent and a new line was installed to assemble Model 160 tractors and self-propelled swathers.

Computer-controlled (CNC) machines installed in the Winnipeg plant have expanded substantially its machining capabilities. It is the largest CNC installation in western Canada.

At Nobleford, changes in the plant included the installation of the company's first assembly line with drill assembly operations being moved from Lethbridge to the Nobleford plant. The transfer of the manufacture of ancillary equipment from Winnipeg to Nobleford will relieve peak loads at Winnipeg and smooth manpower scheduling at Nobleford while maintaining inventories at economic levels.

The plant at Versatile Toft Ltd. was also improved during the year with the installation of the first computer-controlled machines and the opening of an electrostatic spray paint facility.

COLD STORAGE AND OTHER OPERATIONS

Versatile Cold Storage Corporation
Vancouver, British Columbia
Canada

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

Versatile Credit Corporation
Winnipeg, Manitoba, Canada

The steel framework for the new plant in Calgary illustrates the growing scope of Versatile Cold Storage operations. Construction began in October 1981 and the 57,000 square foot addition was completed in January 1982. It is one of the largest facilities between Thunder Bay and Vancouver. Alberta has had a long standing need for large computerized facilities to serve the food processing, food distribution and packing house industries. In addition, recent population growth in the province has created increasing demand for frozen processed foods. The Calgary plant and the 30,000 square foot facility in Edmonton are a step toward meeting that need.

Frozen fish, fruit, vegetables and meat are stored in Versatile Cold Storage warehouses.

OPERATIONS REVIEW
Versatile Cold Storage Corporation
Alberta Cold Storage Division
Plants: Calgary, Edmonton

B.C. Ice and Cold Storage Division
Plants: Harbour, Corpak, Valley, Vancouver Cold Storage, Kiwood

The company expanded its facilities and services substantially during 1981, committing approximately $2.3 million to the expansion of its divisions. Total storage capacity in nine plants is now 12 million cubic feet.

In the B.C. Division, the Kiwood plant in Richmond, acquired in late 1980, came on line and participated in the roe herring production in the winter of 1981 as well as the processing and freezing of salmon during the summer.

An addition to the Valley plant in Abbotsford to provide blast freezing and storage for a major customer was completed during the year. The customer constructed a modern fish packaging plant on Versatile Cold Storage property adjacent to the freezer plant. A year-round production of fish for freezing and storage is expected from this operation.

A meat inspection room was added at the Corpak plant in Richmond. It is staffed by government inspectors to service the meat industry in the lower mainland of British Columbia.

In the Alberta Division, asset and plant acquisitions were made in Calgary and Edmonton. Food processing and distribution companies expanded their operations in the Alberta market creating heavier demand for cold storage space. In Calgary, the company doubled its storage capacity and entered into a joint program with a customer to provide storage and distribution services. Edmonton facilities were also consolidated to offer a more complete service to customers.

The Alberta acquisitions enabled the company to maintain a steady dollar volume increase despite negative economic and climatic factors. In the B.C. Division, high interest rates discouraged maintenance of large inventories by customers, cold spring and summer weather reduced fruit and vegetable crops in the Fraser Valley, and catches of freezing varieties of salmon were lower than average.

The outlook for 1982 is for a return to normal field crops and fish production with an increasing trend to combined storage and distribution services. These should result in increased growth in all phases of operations.

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

Versatile Credit Corporation
Winnipeg, Manitoba, Canada

Versatile Credit Corporation (U.S.) and Versatile Credit Corporation (Canada) provide retail financing and leasing services to the buyers of Versatile agricultural equipment. The volume of credit business written in the United States remained steady during 1981. The Canadian company completed its first full year of operation and experienced increasing volumes as its services became known to farmers.

Contributing to the results in both countries were money market conditions which increased restrictions on bank loans available to the agricultural community and high interest rates which continued to create demand for alternate financing services.

During 1981 marketing and advertising programs were coordinated with the dealer organization in order to provide more complete service for customers including a sales financing program designed specifically for the Versatile Noble product line.

Management Responsibility

Financial reporting is the responsibility of management. To discharge this responsibility, management relies on established systems of internal financial and accounting controls. The Corporation believes that these systems provide reasonable assurance, on a cost effective basis, that its assets are properly safeguarded.

The consolidated financial statements have been prepared by management using generally accepted accounting principles and have been approved by the Board of Directors. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements. Where required, management has exercised its best judgment in selecting and applying the accounting principles appropriate to the particular business transaction under consideration.

The systems of internal financial and accounting controls are monitored by the Corporation's internal auditor and reviewed by the independent auditors whose report on the financial statements appears on page 29. Both the internal and external auditors have met regularly with the Audit Committee of the Board of Directors to discuss the results of their audits, their opinions on the systems of internal controls and the quality of financial reporting. The Audit Committee is comprised solely of Board Members who are not officers of the Corporation.

The Corporation requires that its affairs be conducted in accordance with established standards of business conduct. Management believes that it has discharged its responsibility to conduct the affairs of the Corporation in accordance with high standards of integrity and accountability to its shareholders, customers, employees and the public at large.

Foreign Exchange

In 1981 earnings were reduced by a loss on foreign exchange translation amounting to $802,000. This is compared with a net gain in 1980 of $1,070,000 and a loss in 1979 amounting to $1,464,000.

The exchange adjustments by quarter in 1981 and 1980 are summarized in the table at right:

	Gain/(Loss)		Increase/(Decrease)	
	1981	1980		
	(thousands of Canadian dollars)			(dollars per common share)
First quarter	***(396)***	728	(1,124)	(0.05)
Second quarter	***695***	(2,289)	2,984	0.13
Third quarter	***356***	370	(14)	–
Fourth quarter	***(1,457)***	2,261	(3,718)	(0.16)
	(802)	1,070	(1,872)	(0.08)

This table indicates the continued volatility of exchange rates and their impact on the Corporation. It is important to consider the effect of these adjustments when assessing the Corporation's earnings on a quarter to quarter basis.

The Corporation takes steps to reduce its exposure to substantial exchange adjustments by effecting a portion of its short-term borrowings in the same currency as certain of its receivables, thereby offsetting the working capital asset accounts subject to exchange translation gains or losses. However, this strategy will not entirely eliminate the effect of fluctuations which arise principally from translating at current rates the net working capital of foreign subsidiaries.

As indicated in prior years, it is the Corporation's view that exchange translation adjustments, while included in the earnings statement, are not an appropriate element in the measurement of operating performance.

Income Taxes

The earnings statement indicates that the effective income tax rate was 43.9 percent in 1981, compared with 41.9 percent in 1980 and 43.1 percent in 1979. These rates cover the earnings of the entire group of companies in several taxing jurisdictions and tend to vary from year to year as a result. The Canadian earnings included in 1981 were reduced by income taxes at an effective rate which approximated that of 1980, again reflecting the benefits of the investment tax credit, inventory allowance and research incentive programs.

The deferred income tax account in the current assets section of the balance sheet arises principally from eliminating from consolidated earnings profits on intercompany sales and warranties and other provisions included as charges to operations which are not deductible for income tax purposes until the disbursements are actually made.

The earnings statement indicates an extraordinary item, being the reduction of income taxes resulting from the utilization of losses incurred in prior years by certain subsidiaries acquired in 1980. In both 1980 and 1981 the earnings of these companies were such that the utilization continued and the effect is disclosed as a separate item. As losses for tax purposes still remain, the Corporation expects to record further benefits in 1982 and 1983.

Earnings and Earnings Per Share

As in 1980 all groups of the Corporation improved their contribution to the earnings results over the prior year. This is indicated in the industry segment data included in note 13 to the financial statements. This year the note includes for comparative purposes the industry and geographic segments for 1980, which comparisons have been reclassified to conform to the 1981 presentation.

The financial statements include earnings figures expressed in dollars per common share before and after the effect of utilization for income tax purposes of losses incurred in prior years by certain subsidiaries. The basis for these per-share earnings figures is the average number of common shares issued and outstanding during the year. Earnings per common share are also shown on a fully diluted basis or after giving effect to the exercise of the common share warrants which remained outstanding at the beginning of the year. The table below summarizes the earnings per share figures for 1981 and 1980:

	1981	1980
	(dollars per common share)	
Net earnings		
before income tax reduction	**1.77**	1.42
after income tax reduction	**1.93**	1.51
Fully diluted earnings		
before income tax reduction	**1.64**	1.25
after income tax reduction	**1.79**	1.33

Long-Term Debt

Through issues of Series D and E debentures the Corporation raised $37 million in U.S. funds to assist in the financing of the capital improvements to its existing Canadian facilities. These funds were generated on a fixed rate basis over an initial five-year term. In addition Bralorne Resources Limited increased its long-term debt to re-finance a portion of its existing debt.

The table at right summarizes the debt:equity ratios in 1979, 1980 and 1981 for Bralorne, Versatile with Bralorne at equity, and Versatile on a fully consolidated basis:

	Long-Term Debt	Shareholders Equity	Debt: Equity Ratio
	(thousands of Canadian dollars)		
Bralorne			
December 31, 1979	$ 47,539	$ 41,883*	53:47
December 31, 1980	$ 84,252	$ 63,560*	57:43
December 31, 1981	$108,148	$ 87,666*	55:45
Versatile with Bralorne at equity			
December 31, 1979	$ 45,026	$ 94,923	32:68
December 31, 1980	$ 65,875	$ 127,230	34:66
December 31, 1981	$109,636	$ 170,363	39:61
Versatile fully consolidated			
December 31, 1979	$ 92,565	$ 94,923*	49:51
December 31, 1980	$150,127	$ 127,230*	54:46
December 31, 1981	$217,784	$ 170,363*	56:44

**excluding equity of minority shareholders in subsidiaries*

These calculations are based on the historical costs in the consolidated balance sheet and therefore do not reflect the current values of the underlying asset base. The current value of this asset base, which is very substantial, is of course recognized by lenders.

In this connection, it is revealing to note that the debt:equity ratios are distorted by the consolidation of Bralorne. The real values of Bralorne's assets are far greater than the book values and, to illustrate, if the oil and gas reserves of that company were included at current values, the consolidated debt:equity ratio would become 42:58. Similarly, the Burrard Yarrows floating dry dock is included in the consolidated balance sheet at cost net of all government grants but its current value greatly exceeds the cost attributed to it for purposes of supporting the long term debt.

It is also to be noted that, if the investment in Bralorne were included at quoted market value rather than at cost plus the equity in undistributed earnings, the debt:equity ratio of 39:61 under "Versatile with Bralorne at equity" in the table would become only 28:72.

In short, the underlying asset base supporting both the debt and equity interests in the Corporation continues to provide ample justification for such a structure.

Working Capital and Cash Flow

Net working capital increased by $42.5 million in 1981 to a level of $164.2 million at December 31, 1981. The major items contributing to this result were $94 million generated from operations and $50 million net in increased long-term debt, offset by $85 million in capital expenditures and $15 million in acquisitions.

The Corporation's expansion and growth have been financed largely through earnings and its financial condition is sound. However, the combination of growth and the economics of the current business climate have served in 1981 to increase the utilization of the operating credit facilities. It is apparent that the demands on the working capital resources will not abate in the near term and, accordingly, management has assigned a particularly high priority to improving cash flow.

The operating lines of credit of the Corporation and its wholly owned Canadian subsidiaries are available on an unsecured basis. The other companies, including the foreign subsidiaries, have operating facilities available to them which, when utilized, are secured by charges on the assets of those companies.

Dividends and Warrants

The dividend declarations for 1980 indicated in the consolidated earnings statement covered only three quarters of that year for the reason that the dividends for the first quarter of 1980 were declared and accounted for in the fourth quarter of 1979.

The references to the Common Share Warrants in this Report are to the full warrants which have not been subdivided by the Corporation at any time. Each such warrant is the equivalent of two "half warrants" as traded on the stock exchanges since May 1980.

AUDITORS' REPORT

To the Shareholders of Versatile Corporation

We have examined the consolidated balance sheet of Versatile Corporation as at December 31, 1981 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, 1981 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, 1982

CONSOLIDATED BALANCE SHEET
as at December 31, 1981 (in thousands of dollars)

Versatile Corporation

Assets

	1981	1980
Current assets		
Short-term deposits and marketable securities, at cost	**$ 3,217**	$ 9,744
Accounts receivable	**234,216**	141,773
Inventories (note 3)	**170,361**	120,159
Prepaid expenses	**4,026**	4,086
Deferred income taxes	**13,487**	10,003
	425,307	285,765
Investments and loans		
Investment and advances – finance subsidiaries	**37,629**	37,021
Employee share purchase plan loans (note 4)	**5,877**	4,623
Long-term receivables and other assets	**6,016**	3,264
	49,522	44,908
Fixed assets		
(note 5)	**232,039**	151,980
Intangible assets and deferred charges		
Goodwill	**31,346**	24,092
Patents	**3,584**	1,481
Financing costs	**951**	1,027
	35,881	26,600
	$742,749	$509,253

		1981	1980
Liabilities	***Current liabilities***		
	Bank loans	***$ 89,331***	$ 34,862
	Accounts payable and accrued liabilities	***147,320***	106,637
	Income taxes payable	***19,289***	20,842
	Dividends payable	***641***	424
	Current portion of long-term debt	***4,551***	1,359
		261,132	164,124
	Long-term debt (note 6)	***213,233***	148,768
	Deferred income taxes	***38,384***	25,715
	Minority interests	***59,637***	43,416
		311,254	217,899
Shareholders' Equity	***Share capital*** (note 7)	***48,381***	43,671
	Earnings reinvested in the business	***121,982***	83,559
		170,363	127,230
		$742,749	$509,253

Contingent liabilities and subsequent event (notes 9 and 10)

Approved by the Directors

Peter Paul Saunders

Peter Paul Saunders, Director

R. Laud Cliff

Ronald L. Cliff, C.A., Director

CONSOLIDATED STATEMENT OF EARNINGS AND EARNINGS REINVESTED IN THE BUSINESS

Year ended December 31, 1981 (in thousands of dollars)

		1981	1980
Revenue	Manufacturing	**$768,828**	$505,288
	Service	**126,915**	104,213
		895,743	609,501
Costs and Expenses	Cost of sales	**640,509**	429,034
	Selling, general and administrative	**87,615**	65,919
	Long-term debt interest	**23,011**	14,135
	Other interest	**18,616**	9,709
	Depreciation, depletion and amortization	**23,351**	14,935
		793,102	533,732
Earnings from Operations		**102,641**	75,769
Other Income (Expenses)	Interest	**4,447**	2,099
	Gain (loss) on foreign exchange	**(802)**	1,070
	Gain on sale of fixed assets	**2,569**	1,061
	Other	**1,732**	(172)
		7,946	4,058
		110,587	79,827
Income Taxes	Current	**40,370**	27,207
	Deferred	**8,149**	6,259
		48,519	33,466
Earnings before Undernoted Items		**62,068**	46,361
Minority Interests		**17,844**	12,493
Earnings before Extraordinary Item		**44,224**	33,868
Income Tax Reduction on Utilization of Prior Years' Losses of Subsidiaries Acquired in 1980		**3,791**	1,980
Net Earnings		**48,015**	35,848
Earnings Reinvested in the Business at Beginning of Year		**83,559**	53,106
		131,574	88,954
Dividends Declared	Preferred shares	**2,343**	1,825
	Common shares	**7,249**	3,570
		9,592	5,395
Earnings Reinvested in the Business at End of Year		**$121,982**	$83,559

Earnings per common share (note 8)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31, 1981 (in thousands of dollars)

		1981	1980
Working Capital Derived from	Operations		
	Earnings before extraordinary item	**$ 44,224**	$ 33,868
	Items not affecting working capital		
	Depreciation, depletion and amortization	**23,351**	14,935
	Deferred income taxes	**12,194**	9,786
	Minority interests	**17,844**	12,493
	Other	**(3,229)**	(745)
		94,384	70,337
	Income tax reduction on utilization of prior years' losses of subsidiaries acquired in 1980	**3,791**	1,980
	Increase in long-term debt	**76,269**	109,219
	Proceeds from sale of fixed assets	**6,781**	6,923
	Proceeds from issue of common shares	**3,620**	1,817
		184,845	190,276
Working Capital Applied to	Business acquisitions, net of working capital	**14,825**	2,078
	Additions to fixed assets	**85,027**	65,428
	Reduction of long-term debt	**26,480**	62,394
	Cash dividends declared	**7,467**	4,324
	Intangible assets and deferred charges	**2,121**	7,644
	Decrease (increase) in minority interests	**1,623**	(7,605)
	Employee share purchase plan loans	**1,254**	2,803
	Redemption of preferred shares	**805**	966
	Increase in investment and advances – finance subsidiaries	**394**	25,115
	Other	**2,315**	(326)
		142,311	162,821
Increase in Working Capital		**42,534**	27,455
Working Capital at Beginning of Year		**121,641**	94,186
Working Capital at End of Year		**$164,175**	$121,641

1. Summary of Accounting Policies

The financial statements of the Corporation have been prepared by management in accordance with accounting principles generally accepted in Canada, consistently applied. 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. The Corporation considers it more informative and appropriate to present separate financial information (see note 11) and to adopt the equity method of accounting for the finance subsidiaries. Applying this method, the Corporation 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
Current assets and current liabilities in foreign currencies have generally been translated into Canadian dollars at year end rates. Where these items are covered by forward exchange contracts they are translated at the rates established by those contracts. Other assets and liabilities have been translated at historical rates. Revenues and expenses (except depreciation, depletion and amortization, which are translated at historical rates, and items covered by forward exchange contracts) have been translated at rates in effect during the year.

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 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 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 Corporation 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) 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. Acquisitions

Effective January 1, 1981 the Corporation acquired all the shares of Vickers Canada Inc. (subsequently renamed Versatile Vickers Inc.), a Montreal company specializing in marine and industrial manufacturing operations. Effective February 27, 1981, the operations of Versatile Cold Storage Corporation were expanded with the acquisition of the assets of N. H. Clauson Storage Co. Ltd. in Alberta. Effective July 1, 1981, Bralorne Resources Limited acquired all the shares of Esse International, Inc., a Houston, Texas company specializing in safety equipment and services to the petroleum industry.

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

	(in thousands of dollars)
Assets acquired	
Fixed assets	$21,691
Other assets	437
Goodwill	8,064
	30,192
Deduct	
Long-term debt	14,892
Deferred income taxes	475
	15,367
	14,825
Working capital acquired	10,533
Total consideration	$25,358

The consideration was settled in cash and notes payable.

3. Inventories

	1981	1980
	(in thousands of dollars)	
Finished goods	***$ 45,206***	$32,448
Work-in-process	***42,905***	36,302
Raw materials and supplies	***82,250***	51,409
	$170,361	$120,159

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

	1981 Cost	1981 Accumulated Depreciation and Depletion	1981 Net	1980 Net
	(in thousands of dollars)			
Agricultural Operations				
Land	$ 4,823	–	$ 4,823	$ 4,787
Buildings	20,042	$ 3,663	16,379	15,100
Machinery and equipment	29,419	10,115	19,304	13,458
	54,284	13,778	40,506	33,345
Marine and Industrial Operations				
Land	1,663	–	1,663	1,458
Floating drydocks, piers and buildings	47,569	19,778	27,791	4,022
Machinery and equipment	26,775	21,499	5,276	1,220
	76,007	41,277	34,730	6,700
Oil and Gas Operations				
Land	5,862	–	5,862	3,918
Buildings	18,216	2,828	15,388	11,140
Machinery and equipment	79,105	24,275	54,830	40,555
Oil and gas interests	74,169	9,521	64,648	46,467
Mining interests	950	–	950	941
	178,302	36,624	141,678	103,021
Other				
Land and foreshore leases	1,722	30	1,692	563
Buildings	12,035	3,666	8,369	6,379
Machinery and equipment	9,671	4,607	5,064	1,972
	23,428	8,303	15,125	8,914
Total	$332,021	$ 99,982	$232,039	$151,980

The cost of floating drydocks and related facilities has been reduced by government assistance received amounting to $46,627,000, of which $32,582,000 was received during 1981.

6. Long-Term Debt

	1981	1980
	(in thousands of dollars)	
Versatile Corporation		
Bonds and debentures		
11% Series A sinking fund debentures, maturing 1993	**$ 17,943**	$ 18,697
10% Series B debentures, maturing 1986 (U.S. $15,000,000)	**17,712**	17,712
9¾% sinking fund secured bonds, maturing 1987	**2,585**	2,824
13.11% term loan secured by Series C debentures, maturing 1985	**25,000**	25,000
15½% Series D debentures, maturing 1986 (U.S. $17,000,000)	**20,121**	–
15½% Series E debentures, maturing 1987 (U.S. $20,000,000)	**23,672**	–
6% to 7⅞% Industrial Development Revenue Bonds (U.S. $1,210,000; 1980-$1,340,000)	**1,403**	1,572
Other	**1,200**	70
	109,636	65,875
Bralorne Resources Limited		
Debentures		
12⅞% Series A sinking fund secured debentures, maturing 1995	**40,000**	40,000
Notes payable		
Bearing interest at varying rates (average rate at December 31, 1981-11.7%; 1980-8.1%) (U.S. $19,268,000; 1980-$8,808,000)	**22,974**	10,352
Bank loans		
Bearing interest at varying rates (average rate at December 31, 1981-15.1%; 1980-20.9%) (U.S. $37,500,000; 1980-$28,300,000)	**43,805**	32,770
Other	**1,369**	1,130
	108,148	84,252
Total	**217,784**	150,127
Less current portion included in current liabilities	**4,551**	1,359
	$213,233	$148,768

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

1982	$ 4,551,000
1983	14,768,000
1984	8,817,000
1985	37,553,000
1986	71,923,000

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

7. Share Capital

Authorized

8,000,000 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 common shares without par value
Unlimited number of Class B common shares without par value

	1981	1980
	(in thousands of dollars)	
Outstanding		
1,643,015 cumulative redeemable preferred shares at $15 per share	***$24,645***	$25,680
12,067,493 Class A common shares	***1,616***	–
12,084,448 Class B common shares	***22,120***	17,991
	$48,381	$43,671

Changes in common shares during the year were as follows:	Class A	Amount	Class B	Amount
		(in thousands of dollars)		(in thousands of dollars)
Balance outstanding at beginning of year	–	–	11,352,964	$17,991
Shares issued				
Stock dividend of one Class A for each Class B	11,488,338	$ 115	–	–
For warrants	485,247	5	611,087	2,210
Employee share purchase plan	71,613	1,162	9,534	243
Under optional stock dividend plan	22,295	334	110,863	1,676
	12,067,493	$1,616	12,084,448	$22,120

In January 1981 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 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 common shareholders include the right to receive dividends in either cash or stock.

There are common share warrants outstanding at December 31, 1981 entitling the holders thereof to purchase 779,668 Class A shares and 779,668 Class B shares. Two warrants plus $7.25 may be exchanged for two Class A shares and two Class B Shares. The warrants expire on July 29, 1983.

During 1981, 69,000 of the preferred shares were purchased for cancellation for a consideration of $805,000. Preferred shares are redeemable at the option of the Corporation after June 30, 1983 at a price of $16.40 per share decreasing to $15.00 per share after June 30, 1988. The Corporation has agreed to purchase in the open market 4% per annum of the outstanding preferred shares at prices not exceeding $14.50 per share.

8. 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 stock dividend of Class A common shares, are:

	1981	1980
Net earnings per common share		
Before extraordinary item	**$1.77**	$1.42
After extraordinary item	**$1.93**	$1.51
Fully diluted earnings per common share		
Before extraordinary item	**$1.64**	$1.25
After extraordinary item	**$1.79**	$1.33

9. Contingent Liabilities

(a) The acquisition cost of certain shares acquired by the Corporation may be subject to additional consideration.

(b) Recent actuarial valuations of the Corporation's pension plans indicate that there are no material unfunded liabilities.

10. Subsequent Event

In February, 1982 Bralorne Resources Limited entered into an agreement to acquire Sagebrush Resources Ltd., a company engaged in exploration and development of oil and gas resources.

11. Supplementary Information

The significant financial information relating to the operations of the finance subsidiaries for 1981 and 1980 is as follows:

	1981	1980
	(in thousands of dollars)	
Gross income	**$ 7,804**	$ 2,288
Earnings (loss) for the year	**$ 214**	$ (340)
Investment in mortgages, properties, finance contracts and leases	**$51,651**	$40,082
Amount owing to Versatile Corporation	**$27,058**	$22,414
Note payable	**$11,859**	$ 1,000
Long-term debt	**$ 505**	$ 1,255
Shareholders' equity	**$10,571**	$14,749

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 bank rate less ½ of 1%. During 1981 the maximum and minimum amounts loaned to the Corporation under this arrangement were $8,056,000 and $2,667,000 respectively. At December 31, 1981 *these loans amounted to $5,160,000* and are included in accounts payable and accrued liabilities.

13. Segmented Information
(in thousands of dollars)

	Industry segments					
	Agricultural Operations		Marine and Industrial Operations		Oil and Gas Operations	
	1981	1980	**1981**	1980	**1981**	1980
Revenue	***$343,183***	$263,156	***$215,220***	$106,381	***$337,340***	$239,964
Earnings						
Operating profit (before unallocated items)	***$ 56,230***	$ 43,163	***$ 17,767***	$ 7,805	***$ 78,602***	$ 54,686
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	***$294,204***	$197,785	***$ 75,156***	$ 25,275	***$332,320***	$239,056
Corporate assets						
Investment and advances – finance subsidiaries						
Total assets per financial statements						
Capital expenditures	***$ 16,977***	$ 15,845	***$ 13,661***	$ 4,148	***$ 54,389***	$ 45,435
Depreciation, depletion and amortization	***$ 4,836***	$ 3,803	***$ 1,826***	$ 542	***$ 16,689***	$ 10,590

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

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 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 1981 were $166,060,000 from Canada ($23,080,000 in 1980).

Revenue from Canadian operations as shown above includes export sales of $68,719,000 in 1981 ($113,991,000 in 1980).

Certain 1980 figures have been reclassified to conform with the method of presentation adopted in the current year.

		Geographic segments							
Consolidated		Canada		United States		Australia		Other	
1981	1980	**1981**	1980	**1981**	1980	**1981**	1980	**1981**	1980
$895,743	$609,501	**$443,991**	$415,150	**$377,191**	$128,349	**$63,150**	$57,207	**$11,411**	$8,795
$152,599	$105,654	**$ 71,319**	$ 65,854	**$ 69,431**	$ 31,625	**$ 9,946**	$ 7,375	**$ 1,903**	$ 800
(8,331)	(6,041)								
(41,627)	(23,844)								
7,946	4,058								
(48,519)	(33,466)								
(17,844)	(12,493)								
3,791	1,980								
$ 48,015	$ 35,848								
$701,680	$462,116	**$356,202**	$291,659	**$286,131**	$119,812	**$51,776**	$44,228	**$7,571**	$6,417
3,440	10,116								
37,629	37,021								
$742,749	$509,253								
$ 85,027	$ 65,428								
$ 23,351	$ 14,935								

HISTORICAL REVIEW
(in thousands of dollars)

	1981	1980	1979	1978	1977
Revenues					
Agricultural operations	**$331,509**	$253,989	$182,509	$125,911	$101,692
Oil and gas operations	**337,340**	239,964	140,700	86,408	58,488
Marine and industrial operations	**215,220**	99,725	76,734	77,861	71,610
Other operations	**11,674**	15,823	14,601	12,857	12,895
	895,743	609,501	414,544	303,037	244,685
Cost and Expenses					
Cost of sales	**640,509**	429,034	294,047	231,085	187,872
Selling, general and administrative	**87,615**	65,919	45,390	29,524	21,259
Long-term debt interest	**23,011**	14,135	8,486	5,305	5,745
Other interest	**18,616**	9,709	3,687	4,113	2,400
Depreciation, depletion and amortization	**23,351**	14,935	8,069	6,702	5,717
	793,102	533,732	359,679	276,729	222,993
Earnings from Operations	**102,641**	75,769	54,865	26,308	21,692
Other income including equity in earnings of finance subsidiaries and partly owned companies	**7,946**	4,058	565	4,834	3,268
	110,587	79,827	55,430	31,142	24,960
Income taxes	**48,519**	33,466	23,880	13,544	11,648
Earnings before Undernoted Items	**62,068**	46,361	31,550	17,598	13,312
Minority interests	**17,844**	12,493	5,496	7,023	6,313
Earnings from Continuing Operations	**44,224**	33,868	26,054	10,575	6,999
Loss from discontinued operations	**–**	–	–	–	1,348
Income tax reduction on utilization of prior years' losses	**3,791**	1,980	–	–	–
Net Earnings	**48,015**	35,848	26,054	10,575	5,651
Dividends Declared					
Preferred shares	**2,343**	1,825	2,523	1,914	9
Common shares	**7,249**	3,570	2,981	1,909	1,679
	9,592	5,395	5,504	3,823	1,688
Net Earnings Reinvested in the Business in the Year	**$ 38,423**	$ 30,453	$ 20,550	$ 6,752	$ 3,963

HISTORICAL REVIEW
(in thousands of dollars)

	1981	1980	1979	1978	1977
Assets and Capitalization					
Assets used in the Corporation:					
Working capital	**$164,175**	$121,641	$ 94,186	$ 66,688	$ 58,929
Investments and loans	**49,522**	44,908	16,538	18,669	18,714
Fixed assets (net)	**232,039**	151,980	95,001	65,747	61,304
Intangible assets and deferred charges	**35,881**	26,600	12,747	5,827	11,976
Total	**$481,617**	$345,129	$218,472	$156,931	$150,923
Financed by:					
Long-term debt	**$213,233**	$148,768	$ 85,215	$ 60,945	$ 62,817
Deferred income taxes	**38,384**	25,715	14,871	8,870	6,601
Minority interests	**59,637**	43,416	23,463	13,573	42,224
Preferred shares	**24,645**	25,680	26,714	27,258	102
Common shareholders' equity	**145,718**	101,550	68,209	46,285	39,179
Total	**$481,617**	$345,129	$218,472	$156,931	$150,923
Per 1981 Common Share (after Preferred Dividends) in dollars					
Earnings after extraordinary item	**$ 1.93**	$ 1.51	$ 1.09	$ .44	$ .27
Fully diluted earnings after extraordinary item	**1.79**	1.33	.95	.40	.27
Cash flow from operations	**3.89**	3.10	1.93	1.15	.89
Dividends paid – common	**.30**	.1975	.125	.085	.08
Book value	**6.03**	4.47	3.14	2.18	1.87
Market price					
Class A common – high	**19.50**	–	–	–	–
– low	**10.50**	–	–	–	–
Class B common – high	**18.75**	14.50	6.19	2.38	1.72
– low	**10.50**	5.25	2.16	1.20	1.20
Other Statistics					
Number of shares outstanding at year end					
Preferred (old series)	**–**	–	–	–	6,701
Cumulative preferred	**1,643,015**	1,712,015	1,780,915	1,817,215	–
Class A common	**12,067,493**	–	–	–	–
Class B common	**12,084,448**	11,352,964	10,867,682	10,628,370	10,490,702
Number of security holders					
Preferred shares (old series)	**–**	–	–	–	58
Cumulative preferred shares	**2,439**	2,553	2,707	2,637	–
Class A common	**3,283**	–	–	–	–
Class B common	**3,045**	2,699	2,262	2,579	2,874
Warrants	**847**	1,380	1,438	2,399	–
Number of employees	**9,890**	6,902	5,924	4,013	5,761

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

Shares Listed
Vancouver and Toronto Stock Exchanges

Shares and Warrants Issued and Outstanding
As at December 31, 1981

		Authorized
Class A common shares	12,067,493	unlimited
Class B common shares	12,084,448	unlimited
Cumulative redeemable preferred shares	1,643,015	8,000,000
Warrants	779,668	

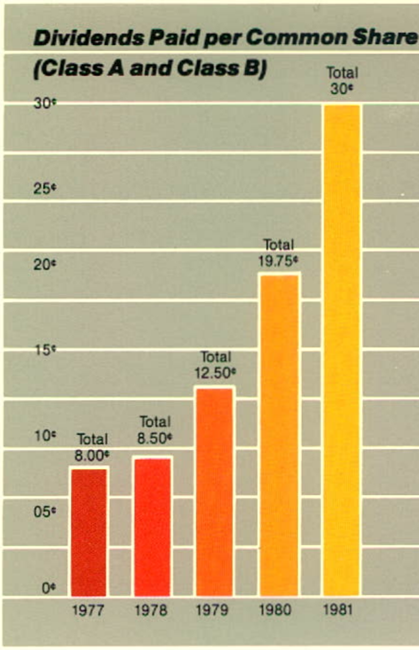
Dividends
In 1981 the Corporation paid total dividends per Class A and Class B common share of 30 cents compared with 19.75 cents in 1980.
On February 15, 1982 the Board of Directors declared a quarterly dividend of 8 cents per Class A and Class B common share payable on March 31, 1982 to shareholders of record on March 12, 1982.
Also a quarterly dividend of 35 cents was declared on the Corporation's cumulative redeemable preferred shares payable on March 31, 1982 to shareholders of record on March 12, 1982.

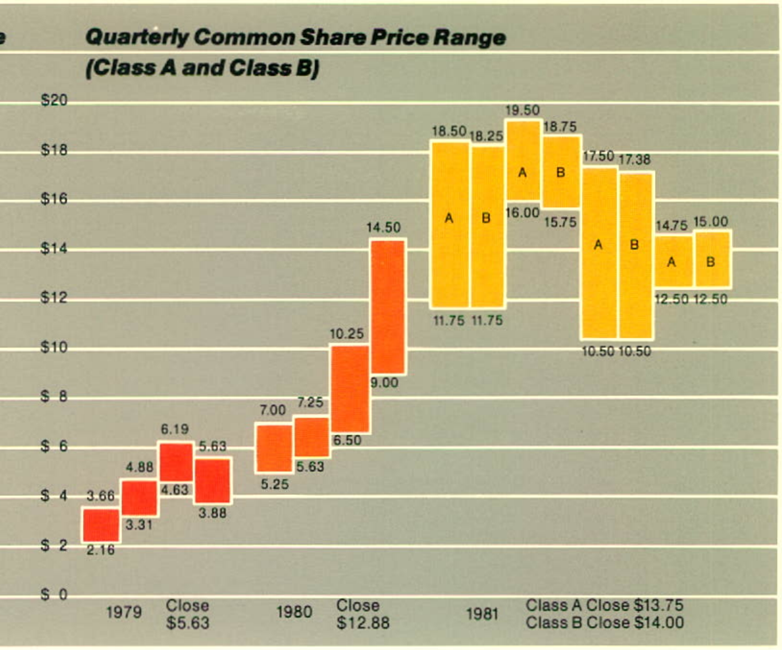
Optional Stock Dividend Program
Owners of Versatile Corporation Class A and Class B common shares are eligible to participate in the Corporation's Optional Stock Dividend Program.
In lieu of cash, common shareholders may elect to receive a dividend in Class A or Class B common shares (whichever is held) valued at the weighted average market price of the shares during the five trading days prior to the meeting of the Board of Directors at which the dividend is declared.
As at December 31, 1981 holders of approximately 12.2 percent of the Corporation's outstanding common shares were participating in the Plan and a total of 22,295 Class A shares and a total of 110,863 Class B shares were issued for this purpose.
The Plan provides common shareholders with a convenient method of obtaining additional common shares without payment of brokerage commissions or service charges.

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 as a stock dividend.	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.

These warrants may be exercised up to July 29, 1983.





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F. William Fitzpatrick, Chairman and Chief Executive Officer

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