ATCO

ATCO Ltd

Annual Report for 1982

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Working with Energy

Financial Highlights
Years Ended March 31

(Thousands except per share data)	1982	1981	Change
Total revenue	**$1,668,835**	$1,220,782	+ 37%
Earnings before extraordinary item	**$ 54,483**	$ 43,332	+ 26%
Earnings for the year	**$ 54,483**	$ 40,556	+ 34%
Earnings attributable to common shares	**$ 25,936**	$ 29,315	− 12%
Earnings per common share before extraordinary item	**$1.60**	$2.00	− 20%
after extraordinary item	**$1.60**	$1.83	− 13%
Dividends paid per common share	**20.0¢**	17.5¢	+ 14%
Working capital provided by operations before extraordinary item	**$ 173,157**	$ 132,961	+ 30%
Working capital	**$ 143,254**	$ 11,406	+ 1,156%
Additions to property, plant and equipment	**$ 288,716**	$ 258,249	+ 12%
Total assets	**$2,365,013**	$1,953,945	+ 21%
Common shareholders' equity	**$ 145,067**	$ 121,841	+ 19%
Common shares outstanding	**16,234,600**	16,088,310	—
Weighted average common shares outstanding	**16,209,467**	16,042,408	—

ATCO Ltd.

Corporate Profile

Divisions and affiliated companies of ATCO Ltd. are active worldwide in gas and oil exploration and development, contract drilling, well servicing and oilfield equipment; in utilities through the generation and production, transmission and distribution of electricity and natural gas; in manufacturing through industrial portable shelter, metal fabrication, interiors contracting and petrochemicals; and in real estate through commercial, residential and land development. ATCO employs over 8,000 people in the United States, Canada, Australia and Saudi Arabia.

Contents

Letter to the Shareholders

N. W. Robertson, Executive Vice President & Chief Operating Officer
R. D. Southern, President & Chief Executive Officer

Despite soaring interest rates and a host of other economic problems in Canada and around the world, the ATCO Group experienced a successful year, with earnings of $54,483,000 or $1.60 per common share on revenue of $1,668,835,000 for the twelve months ended March 31, 1982. Comparative figures for the previous year were earnings of $40,556,000 or $1.83 per common share, after an extraordinary charge, on revenue of $1,220,782,000. The 1981 figures have been restated to reflect a prior period adjustment for the change from the successful efforts to the full cost method of accounting for gas and oil exploration and development activities. The restatement results in an increase in earnings of $994,000 or 6¢ per share. Earnings per common share for the current period have been calculated after preferred share dividends of $28,547,000 (1981 — $11,241,000). The increase in dividends paid reflects both higher interest rates and the issue by a subsidiary of $150,000,000 of preferred shares as part of the financing of the acquisition of common shares of Canadian Utilities Limited. This information is summarized in Note 11 to the consolidated financial statements.

In December of 1981, ATCO's gas and oil assets were sold to Canadian Utilities Limited for common shares of Canadian Utilities. A total of 2,434,882 shares valued at $20.75 each were received by ATCO making the total value of the sale $50,524,000.

On April 30, 1982, these gas and oil activities along with the other non-regulated endeavours of Canadian Utilities, including petrochemical operations and engineering services, were amalgamated to form ATCOR Resources Limited, a wholly-owned subsidiary of Canadian Utilities.

On June 1, 1982, Canadian Utilities acquired an approximate 20% interest in the common shares of TransAlta Utilities Corporation from the Nu-West Group and concurrently ATCO sold 950,000 common shares of Canadian Utilities to Nu-West at $21.30 per share. Simultaneously, Nu-West and ATCO entered into a voting trust agreement which provides ATCO with voting control over at least two-thirds of the issued common shares of Canadian Utilities until June 1, 1983, and later in certain circumstances. This degree of voting control is required to approve certain transactions such as corporate reorganization and new classes of shares. As a result of these transactions, ATCO's interest in Canadian Utilities has been reduced to approximately 50.5%, however, we believe the ATCO shareholder now has a better investment in Canadian Utilities since, as noted above, ATCO is in a position to ensure control of Canadian Utilities whereas prior to the transaction ongoing control was in doubt.

The industrial housing market was surprisingly buoyant during the past year with the International and Australian divisions in the forefront. High interest rates and weak markets are tending to delay resource development projects and it will be difficult for the manufacturing subsidiaries to repeat their strong performance of fiscal 1982 in the upcoming year. However, we are optimistic regarding the future of our manufacturing division because of its experienced, capable personnel, the strengths provided by our industrial rental fleet and the emerging activity in government-sector projects which require industrial housing.

The commercial arm of ATCO Housing & Development experienced a successful year. Construction commenced on office buildings for Canadian Western Natural Gas and Canadian Utilities in Calgary and Edmonton respectively, while the Tower Lane Shopping Mall, located in Airdrie, a city of 10,000 people located just north of Calgary, was completed. All three projects are welcome additions to ATCO's real estate portfolio.

While there has been some levelling in the rate of increase in the demand for gas and electricity because of conservation and declining economic activity, the utility subsidiaries are outperforming most other commercial endeavours. Despite the fact that all regulated companies have their rates controlled by some form of board or commission, it has been suggested that these companies should have their earnings even more closely controlled, at least in the current difficult times, as part of the attack on inflation and high interest rates. This thinking is unrealistic in that a further restriction on earnings would increase financing costs which are already a major factor in utility rates.

Toward the end of calendar 1981, U.S. drilling and well servicing activities began to decline from the record levels of the previous year. This decline, which resulted from a worldwide surplus of crude oil and the lower prices resulting from this surplus, is expected to be of a temporary nature.

It is difficult to be as optimistic when examining the future of the Canadian petroleum industry. Since the inception of the National Energy Program, the diversion of industry cash flow to the Federal Government, combined with discriminatory provisions against foreign owned oil companies and high interest rates, has resulted in a drastic downturn in investment in land-based exploration and development drilling. Although both the Alberta and Federal Governments have recently introduced programs to increase cash flow, the confidence of investors has been so shaken that a return to more reasonable levels of activity is expected to be a slow process.

In early fiscal 1982, ATCO in conjunction with Shell Canada Limited formed ATCO Marine Exploration Ltd. to explore offshore Canada lands, utilizing grants available under the National Energy Program. Proposals for this exploration are now in the hands of the Federal Government and we await their invitation to negotiate exploration agreements.

Since the end of the fiscal year, ATCO has announced its participation in two joint ventures. The first is a proposal in conjunction with Northwood Mills Ltd. to the Alberta Forest Service to provide forest management for the Brazeau Timber Development Area. The second is an offshore drilling venture with Zapata Off-Shore Company. In both cases our venture partners are leaders in their field and we are optimistic regarding the future opportunities for ATCO from these associations.

By any measure, the Canadian economy is in very poor condition with the majority of problems resulting directly from Federal Government policies. In answer to the problems the Federal Government has just presented Canada with a new budget. It is a remarkable document in that it forecasts a deficit for 1982 of $19.5 billion dollars. Even more notable is the fact that not one government program is being cancelled or even reduced and it envisions no significant reduction in Federal Government personnel.

We view the demands on the capital markets of Canada that will emerge in the next year negatively. With this view it is difficult to be optimistic in our predictions of our Corporate performance in the upcoming year; nevertheless, we believe that ATCO will perform well in relation to most Canadian corporations.

We wish to thank our dedicated, hardworking staff, our customers and suppliers for their significant contributions to ATCO's success in what was a difficult year. In addition, a debt of gratitude is due our Board of Directors for their astute advice and guidance. Finally, a special thank you to our shareholders for their continued confidence and support of our endeavours.

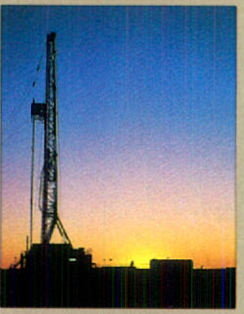
On behalf of the Board of Directors,

R. D. Southern
President and Chief Executive Officer

N. W. Robertson
Executive Vice President and Chief Operating Officer

The Business of ATCO

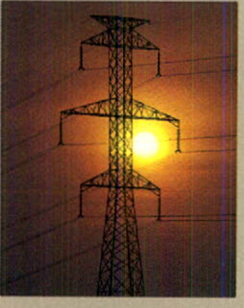
Oil and Gas
Exploration & Development
Natural Gas Marketing
Contract Drilling
Well Servicing
Equipment Rentals & Sales



Manufacturing
Industrial Housing
Commercial Structures
Modular Housing
Metal Buildings
Metal Cladding & Decking
Resource Products
Millwork & Interiors Contracting
Petrochemicals

Real Estate
Commercial Development
Property Management
Land Development
Residential Housing

Electric Utilities
Generation
Distribution



Natural Gas Utilities
Production
Transmission
Distribution

Services
Engineering
Customs Brokerage
Travel Agency

A Business Strategy for the 1980's

ATCO's transformation into one of Canada's largest energy-related industrial corporations has come from planning based on the objectives of stabilizing income and maximizing the potential of the corporation, its people and the countries in which it operates.

Our Mission for the 80's "to achieve an international reputation for excellence by providing products and services to the energy and resource industries and to invest in energy-related assets in North America" reminds us that ATCO has progressed to this point through its worldwide reputation for quality. It also reminds us that the energy and resource industries have been our areas of expertise and therefore should continue to be the source of our business and the sectors in which we invest our capital.

Thus, in planning for the challenges and opportunities of the next decade, we have several objectives. They are:

To reorganize and integrate our domestic and international manufacturing companies to ensure our investment is compatible with current growth opportunities. This rationalization, already under way, is bearing fruit in the form of better return on investment and more stable income.

To reorganize and integrate our United States operations, thereby achieving an acceptable level of profitability while creating a climate for future investment and growth. This objective recognizes that the United States market offers significant growth opportunities, but demands a corporation with mind and management domiciled in the United States.

To enter the contract drilling field in Australia, where growth projections are strong. This objective has been achieved, with announcement of the formation of ATCO-APM Drilling Pty. Ltd.

To acquire Canadian oil and gas assets and/or Canadian oil and gas companies. Fulfillment of this objective has been facilitated through formation of ATCOR Resources Limited and ATCO Marine Exploration Ltd. as well as other joint ventures.

ATCO Ltd. will, of course, develop further objectives as the need for them arises. Our ultimate objective is to provide profits for our shareholders in a manner consistent with our expertise, financial strength and our ability to turn opportunity into profit. With such an ultimate objective, we remain committed to flexibility above all else.

Oil and Gas

It was an eventful year as the ATCO group made changes aimed at increasing its investment in energy and resource-related assets.

ATCO owns the controlling interest in a new corporation, ATCO Marine Exploration Ltd., formed with other energy companies to explore Canada's offshore oilfields.

ATCO Gas & Oil Ltd. and CU Resources Limited were combined in ATCOR Resources Limited, a corporation under Canadian Utilities ownership, to coordinate activities and marshal the financial strength to take part in mega-projects.

As well, ATCO-APM Drilling Pty. Ltd., a joint venture, was formed to participate in contract drilling in Australia.

Meanwhile, ATCO Drilling Ltd. and ATCO Drilling Inc. continued as leaders in the contract drilling industry of Canada and the United States respectively. Well servicing activities were brought under the ATCO Well Servicing name in both Canada and the U.S., and oilfield equipment sales and rentals are now conducted under the name of ATCO Oilfield Equipment.

Exploration and Development

In December 1981, ATCO's gas and oil assets were sold to Canadian Utilities Limited in return for common shares of Canadian Utilities. This sale effectively removed any conflict of interest between ATCO Gas & Oil and CU Resources as to where ATCO's exploration and development activities should be managed, while at the same time centralizing all of the available expertise in a single operation. As of April 30, 1982, these exploration and development activities became part of ATCOR Resources Limited, a corporation encompassing all the non-regulated activities of Canadian Utilities.

A total of 81 wells were drilled during calendar 1981 by the entities now making up ATCOR Resources. Of these, 24 were capable of producing oil, 39 were gas wells and 18 were dry holes. Daily average production for the year was 893 gross barrels of oil (616 net) and 4,287 gross MCF of natural gas (2,890 net). As at the end of 1981, the crude oil and natural gas reserves of ATCOR Resources Limited were as follows:

Pumping crude oil in Alberta, Canada (opposite page).

Crude Oil (barrels)

	Proven	Probable	Total
Opening reserves	2,054,012	1,595,731	3,649,743
Additions	287,662	53,147	340,809
Production	325,926		325,926
Year-end reserves	2,015,748	1,648,878	3,664,626

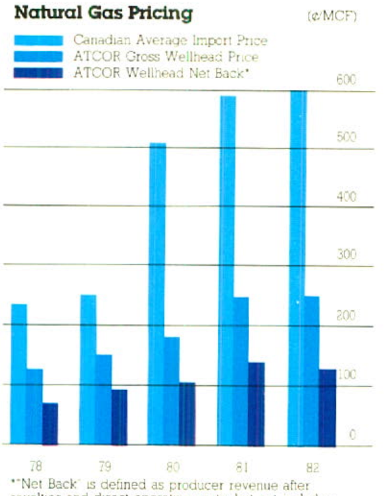
Natural Gas (MCF)

	Proven	Probable	Total
Opening reserves	19,731,750	6,518,918	26,250,668
Additions	2,621,973	357,821	2,979,794
Production	1,564,929		1,564,929
Year-end reserves	20,788,794	6,876,739	27,665,533

Petroleum and natural gas rights held at year end (acres)

	Productive	Non-Productive	Total
Gross	182,003	402,367	584,370
Net	32,359	97,620	129,979

The Federal/Provincial energy agreement signed September 1, 1981 severely limits funds available for reinvestment in exploration and development activities by channelling these funds into government coffers through a variety of tax measures. Recently, both the Alberta and Federal Governments instituted a number of changes to the National Energy Program. The changes will improve cash flow, however, it is far too early to judge how effective these measures will be in returning the petroleum industry to a viable and strategically important part of the Canadian business community. It is the opinion of most observers that any opportunity for energy self-sufficiency in Canada has been lost because of the National Energy Program.



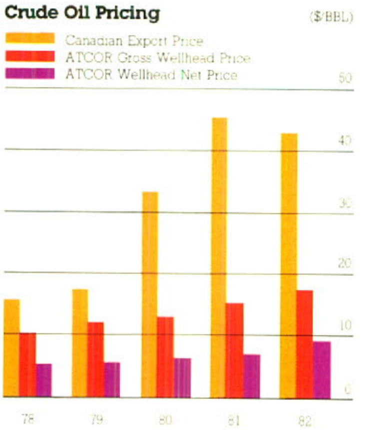
*"Net Back" is defined as producer revenue after royalties and direct operating costs, but not including administrative, interest and income tax expenses.

Natural Gas Marketing

During calendar 1981, CU Resources began providing natural gas service to large volume consumers on a gas brokerage basis, arranging for the purchase, transportation and exchange of gas as required.

The year's sales totalled 9.8 million gigajoules to four industrial customers.

This operation became a division of ATCOR Resources Limited at the beginning of the current fiscal year.



A typical semi-submersible drilling rig used for petroleum exploration off the Newfoundland coast (left). ATCOR Resources Limited supplies natural gas to the Genstar cement plant in Edmonton (below).

Contract Drilling

ATCO Drilling is active in land-based contract drilling in both Canada and the United States. The Company also operates in Australia through a newly-formed corporation, ATCO-APM Drilling Pty. Ltd.

In a year of rapid growth, ATCO Drilling Inc. increased its fleet to 30 rigs and expanded operations into Oklahoma and Kansas from its bases in Texas and the Rocky Mountain area. As a result, revenue and profit reached record levels.

In order to support the increase in activity, the field offices of Bryan, Texas and Casper, Wyoming were expanded and a new field office was established at Elk City, Oklahoma. In addition, the Southern Division head office in Houston was relocated in January to accommodate additional personnel and computer equipment.

In March 1982, Rig 61, a new 20,000-foot capacity rig, was added to the ATCO Drilling Inc. fleet. The rig design incorporates the latest features to increase operating efficiency and safety while minimizing relocation time.

In the first quarter of calendar 1982, United States contract drilling entered a period of lower utilization as programs were deferred because of a surplus of oil and declining crude prices. The long-range outlook is still positive and ATCO Drilling Inc. is continuing to improve its operations to be in a position to take advantage of opportunities as they arise.

Canadian contract drilling, operating in the shadow of the National Energy Program, continued to decline. Only 6,900 wells were completed during calendar 1981, compared to 9,000 the previous year. During the fiscal year, ATCO Drilling Ltd. achieved rig utilization of 51%, excluding moving and standby days. Industry-wide rig utilization fell to 44 percent, profit margins fell even further and the movement of rigs out of Western Canada continued. In the past two years, ATCO Drilling Ltd. has moved 14 rigs to ATCO's United States divisions, and three more were sent to Australia.

The September 1981 Alberta/Federal Energy Agreement, with its unrealistic net-backs to producers, did nothing to stimulate activity. It is too early to accurately gauge the effect of the recently announced Alberta Petroleum Recovery Program. The same comments apply to the measures taken by the Federal Government to provide relief to the cash-starved energy industry.

ATCO rig crews are required to participate in approved orientation, safety and technical training courses (opposite page). An ATCO Drilling Ltd. rig drills for oil in the Canadian Rockies (above) and a derrickman begins a routine maintenance check (left).

A 24-hour truck-mounted service rig on a well completion during the early morning hours in Alberta.

ATCO entered the contract drilling field in Australia during fiscal 1982, forming ATCO-APM Drilling Pty. Ltd., a joint venture with Australian Paper Manufacturers Limited (APM). Utilizing ATCO's Canadian expertise, the new Company is quickly establishing a strong reputation in the country's petroleum industry.

Three land rigs were moved from ATCO's Canadian operations after being adapted to Australian conditions. The first was spudded in the Queensland outback November 29th for Hudbay Oil (Australia), while the second commenced drilling February 27th for Coho Exploration Pty. Ltd. and the third arrived in Brisbane during April.

There were a total of 36 rigs in Australia in the spring of 1982, more than double the number a year earlier. ATCO-APM has addressed this competition by providing the most advanced equipment available, staffed with experienced crews working at competitive rates.

While 100% growth in exploratory activity has been predicted for Australia during calendar 1982, the market is not without problems. Some of these are the decentralization of operators and activities, the long distances between projects, erratic weather patterns and a shortage of available services and skilled personnel.

Despite these problems, ATCO-APM expects rig utilization to exceed 65% during the year. Operating headquarters have been established adjacent to the majority of the activity at Toowoomba in Southeast Queensland, while marketing and administration are handled from Adelaide, South Australia.

Drilling Rig Locations and Capacities*
(Drilling depth capacity in feet)

Rig Locations	Up to 3,000	Up to 9,000	Up to 15,000	Up to 22,000	Total
U.S.A.		4	21	5	30
Canada	10	16	1		27
Australia		1	2		3
TOTAL	10	21	24	5	60

*As of June 30, 1982.

Well Servicing

An integral part of the energy industry, well servicing includes the completion of new wells and the workover of established wells for enhanced recovery.

The Company's operations in Western Canada and the United States have been renamed ATCO Well Servicing, in keeping with the desire to emphasize the ATCO name in connection with the group's energy industry activities.

The Northern Division, working 12 rigs throughout Alberta and Northeastern British Columbia, experienced a reduced market during the fiscal year because of the decline in drilling activity and production quotas. In general, the industry had been anticipating a modest level of activity during the coming year; however, the recently announced Alberta Provincial Government $250 million grant program for well service and maintenance work completed prior to October 31, 1982, has increased expectations considerably.

The Southern Division enjoyed a buoyant year in its market area which extends from the Gulf of Mexico to Bryan, Texas. Activity in the Austin Chalk formation played a key role in the unparalleled market growth. The final months of fiscal 1982 saw a slowdown in demand for the first time in two years; nevertheless, the Southern Division enjoyed an average utilization rate of nearly 86% for the year. One 16,000-foot capacity and two 14,000-foot capacity rigs were added during the year increasing the fleet to a total of 21. With this enlarged fleet the market area is being expanded in order to maintain the division's historically high utilization rates.

Well Servicing Rig Locations and Capacities*
(Drilling depth capacity in feet)

Rig Locations	Up to 10,000	Up to 15,000	Up to 20,000	Up to 25,000	Total
Canada	3	2	6	1	12
U.S.A.	1	18	1	1	21
TOTAL	4	20	7	2	33

*As of June 30, 1982.

Oilfield Equipment Rentals and Sales

ATCO Oilfield Equipment is the new name of L & M Oilfield Equipment of Edmonton, giving the operation an image consistent with ATCO's energy profile.

The division, with rental, sales and supply outlets in Edmonton and Grande Prairie, felt the full effect of the downturn in Canada's oil industry during the year.

Responding to the soft market, the division has reduced equipment inventories and operating costs. Despite having to take these steps, the division maintained the efficient service support on which customers rely in their day to day operations. A satisfactory return on investment must await a return to more normal levels of activity.

Skilled staff at ATCO Oilfield Equipment service all rental equipment before return shipment to the field (left). This Division supplies ancillary equipment to well servicing and drilling companies throughout Western Canada and the Texas area (below).

Manufacturing

Factories in Canada, the United States, Australia and Saudi Arabia design and manufacture ATCO's industrial and community structures. The structures are transported and installed anywhere in the world by the Company's capable and efficient field personnel.

ATCO operations in Canada and Australia produce metal buildings, siding and other components for the agricultural, commercial, institutional and resource industries. The interiors contracting division supplies high quality millwork, interior finishing and cabinetry for commercial and institutional buildings from its Calgary factory.

ATCO participates in the petrochemical industry through joint ownership of an ethane extraction plant located in Edmonton.

Industrial Housing

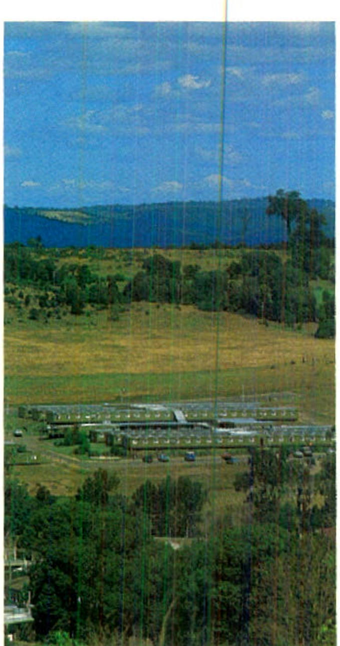
ATCO pioneered the concept of transportable workforce housing and is recognized as the world leader in this field with the design capability, manufacturing expertise and capacity to meet any need at any location. Product lines have been expanded to include permanent buildings, construction site offices and a variety of institutional structures.

The Company's Calgary-based ATCO Structures felt the effect of reduced oilfield activity, however, other sectors of the economy provided some large contracts in addition to the normal number of smaller jobs.

A 550-man camp, later expanded to accommodate 1,000 men, was built for Alberta Power's Sheerness thermal generation project in Central Alberta while four camps were provided to house crews constructing petrochemical plants. One camp of 1,000 beds was supplied for a project being built for Enesco near Red Deer and a second containing 750 beds was located at Prentiss, Alberta where Union Carbide is establishing a plant. A 750-bed camp was provided for a Gulf Oil petrochemical plant in the Robb-Hinton area of Alberta, and a 1,000-bed camp was supplied for a Dome project at Empress, Alberta.

ATCO Structures redesigned its traditional eight-unit 42-man complex, the basic building block for large camps, to make each unit larger. The resulting savings in construction,

The Potash Corporation of Saskatchewan houses their Lanigan Mine work force in a 500-man ATCO camp (opposite page).



This 520-man camp was constructed for the liquefaction plant located near Moomba, Australia (above left) while living quarters were provided for 300 tradesmen building a large aluminum refinery south of Perth, Western Australia (above right). ATCO supplied the housing units for this large camp located near Evanston, Wyoming (below right).

transportation and installation costs were well received by the market.

The highlight of ATCO Structures' commercial building activity was a 12,000 square-foot hospital built for the town of Athabasca, Alberta to replace a building destroyed by fire. Custom design was necessary to make the structure fit an existing foundation while being relocatable at a later date.

A 19,000 square-foot permanent facility was built for Esso Resources at Tuktoyaktuk, N.W.T., providing a high standard of housing for 100 persons. The luxurious accommodation includes a whirlpool, sauna, theatre, exercise gym and hotel-style rooms.

The year commenced on a high note for Penticton-based ATCO Pacific. Development of British Columbia's northeastern coal reserves resulted in two major contracts totalling $9 million. The first was for a 1,000-man camp at Denison Mines' Quintette mine, and the second was for B.C. Rail's 700-man workforce digging tunnels for a branch line to provide access to the area. Several million dollars of related orders were received from contractors developing townsites and roads.

Other major projects included a new Fine Arts facility for Cariboo College, Kamloops, 47 double-wide mobile homes for the Department of National Defence, Esquimalt, and a custom camp for Canfor at Point Mellon.

The Eastern Canadian market remained weak with limited resource-related activity. Accordingly, ATCO Eastern continued its emphasis on site office rentals, however, a significant contract was obtained for the supply of Fold-A-Way buildings for use in New York State's penal system.

The ATCO Structures Inc. market in Alaska was active with oil-related developments providing the bulk of the volume. A 14,000 square-foot terminal for Alaska Airlines was erected at Prudhoe Bay. This unique two-storey turnkey project included living accommodation for 18 people on the second floor and standard terminal facilities on the main floor.

An innovative new product introduced during the year was a two-storey, 11,000 square-foot drilling camp that can be disassembled and transported up to 40 miles and reassembled, all within six hours. The 60-man camp is fully self-contained, comes in two sections and has its own master skids, wheels and levelling devices. Six such complexes were provided for ATCO clients operating in the Prudhoe Bay area.

Markets served by ATCO International, although difficult to forecast, provided the level of activity expected for the year. Programs to reduce production and shipping costs helped the Company to compete effectively while increasing profitability.

ATCO's Canadian base was a key factor in making a repeat sale to the major Brazilian construction company, Constructora Mendes Junior, for use in Iraq. The order was financed through the Export Development Corporation and manufactured by ATCO Structures in Calgary.

Community-related facilities and family housing for such varied groups as expatriate workers in Iraq and government employees in Chile made up a substantial percentage of the orders received. An unusual challenge was the supply of an 80-man housing complex for use in the Chilean Antarctic. Timing was critical, as the complex had to be offloaded at a port that is ice-free only 27 days of the year. The Chilean Air Force assisted in delivery, and erection was supervised by ATCO.

During the year, ATCO International made its first sale to a Spanish-based company. The order was for five 200-man camps to house crews building maternity hospitals in Iraq. Another important sale was made to Tsvetmetpromexport of the U.S.S.R., a 550-man camp shipped to Algeria during February.

In Australia, decentralization of operations, coupled with increased production capacity and a high level of activity, resulted in record revenues and a solid backlog of orders at year end.

Manufacturing facilities in Queensland were doubled in size to meet the demands from a strong market dominated by major coal developments. Orders received included a 240-man camp for the BHP Riverside Project, a 200-man camp for Pacific Coal at Tarong and camps for 760 men in three locations on the M.I.M. Bowen-Basin Development.

The Western Australian division, operating from Perth, supplied and installed accommodation for 1,000 workers building the Reynolds aluminum refinery at Worsley, south of Perth.

In South Australia, a natural gas liquefaction project resulted in orders for a 250-man pipeline construction camp, a 600-man camp on the site of wharf and tank installations at Stony Point, and a 520-man camp for a liquefaction plant at Moomba.

Strong demand fostered a 20% increase in the Australian lease fleet. Inventories were

Construction site office in downtown Calgary (above) and a commercial office in Regina, Saskatchewan (left). Comfortable accommodation in the far north at an Amoco camp near Kirby Lake, Alberta (opposite page).

established at strategic service centres permitting ATCO to dominate the market for urban and construction site offices. On the other hand, increased labour and shipping costs restricted success in the export market, although camps and family housing were supplied for the massive OK Tedi Ltd. gold and copper development in Papua, New Guinea. Other export orders went to Saudi Arabia, Iraq and Christmas Island.

The residential housing division entered the remote-area project home market receiving an $8 million contract to build 153 homes and 48 apartments in Elura, New South Wales, for EZ Industries employees working on a lead-zinc development.

Operations of ATCO Saudi Arabia Ltd. were centralized in Dammam during the past year. With the exception of large project orders, all housing is now being manufactured in Dammam, enabling the Company to react quickly to meet customers' requirements.

Response time was the key factor in the sale of a 1,100-man installation to the Saudi Ministry of Defence and Aviation. The project was installed on a turnkey basis at a site 1 500 km from Dammam in just eight weeks.

Other significant projects completed during the year included a series of astronomical study outposts on remote mountain-top sites. The purchaser was the Saudi Arabian National Committee for Science and Technology who are conducting studies in conjunction with the Canadian Research Council.

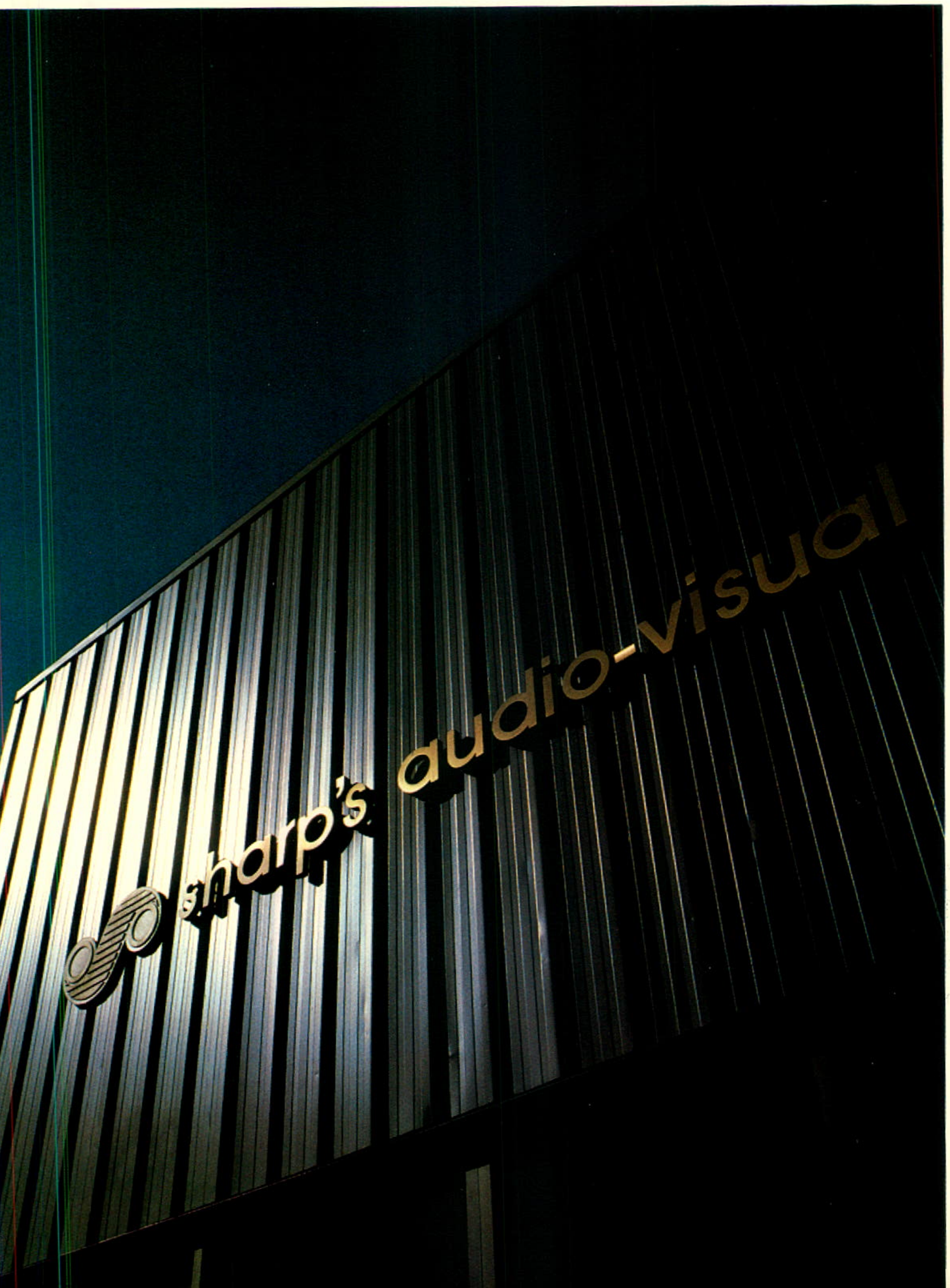
Metal Fabrication

Metal buildings, sold to a wide variety of industrial and institutional customers, continue to play an important part in the Company's success in both Canada and Australia. ATCO's mills also turn out cladding and decking for various uses.

In Canada, the straight-wall and slant-wall farm buildings have achieved widespread market acceptance. A new arch-rib farm building, the "Kingspan", introduced this spring, positions ATCO as a full-line manufacturer of metal farm buildings.

Development of a commercial/industrial pre-engineered building line is progressing well with several custom projects completed last year. Four industrial buildings were delivered to a refinery project in Central Alberta while eight buildings were fabricated and shipped to Algeria to be used as support facilities for a major pipeline construction project. Sales of the patented Fold-A-Way building remained strong despite the slowdown in the resource sector of the economy.

ATCO Metal's new roll-forming mill tripled the capacity of their Calgary plant (opposite page). The "Country Classic" straight-wall farm building (left). This attractive cladding, available in a variety of profiles, colours and gauges,was produced in ATCO's Calgary plant (below left). The ATCO Fold-A-Way all-steel building is fabricated on the highly efficient modular concept (below right).



Bio-Sciences' laboratory casework at the University of Calgary demonstrates the versatility of ATCO Components (above left) as does Le Bourbonnais restaurant in Calgary (above right). The Esso Resources Canada Limited executive floor in Esso Plaza exemplifies the quality work performed by ATCO craftsmen (below right).

ATCO Metal's new forming mill has completed its first full year of operation with revenues in line with projections. The mill has tripled the plant's capacity and has expanded the product line to include structural cladding and decking.

In Australia, strong markets in South Australia were offset by intensive competition in the eastern states. Pre-engineered "Supertruss" buildings continued to achieve wide market support. In addition, a variety of structural orders were received, including one for 400 tons provided to the APM-APCEL pulp mill at Millicent, South Australia.

In the export market, orders were slowed by exchange rates and high labour costs, however, warehousing and workshop buildings were supplied for projects in Papua, New Guinea, the Solomon Islands and Saudi Arabia.

Cabinetry, Millwork and Interiors Contracting

With commercial construction activity continuing at a high level in Calgary, ATCO Components concentrated on custom millwork and interior finishing of major buildings.

Noteworthy projects completed include: Esso Resources Canada Limited executive floors, Le Bourbonnais restaurant and a nine-theatre Cineplex, all in Esso Plaza; the interior of the new Alberta Stock Exchange; Yorkshire Trust; and Rustler's Hideout restaurant.

The demand for kitchen cabinets decreased because of the slump in housing, however, this was partially offset by the supply of laboratory casework for the University of Calgary Bio-Sciences Building.

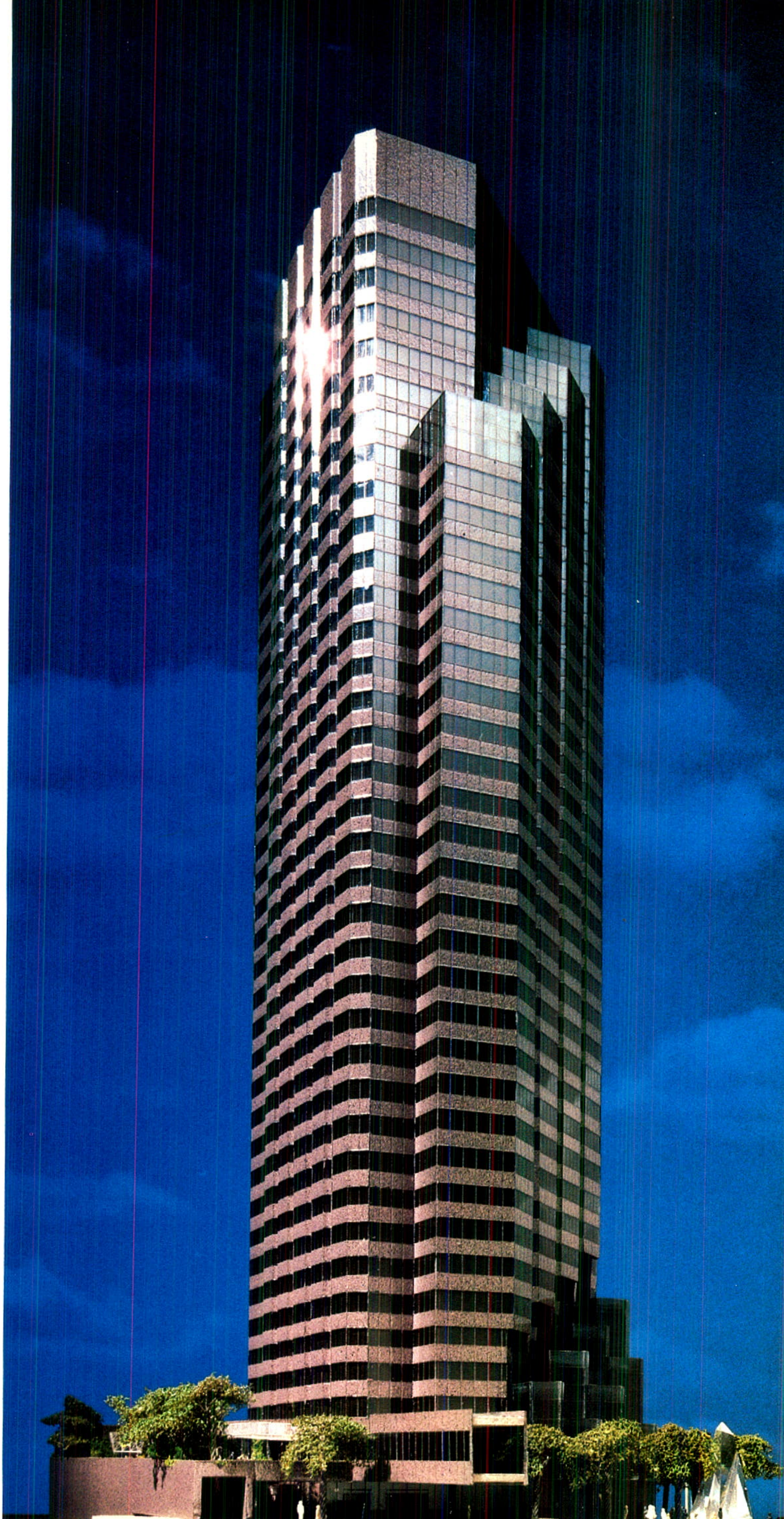
The emphasis in the upcoming year will remain in the commercial field, where prospects for interior woodwork contracts are excellent.

Petrochemicals

A petrochemical plant in Edmonton, jointly owned by ATCOR Resources Limited and Dome Petroleum Limited, extracts ethane, a feedstock for the production of ethylene, from natural gas flowing into Edmonton through Northwestern Utilities' transmission lines.

During calendar 1981, the plant produced 698 400 cubic metres of ethane and 483 300 cubic metres of natural gas liquids.

To date, ATCOR Resources' 50% share of the return on the $45 million investment in the plant has been determined on a guaranteed cost-of-service basis. Commencing July 1st, 1982, ATCOR Resources will exercise its option to share with Dome in the profits from the marketing of natural gas liquids (propane pluses). This arrangement is expected to add significantly to earnings in future years.



Architectural models of the planned 35-storey ATCO Tower for downtown Calgary.

Real Estate

ATCO's commercial and residential real estate ventures are an increasingly important part of the Company's operations. Commercial developments include office towers, shopping centres, warehouses and specialty structures built both for sale and for addition to ATCO's investment portfolio. ATCO Development's strategy is based on the company's belief that commercial real estate must be examined on long-term performance and not anticipated cyclical market patterns. Residential housing includes both single and multi-family structures. ATCO is a partner in the Alberta Land Development Company which serves as a source of residential lots and commercial building sites.

Commercial Development

During the year, ATCO Development Corporation completed a suburban shopping centre, commenced construction of two high-rise buildings and laid plans for a third major project, all Alberta additions to ATCO's real estate portfolio.

Tower Lane Shopping Mall in Airdrie, 12 miles north of Calgary, opened in March, 1982. The $10 million mall contains 140,000 square feet of retail space.

Canadian Western Centre, to house the head office of Canadian Western Natural Gas at 11th Avenue and 8th Street S.W., Calgary, is progressing well with occupancy scheduled for September, 1982. Phase two of this $48 million project is currently scheduled to go ahead in 1982 with completion in the spring of 1983. Commencement date of this phase is subject to market conditions.

Construction started in January, 1982, on the Canadian Utilities head office building at 105th Street and 99th Avenue, Edmonton. This $37 million project will have 275,000 square feet of leased space, two-thirds of it to be occupied by Canadian Utilities. Completion is scheduled for the fall of 1983.

Upon completion of the new head office, the Milner Building, which is presently occupied by the Canadian Utilities corporate staff as well as the staff of Alberta Power and Northwestern Utilities, will be available for lease. The Milner Building, containing 155,670 square feet of rentable space, is under head lease to ATCO at favourable rates until the year 2021.

All three projects are covered by conventional interim construction financing. These financings contain options for permanent financing on either fixed or floating rates for varying periods up to 15 years.

Plans are complete and City Planning Commission approval has been obtained for ATCO Development's largest project, a 35-storey office tower at 4th Avenue and 2nd Street S.W., Calgary, next to the Westin Hotel. The building, named ATCO Tower, will contain 650,000 square feet of rentable space and is estimated to cost $125 million. Because of its prominent location, the building, containing a large public atrium and four levels of underground parking, has been designed to become a landmark in downtown Calgary. Executive offices will feature private two-storey glassed-in terraces. Construction is scheduled to begin in the spring of 1983, subject to market conditions.

Although the demand for commercial space in Calgary remained strong throughout the year, the economy is a concern. As a result, ATCO Development is considering projects in other markets, particularly those cities of the Western United States with an energy-based economy.

Residential Housing

The traditionally strong Alberta housing market weakened during fiscal 1982 under the pressure of high mortgage rates which persisted throughout the year. Only the Red Deer market, with its emphasis on lower-cost housing eligible for Albert Housing Mortgage Corporation subsidized mortgages, enjoyed a successful year. Because of lower land costs in the Red Deer area, it is practical to erect single-family residences meeting A.H.M.C.'s specifications without any compromise in quality.

In Edmonton and Calgary, ATCO reacted to the downturn on a timely basis by reducing margins and inventories to avoid high carrying costs.

While A.H.M.C. financed units are expected to continue to sell, no significant turnaround in the general market is foreseen until interest rates fall to reasonable levels. Until that time, ATCO will concentrate on pre-selling homes under contract while stringently controlling inventories and costs.

An ATCO display home in a new residential subdivision in Edmonton, Alberta (opposite page). The Canadian Western Centre in Calgary is scheduled for occupancy this September (above left). TowerLane Shopping Mall in Airdrie, Alberta (above right) should have all retail space fully occupied by the fall (lower left).

Utilities

Improved earnings of Canadian Utilities Limited resulted largely from expansion of the utility rate base as the Company continued to invest to accommodate the natural gas and electrical needs of the growing Alberta market.

Canadian Utilities' year end is December 31 and all references in the related narrative to this year and last year refer to the 1981 and 1980 calendar years respectively.

Electric Operations

Alberta Power, the electric utility subsidiary of Canadian Utilities Limited, recorded another year of expansion in 1981. The Company serves 375 communities in east-central and northern Alberta and five communities in the Northwest Territories. A subsidiary, The Yukon Electrical Company Limited, serves 19 communities in the Yukon including the City of Whitehorse.

In 1981, 5,785 new electric utility customers were added, bringing the year-end total to 134,602 including 24,787 rural customers. Electric revenues increased from $150.3 million in 1980 to $202.2 million in 1981.

Energy sales to ultimate customers increased by 7.4% to 3,216 million kilowatt hours while wholesale electric sales increased from 33 million kilowatt hours in 1980 to 495 million kilowatt hours in 1981.

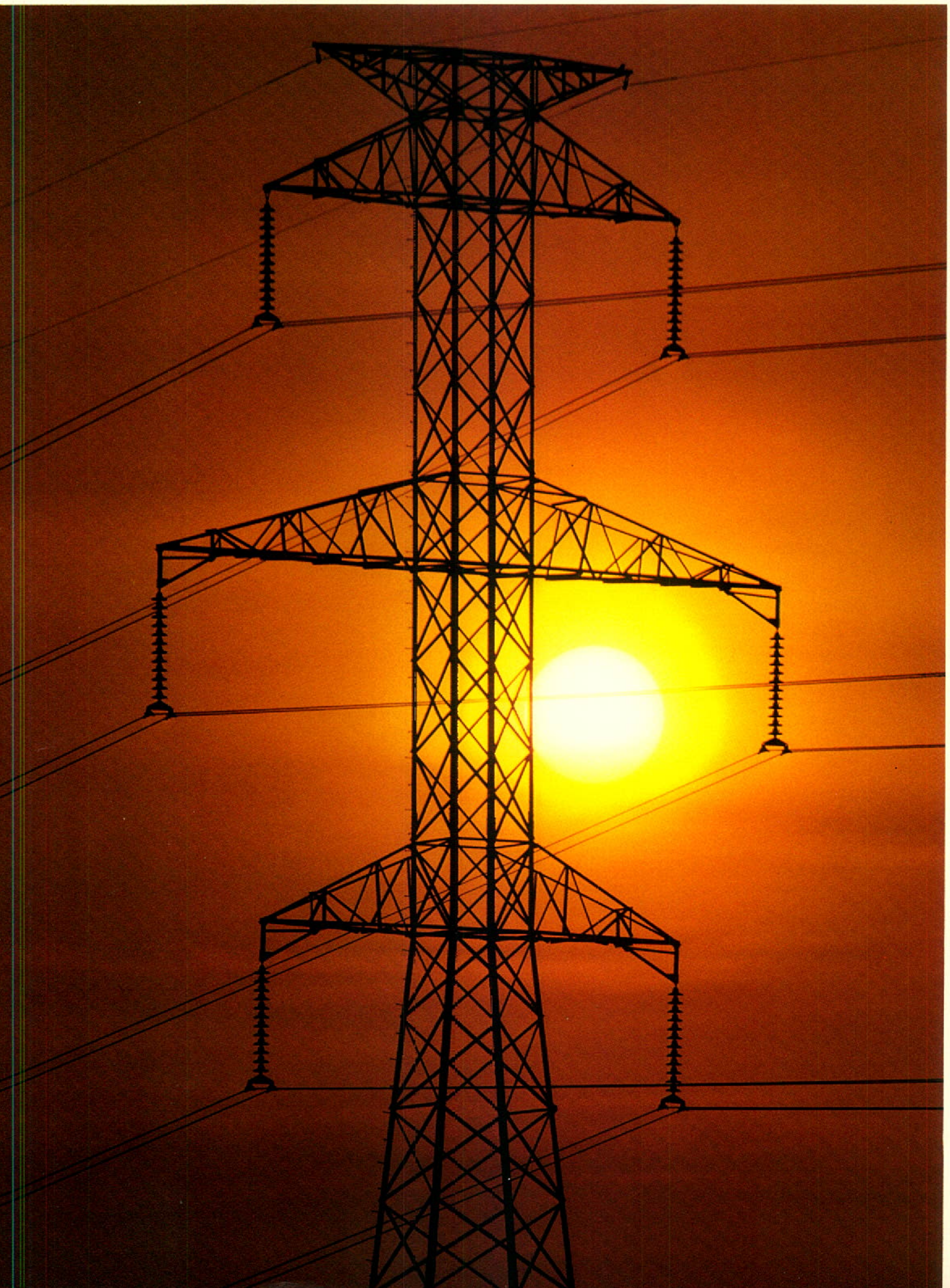
The following table shows 1981 electric sales to the various customer categories (not including 495 million kilowatt hours sold to other utilities).

Energy Sales

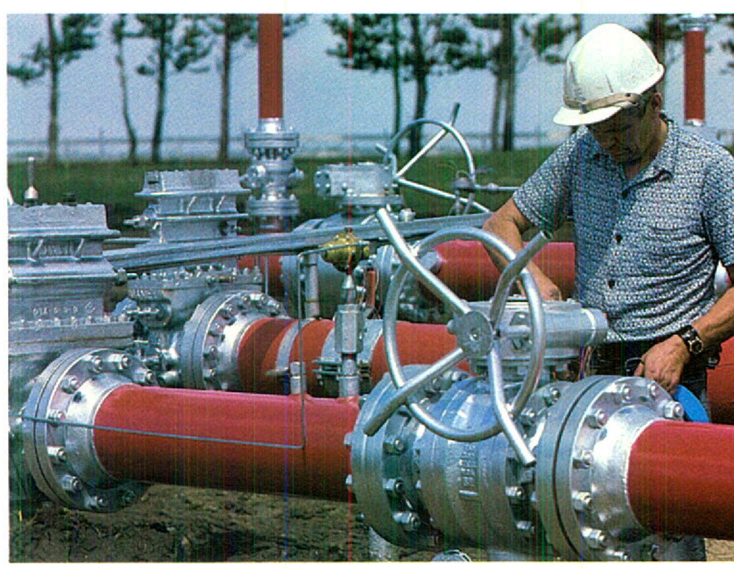
	Thousands of Kilowatt Hours	Percent of Total
Industrial	1,636,390	50.9
Commercial	643,706	20.0
Residential	581,146	18.1
REA and others	354,703	11.0
Total	3,215,945	100.0

The largest single capital expenditure was $40 million for the completion of Unit No. 5 at the Battle River Generating Station while expenditures on transmission projects were $30.4 million.

From a sophisticated control room, a plant operator monitors the operation of Unit No. 5 of Alberta Power's Battle River Generating Station (left). Alberta Power installs and services energy-efficient, high pressure sodium lighting in many communities served by the Company (below right) while thousands of kilometres of transmission line are required to carry electricity from generator stations to Alberta Power's geographically dispersed customers (below left).



Canadian Western and Northwestern answered 128,975 customer service requests during 1981 (above left). Plastic pipe was introduced for urban natural gas distribution (above right) while this NUL valve assembly at Viking Camp improves deliverability of gas from the Viking Field (below right).



Expenditures for the new Sheerness Generating Station, now under construction, were $60 million, shared equally with another utility that is a partner in the project. The first Sheerness unit is scheduled to be commissioned in 1985, with the second unit to follow in 1986, adding 750 megawatts to Alberta Power's present generating capacity of 1,054 megawatts.

Capital expenditures of $157 million are anticipated during 1982. Of this, $76 million will be Alberta Power's 50% share of construction costs for the Sheerness Generating Station.

Natural Gas Operations

Canadian Utilities' natural gas operations are conducted by Canadian Western Natural Gas Company Limited, which serves Southern Alberta including Calgary and Lethbridge, and Northwestern Utilities Limited, serving north-central Alberta including the cities of Edmonton, Red Deer, Fort McMurray and Grande Prairie. A Northwestern Utilities subsidiary serves the Dawson Creek district of British Columbia.

Total customers grew by 29,776 during the year to 549,773, while net fixed assets increased to $481.8 million from $424.2 million in 1980.

Natural gas revenues in 1981 increased to $779.2 million, compared to $581.7 million in 1980. This reflects rate increases approved in 1981 to recover new Federal taxes imposed under the National Energy Program and increased costs of service.

Of the Company's $779.2 million in natural gas revenues in 1981, $146.4 million was collected to pay new Federal taxes, compared to only $18.8 million in 1980. A total of $38.4 million was collected for municipal and franchise taxes, an increase of $10.7 million from the previous year. Capital expenditures were $81 million in 1981, compared to $76 million in 1980.

The natural gas exploration and development program increased considerably during the year. Northwestern and Canadian Western participated in the drilling of 115 wells and purchased 13 producing wells. Of the wells drilled, 83 were successful or are still being evaluated.

The volume of natural gas sales decreased by 5% in 1981. Although the number of customers increased, this was more than offset by warmer than normal temperatures, energy conservation and lower sales to industrial users. Despite these facts, a continuing flow of new service applications and modest growth in the Alberta economy indicate a year of steady growth in the gas utilities during 1982.

Southco Customs Brokers handled the shipping of six drilling rigs to Australia (above left). ATCOR Resources Limited offers consulting services related to gas, electric, sewer and water systems (right).

Services

ATCO provides design, engineering and construction management services in Canada. In addition, the Company's specialized services include the moving of both people and materials around the world through its travel agency and customs brokerage operations.

Engineering

Providing consulting services for gas, electric, sewer and water systems, the Engineering Division (formerly CU Engineering Limited) of ATCOR Resources Limited draws on professionals and technicians from affiliated companies as well as its own staff. The Company also offers consulting services related to oil and gas pipelines as well as production and primary treatment facilities.

In 1981, ATCOR provided project management including engineering, construction supervision, permit acquisition and the purchasing and marshaling of materials for an oil and gas pipeline for Texaco and CDC Oil and Gas near the Syncrude plant at Fort McMurray, Alberta. The 64-km pipeline of 273 mm pipe had to cross the Athabasca River from the Syncrude Plant to the clients' corresponding pilot project sites and two facility completion contracts had to be administered. Another major project undertaken was the preliminary design and feasibility study for a major gas distribution network throughout New Brunswick.

Other engineering projects included a gas gathering system in northeastern Alberta involving the collection of gas from various wells and the installation of the necessary primary processing and compression equipment, as well as several gas transmission and distribution systems for rural gas co-operatives in Alberta.

The diversity of ATCOR Engineering's capabilities resulted in a contract to design and provide construction supervision for a unique water intake facility on the North Saskatchewan River. A pumping station will remove 3,000 acre-feet of water per year and the pipeline delivery system, comprised of 6 km of 324 mm pipe will wash caverns intended to provide a salt cavern storage facility.

Although the Company operates mainly in Canada, engineering services were provided during the past year for projects as far away as Southeast Asia including the provision of expertise to the Asian Development Bank for project preparation of a natural gas distribution system in Bangladesh.

Customs Brokerage

The performance of Southco Customs Brokers, a new member of the ATCO group, exceeded expectations during the past year, although, as was expected, activity declined as the economy slowed towards the end of the year. In addition to customs brokerage, the Company offers freight forwarding and direct parcel delivery services.

During the year, Southco's freight forwarding personnel handled the shipping of six oilfield drilling rigs to Australia as well as the transfer of a large number of rigs to the United States.

Up to the present, all of the Company's offices have been located in Alberta, however, consideration is being given to expansion to other centres to provide additional service, especially to those clients with overseas shipping requirements.

Southco Travel's professional standard of service has earned the Calgary-based travel agency an excellent reputation.

Travel Agency

Southco Travel, ATCO's travel agency, experienced a 30% growth in volume in the past year. Among its larger projects, Southco handled arrangements for some 700 people from thirteen countries to travel to a major international convention in Las Vegas. The agency intends to capitalize on its excellent record in group travel by developing still further the convention and incentive travel market.

To increase the quality of its customer service, Southco operates separate business and vacation travel departments from its Calgary location. During the past year, the agency received additional recognition with the presentation of the Western Canadian Travel Agent of the Year award to Assistant Manager, Georgia Lee.

Financial Review

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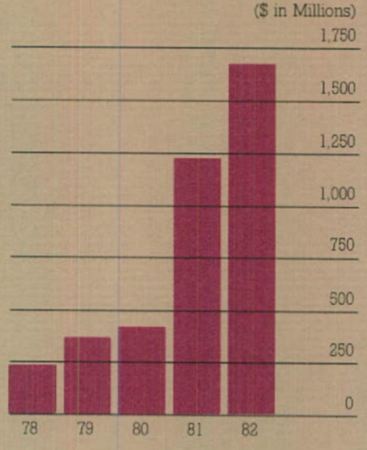
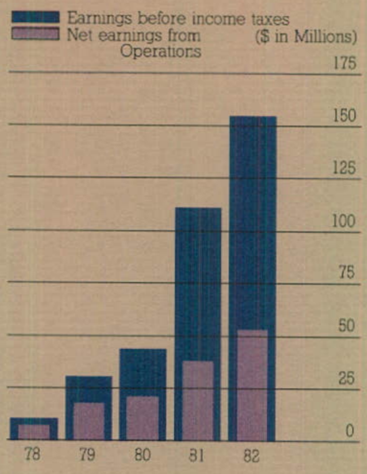
Financial Charts

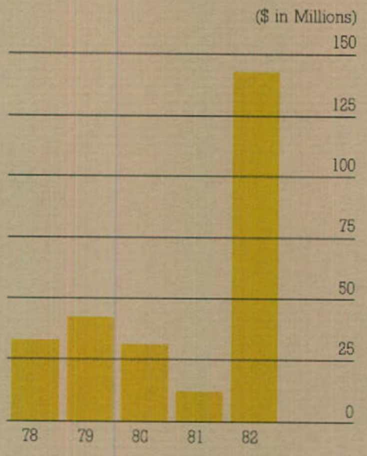
Revenue



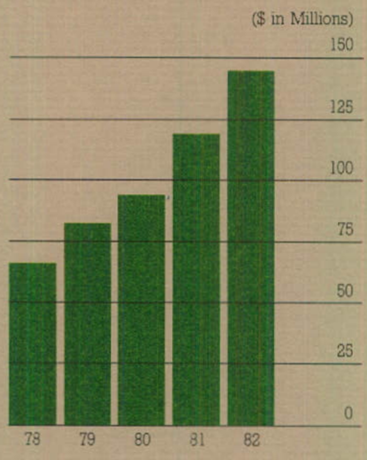
Earnings from Operations



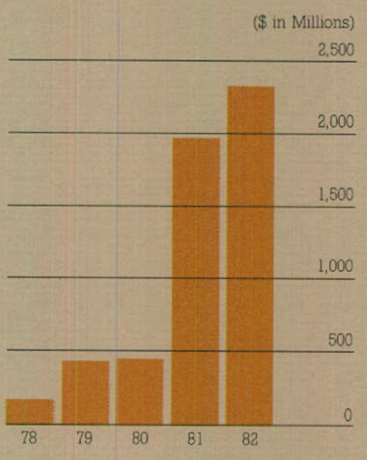
Working Capital



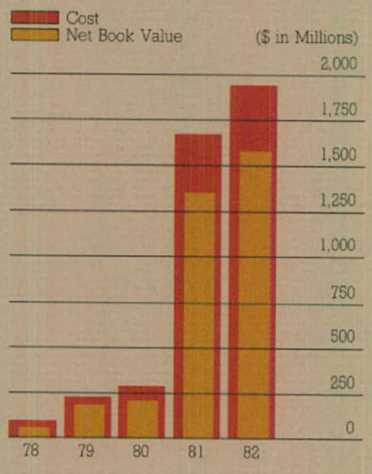
Common Shareholders' Equity



Total Assets



Property, Plant & Equipment



Consolidated Summary of Earnings

Years ended March 31

(Thousands of Canadian dollars)	1982	1981	1980	1979	1978
Total revenue	**$1,668,835**	$1,220,782	$413,859	$368,269	$249,071
Costs and expenses	**1,514,088**	1,107,778	368,772	336,017	237,852
	154,747	113,004	45,087	32,252	11,219
Income taxes	**42,973**	36,501	22,735	12,676	2,107
	111,774	76,503	22,352	19,576	9,112
Minority interests	**57,291**	33,171	30	573	721
	54,483	43,332	22,322	19,003	8,391
Extraordinary item	**—**	2,776	—	—	—
Earnings for the year	**54,483**	40,556	22,322	19,003	8,391
Dividends on redeemable preferred shares	**28,547**	11,241	10,328	4,274	—
Earnings attributable to common shares	**$ 25,936**	$ 29,315	$ 11,994	$ 14,729	$ 8,391
Earnings per common share					
Before extraordinary item	**$1.60**	$2.00	$.75	$.93	$.53
After extraordinary item	**$1.60**	$1.83	$.75	$.93	$.53

Consolidated Statement of Earnings

Years ended March 31

(Thousands of Canadian dollars)	Note Reference	1982	1981
			(Restated) (Note 2)
Revenue			
Sales, rentals and service		**$1,638,829**	$1,200,889
Other	13	**30,006**	19,893
	15	**1,668,835**	1,220,782
Costs and expenses			
Natural gas supply		**451,914**	366,288
Utility taxes, other than income		**245,655**	75,441
Operating and maintenance		**525,298**	450,965
Selling and administrative		**129,322**	98,848
Depreciation, depletion and amortization		**70,593**	50,237
Interest	14	**91,306**	65,999
		1,514,088	1,107,778
		154,747	113,004
Income taxes			
Current		**44,515**	19,385
Deferred		**(1,542)**	17,116
	16	**42,973**	36,501
		111,774	76,503
Minority interests	10	**57,291**	33,171
Earnings before extraordinary item		**54,483**	43,332
Costs of expired offer for shares of TransAlta Utilities Corporation		**—**	2,776
Earnings for the year		**54,483**	40,556
Dividends on redeemable preferred shares	11	**28,547**	11,241
Earnings attributable to common shares		**$ 25,936**	$ 29,315
Earnings per common share			
Before extraordinary item		**$1.60**	$2.00
After extraordinary item		**$1.60**	$1.83

Consolidated Statement of Retained Earnings

Years ended March 31

(Thousands of Canadian dollars)	Note Reference	1982	1981
			(Restated)
Retained earnings at beginning of year			
As previously reported		**$112,491**	$ 86,978
Adjustment of prior years' earnings	2	**2,788**	1,794
As restated		**115,279**	88,772
Earnings for the year		**54,483**	40,556
		169,762	129,328
Exchange adjustments on redemptions of preferred shares		**104**	—
		169,658	129,328
Dividends			
Redeemable preferred shares	11	**28,547**	11,241
Common shares		**3,241**	2,808
		31,788	14,049
Retained earnings at end of year		**$137,870**	$115,279
Dividends paid per common share		**20.0¢**	17.5¢

Consolidated Balance Sheet

Years ended March 31

(Thousands of Canadian dollars)	Note Reference	1982	1981
			(Restated) (Note 2)
Assets			
Current assets			
Cash and short term deposits		**$ 150,363**	$ 30,104
Investment	3	**19,713**	—
Accounts receivable	4	**274,972**	230,864
Inventories	5	**48,409**	44,915
Prepaid expenses		**6,408**	5,252
		499,865	311,135
Deposits	11	**26,100**	31,850
Investment in real estate development	6	**68,202**	53,352
Property, plant and equipment	7	**1,584,756**	1,381,740
Goodwill		**156,087**	153,881
Deferred financing charges and other assets		**30,003**	21,987
		$2,365,013	$1,953,945

(Thousands of Canadian dollars)	Note Reference	1982	1981
			(Restated) (Note 2)
Liabilities and Shareholders' Equity			
Current liabilities			
Bank indebtedness		**$ 31,401**	$ 29,144
Accounts payable and accrued liabilities		**268,518**	217,781
Deposits		**5,548**	11,066
Income taxes payable		**27,751**	16,305
Long term debt due within one year		**23,393**	25,433
		356,611	299,729
Debt on real estate development	6	**42,997**	37,700
Notes payable	8	**30,000**	17,100
Long term debt	9	**789,725**	657,565
Contributions for extensions to utility plant		**115,222**	91,556
Deferred credits		**31,987**	21,814
Deferred income taxes		**45,532**	47,074
Minority interests	10	**550,792**	396,806
Redeemable preferred shares	11	**257,080**	262,760
Common shareholders' equity			
Common shares	12	**7,197**	6,562
Retained earnings		**137,870**	115,279
		145,067	121,841
		$2,365,013	$1,953,945

Approved by the Board:

Director

Director

ATCO Ltd.

Consolidated Statement of Changes in Financial Position

Years ended March 31

(Thousands of Canadian dollars)	Note Reference	1982	1981
			(Restated) (Note 2)
Sources of working capital			
Working capital provided by operations before extraordinary item		**$173,157**	$132,961
Financing of investment in Canadian Utilities Limited			
Redeemable preferred shares		**—**	150,000
Long term debt		**—**	185,434
Issue of other long term debt		**181,288**	144,399
Proceeds on disposal of property, plant and equipment		**19,338**	23,149
Issue of common shares	12	**635**	460
Release of deposits		**5,750**	—
Increase in minority interests from			
Sale of gas and oil properties to CUL	3	**20,004**	—
Issue of preferred shares by CUL net of redemptions		**118,878**	52,967
Issue of common shares under CUL employee share purchase plan		**2,460**	—
Contributions for extensions to utility plant		**26,895**	12,365
Increase in debt on real estate development	6	**5,297**	2,328
Increase in notes payable		**12,900**	—
Issue of preferred shares		**5,000**	—
Increase in deferred credits		**10,173**	—
		581,775	704,063
Applications of working capital			
Additions to property, plant and equipment		**288,716**	258,249
Acquisition of common shares of Canadian Utilities Limited		**—**	340,304
Other acquisitions		**—**	9,406
Costs of expired offer for shares of TransAlta Utilities Corporation		**—**	2,776
Reduction in notes payable		**—**	43,600
Reduction in long term debt		**49,128**	35,155
Investment in real estate development	6	**14,850**	2,357
Redemption of preferred shares		**10,680**	5,340
Dividends			
Redeemable preferred shares	11	**28,547**	11,241
Common shares		**3,241**	2,808
Minority interests		**40,479**	12,511
Increase in deferred financing charges		**11,504**	—
Other		**2,782**	405
		449,927	724,152
Increase (decrease) in working capital		**$131,848**	$(20,089)

Note 1 — Summary of Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles which conform in all material respects with the International Accounting Standards adopted by the International Accounting Standards Committee.

Consolidation

The consolidated financial statements include the accounts of ATCO Ltd. and all of its subsidiaries (collectively referred to herein as "ATCO") which are wholly-owned except for Canadian Utilities Limited ("CUL"), which is 58% owned, and ATCO Saudi Arabia Ltd., which is 75% owned. The operating subsidiaries and divisions are shown on pages 61 to 64.

Investments in real estate development joint ventures and partnerships are recorded on the equity basis.
Goodwill is recorded at cost and amortized on a straight line basis generally over 40 years.

Regulation

Matters such as rates, construction, operation and accounting in connection with the utility subsidiaries are subject to the jurisdiction of certain regulatory bodies. Utility rates are determined primarily by the Public Utilities Board of Alberta based on rate base, rate of return and cost of service.

Foreign Currency Translation

Accounts in foreign currencies have been translated to Canadian dollars as follows:

At year-end rates — Current assets and current liabilities.
At historical rates — Other assets and liabilities, depreciation and amortization.
At average rates for the year — Revenues and expenses, except for depreciation and amortization.

Exchange adjustments arising on the issue of redeemable preferred shares in United States dollars are included in redeemable preferred shares on the balance sheet, and are reduced in proportion to redemptions. Any exchange adjustments arising because of differences in the exchange rates at dates of issue and redemption are included in retained earnings.

Property, Plant and Equipment

Additions to natural gas and electric utility plant and equipment include an allowance for funds used during construction based on the debt and equity cost of capital components. Certain of these additions are made with the assistance of cash contributions from customers and governments where the estimated revenue is less than the cost of providing service or where special equipment is needed to supply the customers' specific requirements. These contributions are amortized on the same basis as the assets to which they relate. All other plant and equipment additions are recorded at cost.

Depreciation Methods and Rates Per Annum

	Straight Line	Declining Balance
Natural gas and electric utility plant and equipment	2.1% to 6.6%	
Industrial rental units	10%	
Drilling rigs	6% to 10%	
Replacement drill pipe	25%	
Well servicing rigs	10%	
Other buildings, furniture, fixtures and equipment		5% to 30%

On retirement of depreciable natural gas and electric utility plant, the accumulated depreciation is charged with the cost of the retirement unit less net salvage.

Revenue Recognition on Contracts

Revenues resulting from the supply of contracted products and services are recorded by the percentage of completion method, except for footage drilling contracts which are recorded when contract depths are attained. Any anticipated loss is provided for in its entirety when the estimated loss is identified.

Inventories

Inventories are carried at the lower of cost or estimated net realizable value.

Real Estate Development Costs

Carrying costs of land held for development and properties under development are capitalized to the extent that the accumulated costs do not exceed the estimated net realizable value of the property. Carrying costs of rental properties under construction are capitalized until the earlier of one year after completion or 75% occupancy.

Gas and Oil

In accounting for its non-regulated gas and oil exploration and development activities, ATCO follows the full cost method whereby all costs relating to the exploration for and the development of gas and oil reserves are capitalized. These costs are depleted by the unit of production method based on estimated proven gas and oil reserves.

As Alberta gas producers, the gas utility subsidiaries receive a pro rata share of monies available under The Natural Gas Price Administration Act. These monies, net of royalties and income taxes, are included in deferred credits. The gas utility subsidiaries, subject to the approval of the Public Utilities Board, charge the costs of unsuccessful gas exploration against these amounts.

Income Taxes

The utility subsidiaries are permitted to record deferred income taxes with respect to acquisition of natural gas rights, deferred gas costs and share issue costs. In respect of all other differences between tax and accounting income, the utility subsidiaries, in fixing rates, recover only taxes payable currently and accordingly these amounts are charged against current earnings.

Effective October 1, 1981 Alberta Power Limited received approval from the Public Utilities Board to provide for current taxes by claiming as deductions for tax purposes only amounts recorded in the accounts. For this subsidiary, therefore, there will be no further increase in the amount of unrecorded deferred taxes which arose in past years and which could become a future charge.

Investment tax credits are accounted for as a reduction of the provision for income taxes in the year in which the related expenditures are made.

Equipment Leases

The regulatory process in Alberta requires that utilities make application for the capitalization of leases in the determination of consumer rates. Prior to approval by the Public Utilities Board, capital leases are accounted for as operating leases.

Deferred Financing Charges

Expenses of issue of long term debt are amortized over the periods that the debt is outstanding and expenses of issue of preferred shares are amortized over the lesser of the expected life of the issue or 30 years.

Other deferred charges are subject to amortization over various periods not exceeding 40 years.

Note 2 — Change in Accounting Policy

During 1982, ATCO changed its method of accounting for gas and oil exploration and development activities from the successful efforts method to the full cost method. Exploratory dry hole, lease rental and geophysical and geological costs, previously charged to expense in the year incurred, are now capitalized and depleted. This change has been applied retroactively and has increased amounts reported in 1981, for net property, plant and equipment by $5,361,000, deferred income taxes by $2,573,000 and retained earnings by $2,788,000. The change increased earnings in the current year by $462,000; 1981 by $994,000 and prior years by a total of $1,794,000.

Note 3 — Sale of Gas and Oil Properties to CUL

On December 15, 1981, the gas and oil properties owned by three ATCO subsidiaries were sold to CUL for 2,434,882 common shares of CUL issued at $20.75 per share. The total assigned value of $50,524,000 was comprised of gas and oil properties of $50,191,000 as determined from independent engineering and economic evaluations and $333,000 of miscellaneous assets. The entire intercompany gain amounting to $27,551,000 has been eliminated in the consolidated financial statements.

As described in Note 19, 950,000 of the CUL shares received were sold on June 1, 1982 and accordingly ATCO's ownership interest reflected in the consolidated financial statements was increased by .34% as a result of the remaining 1,484,882 shares for the period from December 16, 1981 to March 31, 1982. The 950,000 shares of CUL have been recorded as an investment in the amount of $19,713,000 in the consolidated balance sheet at March 31, 1982. Minority interests and goodwill increased by $20,004,000 and $291,000 respectively as a result of these transactions.

Note 4 — Accounts Receivable

(Thousands of dollars)	1982	1981
Trade	**$186,024**	$166,866
Accrued revenue on contracts, less payments received	**12,990**	14,099
Receivable from the Province of Alberta	**40,880**	25,794
Other receivables and deposits	**35,078**	24,105
	$274,972	$230,864

Note 5 — Inventories

(Thousands of dollars)	1982	1981
Materials, parts and supplies	**$11,823**	$12,865
Manufacturing work in progress	**5,163**	4,437
Finished units	**11,853**	10,006
Utility materials and supplies	**19,570**	17,607
	$48,409	$44,915

Note 6 — Real Estate Development

(Thousands of dollars)	1982	1981
Investment:		
Land held for development	**$ 5,659**	$22,497
Properties under development	**29,052**	11,938
Equity in Alberta Land Development Company (a partnership)	**16,641**	14,780
Equity in joint ventures	**16,850**	4,137
	$68,202	$53,352

ATCO's share of the joint ventures' and partnership's earnings amounted to $3,562,000 (1981 — $1,882,000) and is included in "Sales, rentals and service" revenue.

(Thousands of dollars)	1982	1981
Debt:		
Land and construction mortgages payable	**$ 6,049**	$21,880
Bank loans, $4,300,000 at prime plus ½%, $9,619,000 due December 31, 1992 at prime plus 2¾%, secured mainly by assignment of partnership interest in Alberta Land Development Company	**13,919**	12,344
Interim financing on projects, at prime to prime plus ½%, secured by charges on specific development projects, to be repaid from proceeds of long term financing upon completion of specific projects	**23,029**	3,476
	$42,997	$37,700

Under certain limited circumstances, the bank loan of $9,619,000 related to the partnership interest in Alberta Land Development Company is payable on demand.

Note 7 — Property, Plant and Equipment

(Thousands of dollars)	1982		1981	
	Cost	Accumulated Depreciation and Depletion	Cost	Accumulated Depreciation and Depletion
			(Restated — Note 2)	
Electric utility plant and equipment	**$ 902,854**	**$135,024**	$ 763,393	$109,594
Natural gas utility plant and equipment	**641,052**	**147,976**	556,749	134,552
Drilling and well servicing rigs and related equipment	**185,705**	**30,488**	176,280	26,110
Rental assets	**75,295**	**14,394**	61,725	9,992
Other plant and equipment	**42,346**	**11,362**	43,388	11,658
Gas and oil properties	**59,895**	**6,411**	49,036	4,775
Land, buildings and improvements	**35,129**	**11,865**	28,387	8,537
Undertakings, franchise and gas rights	**—**	**—**	8,000	—
	$1,942,276	**$357,520**	$1,686,958	$305,218
	$1,584,756		$1,381,740	

Note 8 — Notes Payable

On April 1, 1981 CUL arranged a private sale of a $30,000,000 note, due September 30, 1982, with interest at prime less ⅜% and renewable by the lender at 15 month intervals to June 30, 1991.

Under a bank loan agreement, which provides a line of credit of up to $150,000,000 to September 14, 1983, CUL issues commercial paper and assumes bank loans. Under the agreement CUL maintains an unused bank line of credit of not less than 50% of the commercial paper outstanding. At March 31, 1982 there were no bank loans outstanding (1981 — $17,100,000).

Note 9 — Long Term Debt

(Thousands of dollars)	1982	1981
227095 Holdings Ltd.		
Term loans, at prime plus ⅝%, due April 1, 1993, secured by common shares of CUL owned by the company and its subsidiaries and by a second charge on the assets of ATCO Drilling Holdings Ltd.	**$200,000**	$185,434
ATCO Drilling Holdings Ltd.		
Income debentures, at approximately 52% of prime plus 1⅛% on U.S. funds and 52% of prime plus 1% on Canadian funds due 1986, secured by fixed and floating charges on the company's assets		
Payable in U.S. dollars ($20,055; 1981 — $24,955)	**23,514**	28,698
Payable in Canadian dollars	**9,904**	12,230
CUL and Subsidiaries		
Sinking fund debentures at 7¼% to 17½%, due at various dates to 2002	**435,357**	337,589
First mortgage sinking fund bonds, at 4⅛% to 9¾%, due at various dates to 1994	**51,057**	58,053
Capitalized lease obligation (see below)	**23,233**	—
Other		
Mortgage and other loans, at 8% to prime plus 1%, due at various dates to 1996, secured mainly by charges on specific operating assets	**70,053**	60,994
	813,118	682,998
Less: Amounts due within one year	**23,393**	25,433
	$789,725	$657,565

The terms of the above debt include restrictions relating to the payment of dividends by ATCO Ltd., ATCO Drilling Holdings Ltd. and CUL and its subsidiaries and to capital expenditures, new debt, intercompany loans, fees, guarantees and performance bonds and letters of credit. Covenants also require maintenance of voting control of CUL and specified working capital and debt to equity ratios.

ATCO has indemnified holders of the income debentures to the extent of any reduction in the holders' net after tax return from the income debentures, caused by changes in law.

The CUL and subsidiaries long term debt outstanding and current maturities thereof have been reduced by bonds and debentures purchased for future sinking fund payments. Sinking fund requirements on certain first mortgage bonds may also be satisfied by certification of property additions.

CUL leases, with an option to purchase, a dragline costing $24,836,000 which is included in electric utility plant and equipment. The future minimum payments are $2,421,000 per year for the next five years and $29,540,000 in later years. The imputed interest included in these future minimum rentals at 7.62% implicit in the lease is $18,412,000.

The minimum annual repayments of long term debt over each of the next five fiscal years are as follows:

(Thousands of dollars)

1983	1984	1985	1986	1987
$23,393	$33,181	$34,053	$37,277	$41,821

Note 10 — Minority Interests

(Thousands of dollars)	1982	1981
Equity of minority interests in:		
Preferred shares of CUL and subsidiaries	**$369,773**	$255,063
Common shares of CUL	**179,931**	140,649
Common shares of ATCO Saudi Arabia Ltd.	**1,088**	1,094
	$550,792	$396,806
CUL earnings for the year	**$ 56,712**	$ 32,587
ATCO Saudi Arabia Ltd. earnings for the year	**579**	584
	$ 57,291	$ 33,171

During the year, CUL issued 150,403 common shares under an employee share purchase plan, increasing the minority interests' share in CUL by .41%.

Note 11 — Redeemable Preferred Shares

(Thousands of dollars)	1982	1981
Issued by:		
ATCO Holdings (N.A.) Ltd.	**$ 90,780**	$101,460
474243 Ontario Ltd.	**150,000**	150,000
ATCO Ltd.	**16,300**	11,300
Total issued (detailed below)	**$257,080**	$262,760
ATCO Holdings (N.A.) Ltd.		
Series A, First Preferred		
340,000 shares with a par value of $100 each issued in U.S. dollars	**$ 39,780**	$ 44,460
Series B, First Preferred		
340,000 shares with a par value of $100 each	**34,000**	38,000
Series 1, Second Preferred		
170,000 shares with a par value of $100 each	**17,000**	19,000
	$ 90,780	$101,460

The preferred shares, which may be redeemed earlier subject to certain restrictions and penalties, are redeemable, at par, in equal semi-annual installments of Canadian $3,000,000 and U.S. $2,000,000 from April 1, 1982 to April 1, 1990.

Dividends are payable monthly, calculated daily at 52% of prime plus 1½%.

Of the total funds received, $26,100,000 has not been expended and use is restricted to approved capital expenditures and acquisitions.

The subsidiary has indemnified holders of the preferred shares to the extent of any reduction in the holders' net after tax return from the preferred shares, caused by changes in law.

The preferred shares are the subject of a sale agreement wherein ATCO Ltd. agrees upon certain events occurring to purchase the preferred shares. This sale agreement is secured by a floating charge debenture of U.S. $90,000,000 issued and pledged by ATCO Ltd. and by hypothecation of the ATCO Drilling Holdings Ltd. shares. The sale agreement is also secured by guarantees and pledge of a U.S. $90,000,000 floating charge debenture of the subsidiaries (excepting ATCO Drilling Holdings Ltd., CUL and their subsidiaries).

Terms relating to the preferred shares include restrictions on capital expenditures, new debt, intercompany loans and guarantees and performance bonds. Covenants also require maintenance of specified working capital and debt to equity ratios.

Failure to pay dividends, redeem shares or comply with covenants constitutes default and may result in the holders of the preferred shares demanding payment under the terms of the Sale Agreement.

474243 Ontario Ltd.

(Thousands of dollars)	1982	1981
Preference shares with a par value of $1,000 each		
20,000 Class A	**$ 20,000**	$ 20,000
20,000 Class B	**20,000**	20,000
20,000 Class C	**20,000**	20,000
15,000 Class D	**15,000**	15,000
13,000 Class E	**13,000**	13,000
12,000 Class F	**12,000**	12,000
50,000 Class G	**50,000**	50,000
	$150,000	$150,000

Commencing May 1, 1985, 5% of the issued preference shares are redeemable annually, at par, in equal quarterly installments to February 1, 1992, with the balance redeemable, at par, on May 1, 1992. The preference shares may be redeemed earlier subject to certain restrictions and penalties.

Dividends are payable quarterly at the following rates, calculated daily:

Classes A - D inclusive	50% of prime plus 2%
Classes E - F inclusive	50% of prime plus 1⅞%
Class G	52% of prime plus 1½%

The subsidiary has indemnified holders of the preference shares to the extent of any reduction in the holders' net after tax return from the preference shares, caused by changes in law.

ATCO Ltd.

(Thousands of dollars)	1982	1981
Authorized:		
8,000,000 Preferred Shares with a par value of $25 each		
8,000,000 Junior Preferred Shares with a par value of $25 each		
Issued:		
Preferred Shares		
400,000 Series 2, cumulative redeemable issued in U.S. dollars	**$11,300**	$11,300
Junior Preferred Shares		
200,000 Series 1, cumulative redeemable	**5,000**	—
	$16,300	$11,300

The Series 2 Preferred Shares are redeemable in ten annual installments of U.S. $1,000,000 commencing June 30, 1984 (or earlier under certain circumstances). Dividends are payable monthly, in U.S. dollars, calculated daily at one-half the prime rate plus 2%.

The Series 1 Junior Preferred Shares are redeemable June 16, 1991 (or earlier under certain circumstances). Dividends are payable quarterly, calculated daily at one-half the prime rate plus 2%.

Dividends on Redeemable Preferred Shares

(Thousands of dollars)	Average Prime Rate 1982	Average Prime Rate 1981	Dividends 1982	Dividends 1981
ATCO Holdings (N.A.) Ltd.				
Series A	**18.5%**	16.3%	**$ 4,681**	$ 4,575
Series B	**19.0%**	15.0%	**3,994**	3,647
Series 1	**19.0%**	15.0%	**1,999**	1,822
474243 Ontario Ltd.				
Classes A - D	**18.9%**	—	**7,977**	—
Classes E - F	**18.9%**	—	**2,654**	—
Class G	**18.9%**	—	**5,430**	—
ATCO Ltd.				
Series 1	**19.0%**	—	**458**	—
Series 2	**18.5%**	16.3%	**1,354**	1,197
			$28,547	$11,241

Note 12 — Common Shares

Common shares without nominal or par value:

	Number of Shares: Class I Non-voting	Class II Voting	Total	Consideration
Authorized	100,000,000	50,000,000	150,000,000	
Issued:				
Beginning of year	10,727,875	5,360,435	16,088,310	$6,562,000
Issued under employee share option plans	101,860	44,430	146,290	635,000
Conversions	159,081	(159,081)	—	—
End of year	10,988,816	5,245,784	16,234,600	$7,197,000

Each Class II voting share may be converted to one Class I non-voting share at the shareholder's option. The two classes of shares rank equally in all other aspects.

Share Options and Equivalents

ATCO has share option plans under which options to purchase 994,740 Class I and 217,260 Class II common shares may be granted to selected directors, officers and key employees. The options are exercisable cumulatively over periods up to ten years from the date of grant

Options to purchase 649,520 Class I and 217,260 Class II shares have been granted under the plan, of which 382,800 and 90,400, respectively, were outstanding at March 31, 1982 at prices ranging from $4.05 to $8.25 per share.

In conjunction with the above plan ATCO has a long term incentive compensation plan under which 891 180 share equivalents have been granted to selected officers, directors and key employees. The equivalents generally are deemed to be received (at prices ranging as above for share options) when a stock option is exercised and are redeemable five years later. Future payments under the plan are based on the increase in the price of ATCO's common shares plus deemed dividends. In 1982, $233,000 was charged to earnings in connection with this plan (1981 — $733,000).

Note 13 — Other Revenue

(Thousands of dollars)	1982	1981
Interest income	**$15,721**	$11,329
Gain on disposal of property, plant and equipment	**3,760**	2,347
Gain on purchase of long term debt	**4,129**	584
Exchange gains (losses)		
Operating	**2,417**	2,435
Translation	**(974)**	(1,848)
Other	**4,953**	5,046
	$30,006	$19,893

Note 14 — Interest

(Thousands of dollars)	1982	1981
Incurred	**$118,530**	$ 88,729
Capitalized	**(27,224)**	(22,730)
Expensed	**$ 91,306**	$ 65,999
Expensed on non-current liabilities	**$ 75,298**	$ 56,593

Note 15 — Segmented Information

(Thousands of dollars)

By Industry

1982
1981 (Restated — Note 2)

	Electric Utility Operations	Gas Utility Operations	Contract Drilling and Well Servicing	Other Energy	Manufacturing	Real Estate and Property Development	Other	Consolidated*
Revenues:								
Trade	**$235,106**	**$865,352**	**$165,646**	**$68,615**	**$280,619**	**$34,196**	**$ 19,301**	**$1,668,835**
	$121,401	$556,504	$176,862	$24,859	$281,803	$49,382	$ 9,971	$1,220,782
Inter-segment	**557**	**18,654**	**864**	**18**	**2,888**	**3,494**	**3,150**	**—**
	334	13,490	104	25	3,578	563	1,834	—
Total segment revenues	**235,663**	**884,006**	**166,510**	**68,633**	**283,507**	**37,690**	**22,451**	**1,668,835**
	121,735	569,994	176,966	24,884	285,381	49,945	11,805	1,220,782
Expenses:								
Natural gas supply	**—**	**470,463**	**—**	**—**	**—**	**—**	**—**	**451,914**
	—	379,469	—	—	—	—	—	366,288
Utility taxes, other than income	**1,076**	**241,013**	**—**	**3,566**	**—**	**—**	**—**	**245,655**
	544	74,897	—	—	—	—	—	75,441
Operating and maintenance	**82,987**	**53,797**	**107,355**	**52,093**	**206,905**	**29,173**	**3,488**	**525,298**
	45,498	29,309	104,094	16,228	216,100	38,893	2,573	450,965
Selling and administrative	**30,490**	**45,881**	**11,795**	**1,543**	**29,908**	**4,106**	**5,597**	**129,322**
	17,749	31,379	12,134	1,990	31,222	3,920	5,104	98,848
Depreciation, depletion and amortization	**23,764**	**14,142**	**14,518**	**3,528**	**10,265**	**142**	**561**	**70,593**
	12,390	9,673	13,275	2,544	8,608	110	725	50,237
Total segment expenses	**138,317**	**825,296**	**133,668**	**60,730**	**247,078**	**33,421**	**9,646**	**1,422,782**
	76,181	524,727	129,503	20,762	255,930	42,923	8,402	1,041,779
Segment operating profit	**$ 97,346**	**$ 58,710**	**$ 32,842**	**$ 7,903**	**$ 36,429**	**$ 4,269**	**$ 12,805**	**$ 246,053**
	$ 45,554	$ 45,267	$ 47,463	$ 4,122	$ 29,451	$ 7,022	$ 3,403	$ 179,003
Identifiable assets	**$823,125**	**$659,158**	**$180,152**	**$61,088**	**$177,616**	**$73,070**	**$217,137**	**$2,365,013**
	$692,884	$584,815	$204,993	$53,725	$146,168	$59,997	$ 62,426	$1,953,945
Capital expenditures	**$146,628**	**$ 84,850**	**$ 31,228**	**$ 8,926**	**$ 31,796**	**$ 267**	**$ 446**	**$ 288,716**
	$127,353	$ 65,084	$ 26,050	$ 7,938	$ 34,550	$ 335	$ 678	$ 258,249

By Geographical Location

1982
1981 (Restated — Note 2)

	Canada	United States	Other	Consolidated*
Revenues:				
Trade	**$1,415,181**	**$155,368**	**$ 98,286**	**$1,668,835**
	$ 999,839	$ 91,728	$129,215	$1,220,782
Inter-segment	**16,506**	**8,292**	**—**	**—**
	50,906	9,509	1,574	—
Total segment revenues	**1,431,687**	**163,660**	**98,286**	**1,668,835**
	1,050,745	101,237	130,789	1,220,782
Expenses:				
Natural gas supply	**451,914**	**—**	**—**	**451,914**
	366,288	—	—	366,288
Utility taxes, other than income	**245,655**	**—**	**—**	**245,655**
	75,441	—	—	75,441
Operating and maintenance	**357,677**	**108,001**	**70,753**	**525,298**
	326,458	70,958	109,200	450,965
Selling and administrative	**110,171**	**10,048**	**9,101**	**129,322**
	78,790	7,439	10,457	98,848
Depreciation, depletion and amortization	**59,010**	**10,465**	**1,985**	**70,593**
	42,589	5,053	2,185	50,237
Total segment expenses	**1,224,427**	**128,514**	**81,839**	**1,422,782**
	889,566	83,450	121,842	1,041,779
Segment operating profit	**$ 207,260**	**$ 35,146**	**$ 16,447**	**$ 246,053**
	$ 161,179	$ 17,787	$ 8,947	$ 179,003
Identifiable assets	**$1,958,223**	**$191,188**	**$ 71,414**	**$2,365,013**
	$1,645,750	$118,665	$ 48,786	$1,953,945

*Inter-segment transactions have been eliminated in the consolidated column.

	1982	1981 (Restated) (Note 2)
Segment operating profit	**$246,053**	$179,003
Interest	**91,306**	65,999
Income taxes	**42,973**	36,501
Minority interests	**57,291**	33,171
Extraordinary item	**—**	2,776
	191,570	138,447
Earnings for the year	**$ 54,483**	$ 40,556

Export sales made directly from Canada to unaffiliated persons amounted to $17,118,000 during the year ended March 31, 1982 (1981 — $14,941,000).

Note 16 — Income Taxes

The income tax provision differs from that computed using the Canadian corporate tax rate of 48.8% for the following reasons:

(Thousands of dollars)	1982	1981
Earnings before income taxes, minority interests and extraordinary item	**$154,747**	$113,004
Income taxes at statutory rate	**$ 75,516**	$ 55,146
Effect of utility subsidiaries claiming tax deductions in respect of property, plant and equipment in excess of book depreciation and depletion as noted in Summary of Significant Accounting Policies	**(23,774)**	(14,870)
Crown royalties and other non-deductible government payments	**11,579**	5,792
Earned depletion and resource allowance	**(8,130)**	(6,438)
Taxes related to amounts allocated to assets in excess of tax values on share acquisitions	**4,603**	3,442
Foreign tax rate differences	**(7,393)**	(3,223)
Non-taxable portion of capital gains	**(3,610)**	(410)
Investment tax credits	**(4,639)**	(2,017)
Income debenture interest	**1,740**	1,919
Provincial rebates	**(3,469)**	(1,627)
Other	**550**	(1,213)
	$ 42,973	$ 36,501
Effective rate	**27.8%**	32.3%

As described in the Summary of Significant Accounting Policies, a provision for certain deferred taxes is not recorded by the utility subsidiaries. Unrecorded deferred taxes of the utility subsidiaries increased during the year by $14,885,000 (1981 — $16,183,000) to an accumulated amount of $122,261,000.

Note 17 — Remuneration of Officers and Directors

The aggregate direct remuneration of directors and senior officers amounted to $3,296,000 (1981 — $2,470,000).

Note 18 — Commitments and Contingencies

ATCO has contractual obligations in respect of long term operating leases for manufacturing facilities, office premises and equipment. The rentals amounted to $9,566,000 for 1982 (1981 — $13,600,000). Future minimum lease payments are as follows:

(Thousands of dollars)

1983	1984	1985	1986	1987	Total of all Subsequent Years
$9,268	$7,862	$6,616	$6,553	$7,025	$3,974

United States Treasury officials are investigating the basis followed by ATCO in determining certain United States customs and duty payments since 1969. These investigations are still in progress. In the opinion of counsel, claims will probably be asserted. Management is of the opinion that no material amount above those amounts already provided in the accounts will ultimately be payable.

ATCO has the usual commitments of contractors for completion of contracts and is contingently liable with respect to letters of credit and guarantees for approximately $8,100,000 (1981 — $4,900,000). The letters of credit are issued in the normal course of business in lieu of performance bonds and guarantees under the terms of certain foreign contracts.

The cost of the utility subsidiaries' planned construction and expansion program for 1983 is estimated to be approximately $339,000,000. At March 31, 1982 commitments under contract for 1983 and future years totalled approximately $246,000,000.

ATCO has pension plans covering substantially all of its employees. The aggregate unfunded past service liability amounted to approximately $29,900,000 at March 31, 1982 (1981 — $9,276,000) and is being funded over a period not exceeding 15 years.

As part of the financing of the acquisition of shares of CUL, ATCO has agreed to pay the lenders and preferred shareholders 7% of the increase in value of the CUL shares from acquisition to date of demand, to a maximum amount of $21,000,000. The amount is payable on demand if ATCO sells or transfers any of the shares of CUL, or at any time from December 31, 1985 to December 15, 1992. Payment may be made in cash or, at ATCO's option, by the issue of an appropriate number of Class I shares of ATCO Ltd. based on their then quoted market price.

Note 19 — Subsequent Events

On June 1, 1982, CUL acquired 11,431,651 common shares, 1,540,295 Convertible Second Preferred Shares, 15,000 Second Preferred Shares and 3,852 First Preferred Shares of TransAlta Utilities Corporation from Nu-West Group Limited for $170,000,000 cash and 3,500,000 common shares of CUL issued at an assigned value of $74,550,000 ($21.30 per share). On the same date, ATCO sold, to Nu-West, 950,000 of the CUL common shares received on the sale of gas and oil assets to CUL (see Note 3), for $20,235,000 cash ($21.30 per share). In conjunction with these transactions, Nu-West and ATCO entered into a voting trust agreement which provides ATCO with voting control over at least two-thirds of the issued common shares of CUL until June 1, 1983, and later in certain circumstances.

The effects of the issue of 3,500,000 shares by CUL to Nu-West will be recorded in the first quarter of fiscal 1983. Minority interest will be increased by $69,900,000 and goodwill reduced by $18,000,000 as a result of the decrease in ATCO's interest in CUL from 58.1% to 50.5%. The difference between the total of these two amounts and the $74,550,000 increase in assets is considered to be a further cost to ATCO of its investment in CUL which ensures ATCO's ability to maintain ongoing control of CUL. Accordingly, the difference of $13,350,000 will be recorded as goodwill and amortized against future years' earnings. The effects of future common share issues by CUL to minority interests will be reflected in earnings.

Note 20 — Comparative Figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for 1982.

Auditors' Report

To the Shareholders of ATCO Ltd.

We have examined the consolidated balance sheet of ATCO Ltd. as at March 31, 1982 and the consolidated statements of earnings, retained earnings 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 Company as at March 31, 1982 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, after giving retroactive effect to the change in the method of accounting for gas and oil properties as explained in Note 2 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Price Waterhouse
Chartered Accountants

Calgary, Alberta
June 1, 1982

Corporate Information

Directors

W. L. Britton
Partner, Bennett Jones
Calgary

B. P. Drummond*
President, Greenshields Inc.
Montreal

E. N. Farch
President, ATCO Structures Inc.

G. A. Freeman**
Corporate Secretary
ATCO Ltd.

G. P. Kiefer* **
President
ATCO Industries (N.A.) Ltd.

E. W. King
President & Chief Executive Officer
Canadian Utilities Limited

K. B. Purdie**
Vice President, Controller
ATCO Ltd.

R. Rice*
Senior Vice President, Citibank N.A.
New York

C. S. Richardson**
Senior Vice President, Finance
ATCO Ltd.

N. W. Robertson**
Executive Vice President &
Chief Operating Officer
ATCO Ltd.

C. N. Simpson
President, C. Norman Simpson
Consultants Limited
Vancouver

R. D. Southern**
President & Chief Executive Officer
ATCO Ltd.

S. D. Southern
Chairman of the Board
ATCO Ltd.

O. Steiner**
President, ATCO Housing &
Development Ltd.

J. D. Wood**
President & Chief Executive Officer
ATCOR Resources Limited

*Member — Audit Committee
**Member — Executive Committee

Officers

S. D. Southern
Chairman of the Board, ATCO Ltd.

R. D. Southern
President & Chief Executive Officer, ATCO Ltd.

M. Durdle
Assistant Secretary, ATCO Ltd.

E. N. Farch
President, ATCO Structures Inc.

G. A. Freeman
Corporate Secretary, ATCO Ltd.

G. P. Kiefer
President, ATCO Industries (N.A.) Ltd.

K. B. Purdie
Vice President, Controller, ATCO Ltd.

C. S. Richardson
Senior Vice President, Finance, ATCO Ltd.

N. W. Robertson
Executive Vice President &
Chief Operating Officer, ATCO Ltd.

O. Steiner
President, ATCO Housing & Development Ltd.

D. P. Wood
Vice President, Corporate Services &
Assistant Secretary, ATCO Ltd.

Corporate Head Office

ATCO Ltd.
1243 McKnight Blvd. N.E.
Calgary, Alberta T2E 5T2
Canada
Tel: (403) 276-1101
Telex: 03-822697

S. D. Southern
Chairman of the Board

R. D. Southern
President & Chief Executive Officer

N. W. Robertson
Executive Vice President &
Chief Operating Officer

C. S. Richardson
Senior Vice President, Finance

G. P. Kiefer
President, ATCO Industries (N.A.) Ltd.

K. B. Purdie
Vice President, Controller

D. P. Wood
Vice President, Corporate
Services & Assistant Secretary

G. A. Freeman
Corporate Secretary

T. G. Johnson
General Manager, Advertising &
Public Relations

Group Head Offices

ATCO Drilling Ltd.
Canadian Drilling
700, 800 - 6th Avenue S.W.
Calgary, Alberta T2P 0T8
Tel: (403) 263-1215
Telex: 03-821313

ATCO Energy Inc.
U.S. Drilling, Well Servicing
and Oilfield Equipment
10590 Westoffice Drive
Suite 200
Houston, Texas 77042
Tel: (713) 777-9199
Telex: 774285

ATCO Housing & Development Ltd.
Housing and Development
615 - 18th Street S.E.
Calgary, Alberta T2E 6J5
Tel: (403) 248-1122

ATCO Industries (N.A.) Ltd.
Manufacturing
1243 McKnight Blvd. N.E.
Calgary, Alberta T2E 5T2
Tel: (403) 276-1101
Telex: 03-822697

ATCO Industries (Aust.) Pty. Ltd.
Manufacturing and Australian Drilling
33-35 Barfield Crescent
Elizabeth West, South Australia 5112
Tel: (08) 255-1422
Telex: 71-82455

Canadian Utilities Limited
Utilities
10040 - 104 Street
Edmonton, Alberta T5J 2V6
Tel: (403) 420-7310
Telex: 03-72848
TWX: 610-831-1142

Oil and Gas

ATCO Drilling Inc.
Rocky Mountain Division
Oil and Gas Drilling
3525 South Tamarac
Suite 110
Denver, Colorado 80237
Tel: (303) 770-2490
TWX: 910-935-0103
Field Office:
Casper, Wyoming

ATCO Drilling Inc.
Southern Division
Oil and Gas Drilling
10590 Westoffice Drive
Suite 200
Houston, Texas 77042
Tel: (713) 777-9199
Telex: 774285
Field Offices:
Bryan, Texas
Elk City, Oklahoma

ATCO Drilling Ltd.
Bow Island Division
Oil and Gas Drilling (shallow)
700, 800 - 6th Avenue S.W.
Calgary, Alberta T2P 0T8
Tel (403) 264-5413
Telex: 03-821313
Field Office:
Nisku, Alberta

ATCO Drilling Ltd.
Mustang Division
Oil and Gas Drilling (deep)
700, 800 - 6th Avenue S.W.
Calgary, Alberta T2P 0T8
Tel: (403) 263-8520
Telex: 03-821313
Field Office:
Nisku, Alberta

ATCO Marine Exploration Ltd.
Oil and Gas Exploration and Development
of Frontier Lands
700, 800 - 6th Avenue S.W.
Calgary, Alberta T2P 0T8
Tel: (403) 263-1215
Telex: 03-821313

ATCO Oilfield Equipment
Oilfield Equipment Rentals and Sales
9755 - 51 Avenue
Edmonton, Alberta T6E 4Z5
Tel: (403) 436-2680
Telex: 037-3650
Sales Office:
Grande Prairie, Alberta

ATCO Well Servicing
Northern Division
Oil and Gas Well Completion
and Workover Rigs
7774 - 47 Avenue Close
P.O. Box 890
Red Deer, Alberta T4N 5H3
Tel: (403) 346-8921
Telex: 03-83237
Sales Office:
Calgary, Alberta

ATCO Well Servicing Inc.
Southern Division
Oil and Gas Well Completion
and Workover Rigs
7454 Leopard,
P.O. Box 9198,
Corpus Christi, Texas 78408
Tel: (512) 289-1606
Telex: 00-767711
Sales Office: Houston, Texas

ATCO-APM Drilling Pty. Ltd.
Oil and Gas Contract Drilling
Administration Office
33-35 Barfield Crescent
Elizabeth West, South Australia 5112
Tel: (08) 252-2633
Telex: 71-82455
Field Office:
Toowoomba, Queensland

ATCO-Zapata Off-Shore Ltd.
Joint Venture with Zapata
Corporation in Offshore
Drilling Activities
700, 800 - 6th Avenue S.W.
Calgary, Alberta T2P 0T8
Tel: (403) 263-1215
Telex: 03-821313

ATCOR Resources Limited
Natural Resources Development,
Consulting Engineering Services
and Petrochemicals
800, 800 - 6th Avenue S.W.
Calgary, Alberta T2P 0T8
Tel: (403) 264-7642
Telex: 03-821313

Manufacturing

ATCO Components
Cabinetry Systems, Millwork and
Interiors Contracting
5115 Crowchild Trail S.W.
Calgary, Alberta T3E 1T9
Tel: (403) 246-1111
Telex: 03-824514

ATCO Eastern
Rental of Office and Industrial
Units and Sale of New and Used
Mobile Office and Industrial Equipment
7213 Cordner
Lasalle, Quebec H8N 2J7
Tel: (514) 363-4430
Telex: 05-566175
Branch Sales Offices:
Dartmouth, Nova Scotia
Ottawa, Ontario
Quebec City, Quebec
Toronto, Ontario

ATCO Homes (South Australia)
Manufacture of Modular Housing
33-35 Barfield Crescent
Elizabeth West, South Australia 5112
Tel: (08) 255-1422
Telex: 71-82308
Branch Sales Office:
Gepps Cross, South Australia

ATCO Homes (Queensland)
Manufacture of Modular Housing
4 Formation Street
Wacol, Brisbane
Queensland 4076
Tel: (07) 271-2618
Telex: 71-42006

ATCO International

Manufacture of Industrial Camps, Community Structures, Offices, Metal Buildings, Schools, Houses and Construction Services
6401 Imperial Drive
P.O. Box 8172
Waco, Texas 76710
Tel: (817) 776-3650
Telex: 00-730007
Branch Sales Office:
Houston, Texas

ATCO Metal

Manufacture of Roll-Form Cladding and Decking, Pre-Engineered Metal Buildings and the Fabrication of Metal Products for Resource Industries
5115 Crowchild Trail S.W.
Calgary, Alberta T3E 1T9
Tel: (403) 246-1151
Telex: 03-824871
Branch Sales Offices:
Edmonton, Alberta
Vancouver, B.C.
Spruce Grove, Alberta

ATCO Pacific

Manufacture of Relocatable Industrial Shelter Products, Commercial Offices, Classrooms, Site Offices and Mobile and Modular Homes
1704 Government Street
Penticton, B.C., V2A 7A1
Tel: (604) 493-3303
Telex: 04-888232
Branch Sales Offices:
Prince George, B.C.
Surrey, B.C.
Vancouver, B.C.

ATCO Saudi Arabia Ltd.

Industrial Camps, Community Structures, Offices, Metal Buildings, Schools, Housing and Construction Services
P.O. Box 2631
Dammam
Kingdom of Saudi Arabia
Tel: (03) 857-7393
Telex: (495) 601712

ATCO Structures

Manufacture, Rental and Sales of Industrial, Commercial and Community Relocatable Structures
5115 Crowchild Trail, S.W.
Calgary, Alberta T3E 1T9
Tel: (403) 246-6200
Telex: 03-822852
Branch Sales Offices:
Spruce Grove, Alberta
Regina, Saskatchewan
Saskatoon, Saskatchewan
Winnipeg, Manitoba

ATCO Structures (Queensland)

Manufacture, Rental and Sales of Industrial, Commercial and Community Structures
4 Formation Street
Wacol, Brisbane 4076
Tel: (07) 271-2288
Telex: 71-42006

ATCO Structures (South Australia) Pty. Ltd.

Manufacture, Rental and Sales of Industrial, Commercial and Community Structures, Metal Buildings and Fabrication
33-35 Barfield Crescent
Elizabeth West, South Australia 5112
Tel: (08) 255-1422
Telex: 71-82308
Branch Sales Offices:
Melbourne, Victoria
Sydney, New South Wales

Steel Division

15 Fisher Street
Salisbury, South Australia 5118
Tel: (08) 258-4017
Telex: 71-82308

ATCO Structures (West Australia)

Manufacture, Rental and Sales of Industrial, Commercial and Community Structures
41-47 Wellard Street
Spearwood, Perth
West Australia 6163
Tel: (09) 418-3444
Telex: 71-94966

ATCO Structures Inc.

Manufacture, Rental and Sales of Industrial, Commercial and Community Relocatable Structures
2161 E. 88th Avenue
Anchorage, Alaska 99507
Tel: (907) 349-4531
Telex: 03-0525212
Branch Sales Office:
Denver, Colorado

Real Estate

ATCO Development Corporation
Land and Property Development
615 - 18th Street S.E.
Calgary, Alberta T2E 6J5
Tel: (403) 248-1122

ATCO Housing Corp.
(Alberta North)
Single and Multi-Family Housing
11628 - 149 Street
Edmonton, Alberta T5M 3R3
Tel: (403) 452-2480

ATCO Housing Corp.
(Alberta South)
Single and Multi-Family Housing
615 - 18th Street S.E.
Calgary, Alberta T2E 6J5
Tel: (403) 248-1122

ATCO Housing Corp.
(Alberta Central)
Single and Multi-Family Housing
#3, 7619 - 50 Avenue
Red Deer, Alberta T4P 1M6
Tel: (403) 343-7877

Utilities

Alberta Power Limited
Generation and Distribution of Electricity
10040 - 104 Street
Edmonton, Alverta T5J 2V6
Tel: (403) 420-7310
Telex: 03-72848
TWX: 610-831-1142

Canadian Western Natural Gas Company Limited
Production, Transmission and Distribution of Natural Gas
909 - 11th Avenue S.W.
Suite 200
Calgary, Alberta T2R 1L8
Tel: (403) 245-7110
Telex: 03-824521

Northwestern Utilities Limited
Production, Transmission and Distribution of Natural Gas
10040 - 104 Street
Edmonton, Alberta T5J 2S3
Tel: (403) 420-7211
Telex: 03-72848
TWX: 610-831-1142

The Yukon Electrical Company Limited
Yukon Hydro Company Limited
Generation and Distribution of Electricity
1100 First Avenue
Whitehorse, Yukon Territory
Y1A 1A2
Tel: (403) 668-5211
Telex: 04-98229

Services

ATCOR Resources Limited
Natural Resources Development, Consulting Engineering Services and Petrochemicals
800, 800 - 6th Avenue S.W.
Calgary, Alberta T2P 0T8
Tel: (403) 264-7642

Southco Travel
Travel Agency
1243B McKnight Blvd. N.E.
Calgary, Alberta T2E 5T2
Tel: (403) 276-9991
Telex: 03-822697

Southco Customs Brokers
Customs Brokerage and Freight Forwarding
P.O. Box 2960, Stn. M
Rm. 270, 220 - 4th Avenue S.E.
Calgary, Alberta T2P 3C3
Tel: (403) 265-5015
Telex: 038-24667
Branch Offices:
Edmonton, Alberta
Medicine Hat, Alberta
Coutts, Alberta

Other

InterATCO BV
InterATCO Drilling BV
Financial Holding Companies
World Trade Centre
134 Meent, Suite 508
P.O. Box 30055
3001 DB Rotterdam
The Netherlands
Tel: (010) 116613
Telex: 26678 ITCONL
Branch Office:
Fribourg, Switzerland

ReATCO Ltd.
Insurance
Dorchester House
P.O. Box 2020
Hamilton 5, Bermuda
Tel: (809) 295-0265
Telex: 3311 INMAN BA

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Shareholders' Information

Shareholder and security analyst inquiries should be directed to:

Senior Vice President, Finance
ATCO Ltd.
1243 McKnight Blvd. N.E.
Calgary, Alberta T2E 5T2
Telephone: (403) 276-1101

Dividend information and other inquiries concerning your shares should be directed to:

Stock Transfer Department
National Trust Company, Limited
1040 - 7th Avenue S.W.
Calgary, Alberta T2P 1A7

ATCO's fiscal year ends on March 31. Dividends are mailed approximately the end of September, December, March and June. The annual shareholders' meeting will be held at 10 a.m. M.D.T. on Wednesday, August 18, 1982 in the Calgary Convention Centre, Calgary, Alberta.

The common shares of ATCO Ltd. are listed under the ticker symbols ACO.X (Class I - non-voting) and ACO.Y (Class II - voting) on the Toronto Stock Exchange.

ATCO Ltd. is incorporated under the laws of the Province of Alberta.

Corporate Office
ATCO Ltd.
Calgary, Alberta

Auditors
Price Waterhouse
Calgary, Alberta

Counsel
Bennett Jones
Calgary, Alberta

ATCO Ltd
World Headquarters
1243 McKnight Blvd NE
Calgary Alberta Canada
T2E 5T2