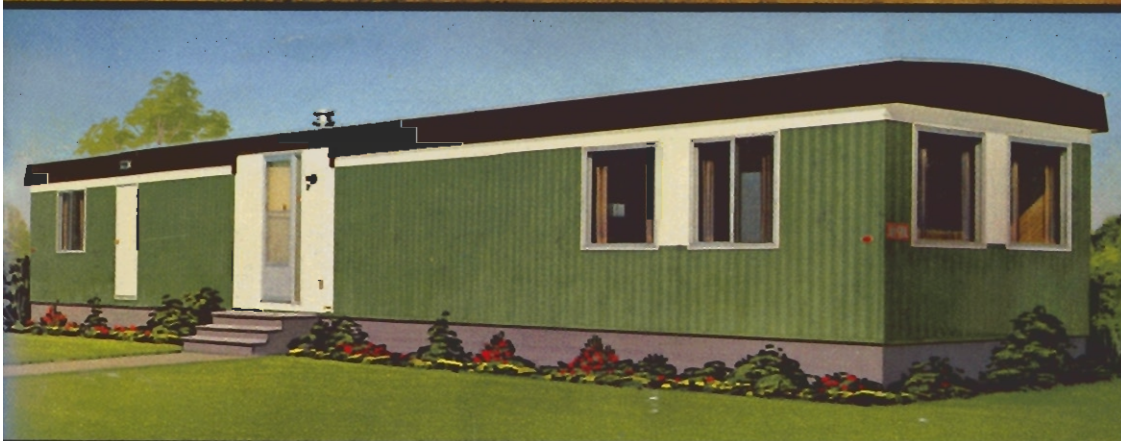
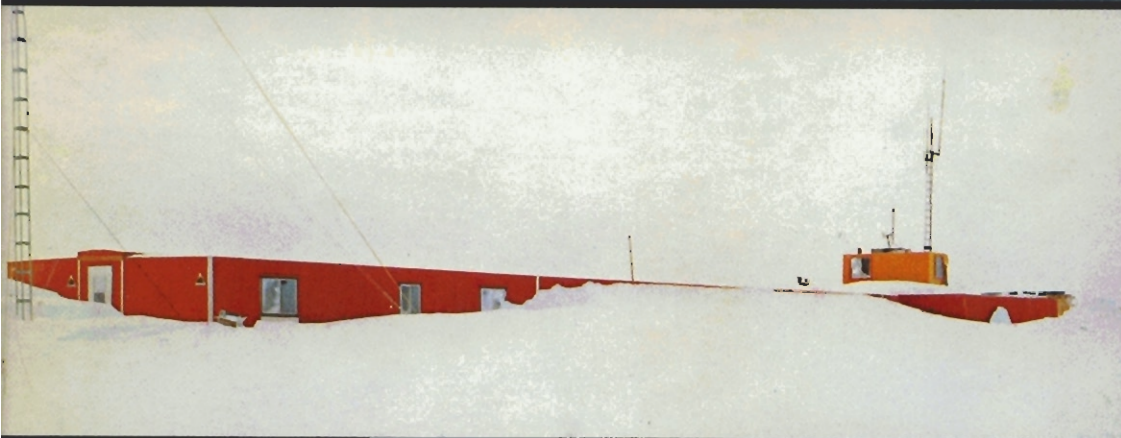


ANNUAL REPORT

1970



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THE ATCO GROUP OF COMPANIES

ATCO (Eastern) Ltd.
ATCO Homes Inc.
ATCO Homes Ltd.
ATCO (International) Ltd.
ATCO Leasing
ATCO (Quebec) Ltee.
ATCO Research & Development Center
ATCO (Western) Ltd.
Cedarglen Homes
Northland Camps Inc.
Superior Interiors
Superior Components Ltd.
Trans Canada Rent-A-Trailer (1964) Ltd.
WOWIC Industries Pty. Ltd.



ATCO products provide comfort and convenience around the world. Cover sequence shows, from top, a drilling camp on Alaska's north slope, a copper mine in South Australia, and a mobile home in western Canada.

Arctic camp above sits high on stilts to prevent melting of northern permafrost.

DIRECTORS:

B. P. DRUMMOND
Executive Vice-President, Greenshields Inc., Montreal

E. E. N. FARCH
Sr. Vice-President, Marketing, ATCO

G. A. FREEMAN
Secretary, ATCO

G. P. KIEFER
Sr. Vice-President, Production, ATCO

R. RICE
Vice-President, First National City Bank of New York

C. S. RICHARDSON
Sr. Vice-President, Finance and Administration, ATCO

C. N. SIMPSON, LL.D.
Director and President, Acres Ltd., Niagara Falls

R. D. SOUTHERN
President and Chief Executive Officer, ATCO

S. D. SOUTHERN
Chairman of the Board of Directors, ATCO

DR. J. D. WOOD
Sr. Vice-President, Engineering and Research, ATCO

OFFICERS:

S. D. SOUTHERN
Chairman of the Board

R. D. SOUTHERN
President and Chief Executive Officer

E. N. FARCH
Sr. Vice-President, Marketing

G. A. FREEMAN
Secretary

G. P. KIEFER
Sr. Vice-President, Production

C. S. RICHARDSON
Sr. Vice-President, Finance and Administration

**TRANSFER
AGENTS**

CANADA PERMANENT TRUST CO.
Calgary – 315 - 8th Avenue S.W., Calgary 1, Alberta
Montreal – 600 Dorchester Blvd. W., Montreal 2, Quebec
Toronto – 320 Bay Street, Toronto 1, Ontario
Vancouver – 455 Granville St., Vancouver 2, B.C.
Winnipeg – 433 Portage Avenue, Winnipeg 2, Manitoba

HEAD OFFICE

1243 - 48 Avenue N.E., Calgary 67, Alberta

FINANCIAL HIGHLIGHTS

| | 1970 6 Months to March 31 | 1969 6 Months to March 31 | Change |
|--------------------------------------|---------------------------------|---------------------------------|--------|
| TOTAL REVENUE | \$23,037,000 | \$15,247,000 | + 51% |
| EARNINGS | | | |
| Before Income Taxes | 1,926,000 | 359,000 | + 436% |
| Income Taxes..... | <u>907,000</u> | <u>153,000</u> | + 493% |
| Net Earnings | <u>\$ 1,019,000</u> | <u>\$ 206,000</u> | + 395% |
| AVERAGE SHARES OUTSTANDING | | | |
| DURING SIX MONTH PERIOD | 2,544,000 | 2,527,000 | — |
| NET EARNINGS PER SHARE | \$ 0.40 | \$ 0.08 | + 400% |
| | | | |
| | 1970 at March 31 | 1969 at Sept. 30 | |
| FINANCIAL POSITION | | | |
| Working Capital | \$ 6,591,000 | \$ 6,651,000 | — 1% |
| Fixed Assets..... | 12,040,000 | 10,979,000 | + 10% |
| Other Assets..... | <u>2,167,000</u> | <u>2,188,000</u> | — 1% |
| | 20,798,000 | 19,818,000 | |
| Less — | | | |
| Long Term Debt..... | <u>2,980,000</u> | <u>3,156,000</u> | — 6% |
| | 17,818,000 | 16,662,000 | |
| Deferred Items | <u>2,768,000</u> | <u>2,677,000</u> | + 3% |
| Shareholders' Equity..... | <u><u>\$15,050,000</u></u> | <u><u>\$13,985,000</u></u> | + 8% |

PRESIDENT'S REPORT



R. D. Southern

As announced last year, March 31st, 1970, is the new year end for the ATCO Group of Companies. Historically the summer months ending in September (the previous year end) have been marked by peak activity in all of our subsidiaries. Unfortunately this has also been the period when each company's management has had to prepare their quantitative and qualitative forecasts and budgets for the year ahead. We have felt for some time that our budgeting accuracy could be improved if this work could be accomplished during a relatively slow period of business activity, namely the months between January and March. Hence this document is a formal six month "annual report". The next such report will cover the period ending March 31st, 1971. We will continue to report quarterly results with comparative figures of previous years to avoid any confusion on this year end change.

This period has seen a continuation of excellent performance for the ATCO Group of Companies. Items of particular note are apparent in the Financial Highlights section of this report. Deserving special mention, however, is the 395 per cent increase in Net Operating Profit after taxes.

Total Group revenue for this six month period amounted to \$23,037,000 as compared to 1969 revenue of \$15,247,000 for the same period. The majority of the increase in both volume and profits was derived from increased export sales on the part of all our manufacturing companies.

Under its new management our Australian operations continued the profitable trend they established in 1969.

ATCO Homes Inc. completed a doubling of its production facilities in Nampa, Idaho, in March and our mobile home operations in the U.S.A. have been considerably enhanced as a result of this investment.

Even though we recognized a difficult market situation for mobile homes in Canada (due to over supply and falling demand) we felt that ATCO could and should enter this market for the long term. During this period a Canadian facility was brought into operation and a dealer

network established. The company, ATCO Homes Ltd., has introduced both an economy and a luxury line which, due to their design and workmanship, have created a new standard for the Canadian market.

All of our subsidiaries performed well during this period and we are convinced that their programs of standardization, internal efficiency, and cost reductions started in 1968 are now showing results. We intend to continue and even redouble our efforts in this regard.

Plans have been completed for the institution of a contributory Pension Plan for all employees, effective June 1st, 1970. A significant feature of the plan is the company's agreement to fully fund past service benefits. The plan is an excellent one and provides us with leadership in the benefits field of our industry.

Probably the most significant development of this period was the confidence and obvious capability being shown by our subsidiary officers and management. Our subsidiary decentralization program was started in 1967 and today, after some adjustments, provides our shareholders with a new generation of ATCO managers. I am confident that these same managers will provide us with excellent results in good times and bad and they will continue to assure us that ATCO leads the world in industrialized housing.

A more detailed review of the Group's operations is included in the section entitled, "Six Month Review" in this Annual Report.

The Board of Directors and management of ATCO Industries Ltd. join me in expressing our appreciation to shareholders for their continued confidence and to our employees, customers and suppliers for their contribution to the success of the Company and its subsidiaries.

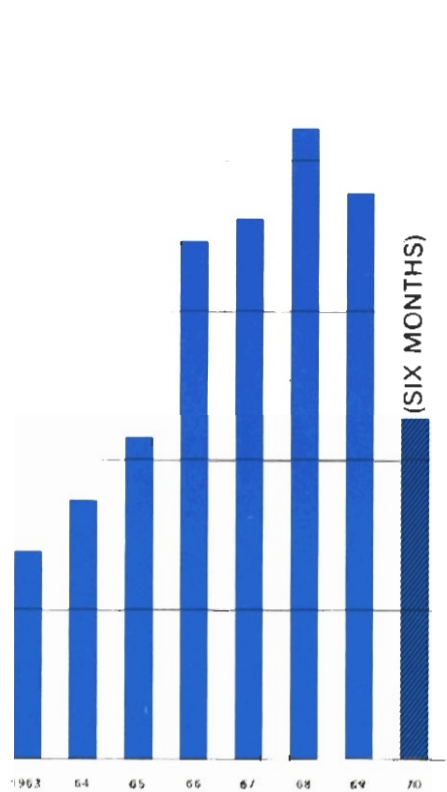


R. D. Southern
President

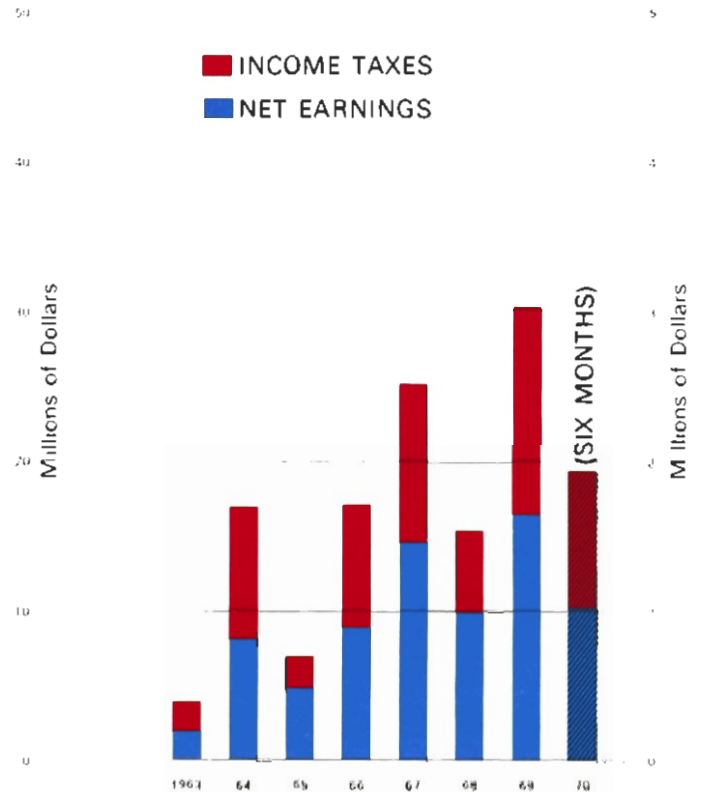


Seven Year Financial History

SALES AND RENTAL REVENUE



EARNINGS EXCLUDING EXTRAORDINARY ITEMS



CONSOLIDATED STATEMENT OF EARNINGS

For the Seven Years Ended September 30, 1969
and the Six Months Ended March 31, 1970
(thousands of dollars)

| | 1963 | 1964 | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 (Six Months) |
|------------------------------------|----------|--------|--------|--------|--------|--------|--------|----------------------|
| Sales, rentals and service revenue | \$13,891 | 17,389 | 21,421 | 34,622 | 36,013 | 42,112 | 37,889 | 22,762 |
| Other income | 180 | 233 | 206 | 104 | 300 | 280 | 418 | 275 |
| Operating costs | 14,071 | 17,622 | 21,627 | 34,726 | 36,313 | 42,392 | 38,307 | 23,037 |
| Selling & administrative expenses | 10,198 | 11,376 | 16,052 | 27,208 | 26,765 | 33,195 | 27,141 | 16,462 |
| Interest expense | 3,873 | 6,246 | 5,575 | 7,518 | 9,548 | 9,197 | 11,166 | 6,575 |
| Depreciation | 2,647 | 3,407 | 3,614 | 4,352 | 5,587 | 6,240 | 6,399 | 3,612 |
| Income taxes | 1,226 | 2,839 | 1,961 | 3,166 | 3,961 | 2,957 | 4,767 | 2,963 |
| Extraordinary earnings | 233 | 285 | 355 | 463 | 456 | 421 | 556 | 363 |
| NET EARNINGS | 993 | 2,554 | 1,606 | 2,703 | 3,505 | 2,536 | 4,211 | 2,600 |
| Income taxes | 613 | 843 | 932 | 980 | 1,002 | 991 | 1,198 | 674 |
| Extraordinary earnings | 380 | 1,711 | 674 | 1,723 | 2,503 | 1,545 | 3,013 | 1,926 |
| NET EARNINGS | 190 | 810 | 473 | 891 | 1,455 | 549 | 1,377 | 907 |
| NET EARNINGS | \$ 190 | 810 | 473 | 891 | 1,455 | 1,275 | 1,636 | 1,019 |

The above figures have been restated to reflect changes in accounting policy and prior years adjustments reported to shareholders in 1969 and 1970.

FINANCIAL REPORT 1970

**ATCO INDUSTRIES LTD.
AND SUBSIDIARY COMPANIES**

Consolidated Statement of Earnings and Retained Earnings

| | Six months ended March 31, | | Year ended |
|--|----------------------------|---------------------|-----------------------|
| | 1970 | 1969 (unaudited) | September 30, 1969 |
| Sales, rentals and service revenue | \$22,761,889 | \$15,048,908 | \$37,888,525 |
| Other operating income | 125,387 | 145,320 | 224,051 |
| Interest on short term deposits etc. | 149,265 | 52,469 | 194,591 |
| | <u>23,036,541</u> | <u>15,246,697</u> | <u>38,307,167</u> |
| Operating costs, including amortization of deferred charges of \$274,264..... | 16,462,157 | 11,147,011 | 27,140,752 |
| Selling and administrative expenses..... | 3,611,313 | 2,999,057 | 6,398,983 |
| Interest expense: | | | |
| Current bank loans..... | 200,751 | 61,934 | 308,451 |
| Long-term debt | 162,302 | 158,906 | 247,646 |
| | <u>20,436,523</u> | <u>14,366,908</u> | <u>34,095,832</u> |
| | 2,600,018 | 879,789 | 4,211,335 |
| Provision for depreciation | 673,390 | 520,618 | 1,198,112 |
| | <u>1,926,628</u> | <u>359,171</u> | <u>3,013,223</u> |
| Provision for income taxes | 907,129 | 153,408 | 1,376,929 |
| Net earnings for the period..... | <u>1,019,499</u> | <u>\$ 205,763</u> | <u>1,636,294</u> |
| Retained earnings, beginning of period | <u>9,199,782</u> | | <u>7,563,488</u> |
| | 10,219,281 | | 9,199,782 |
| Prior years' income taxes (Note 2)..... | 985,000 | | — |
| Retained earnings, end of period | <u>\$ 9,234,281</u> | | <u>\$ 9,199,782</u> |
| Earnings per share | <u>\$ 0.40</u> | <u>\$ 0.08</u> | <u>\$ 0.65</u> |

**ATCO INDUSTRIES LTD.
AND SUBSIDIARY COMPANIES**

Consolidated Statement of Source and Application of Funds

| | Six months ended March 31. | | Year Ended September 30, 1969 |
|---|----------------------------|---------------------|--|
| | 1970 | 1969 (unaudited) | |
| Source of funds: | | | |
| Net earnings for the period..... | \$1,019,499 | \$ 205,763 | \$1,636,294 |
| Add (deduct) charges or credits to earnings not involving the disbursement or receipt of funds— | | | |
| Depreciation..... | 673,390 | 520,618 | 1,198,112 |
| Undepreciated cost of industrial rental units sold | 1,535,597 | 888,405 | 2,306,351 |
| Deferred income taxes | (209,905) | (57,056) | 253,355 |
| Deferred income | 300,381 | 278,410 | 224,531 |
| Deferred expenses | 274,264 | 45,618 | 134,738 |
| Funds derived from operations..... | 3,593,226 | 1,881,758 | 5,753,381 |
| Issue of shares..... | 45,755 | 472,465 | 495,640 |
| Contributed surplus (Note 2) | 985,000 | — | — |
| Increase in term bank loans, notes and mortgages | 23,357 | 517,281 | 331,600 |
| Miscellaneous..... | 161,110 | — | — |
| Working capital of subsidiaries acquired | — | 141,566 | 141,566 |
| | 4,808,448 | 3,013,070 | 6,722,187 |
| Application of funds: | | | |
| Additions to fixed assets— | | | |
| Industrial rental units..... | 2,354,367 | 1,879,347 | 4,550,762 |
| Other — Net..... | 914,710 | 499,092 | 1,669,376 |
| Increase of long term receivables | 271,806 | 641,116 | 649,371 |
| Payment on 8% debenture..... | 200,000 | 200,000 | 200,000 |
| Prior years' provision for income taxes (Note 2) | 985,000 | — | — |
| Deferred expenses..... | 142,610 | 107,328 | 411,671 |
| Acquisition of shares and amounts due from subsidiaries | — | 356,400 | 356,400 |
| Miscellaneous..... | — | 19,501 | 43,398 |
| | 4,868,493 | 3,702,784 | 7,880,978 |
| Decrease in working capital | \$ 60,045 | \$ 689,714 | \$1,158,791 |

Consolidated Balance Sheet

(with comparative figures for 1969)

| ASSETS | March 31, 1970 | September 30, 1969 |
|---|----------------------------|----------------------------|
| CURRENT ASSETS: | | |
| Cash | \$ 1,787,570 | \$ 1,340,547 |
| Funds deposited for debenture principal and interest | — | 213,673 |
| Accounts receivable — | | |
| Trade..... | 8,961,588 | 9,825,146 |
| Due from shareholders, since received (Note 2) | 985,000 | — |
| Inventories, at lower of cost or estimated realizable value, and uncompleted contracts less progress billings (Note 3) | 7,812,031 | 8,113,460 |
| Recoverable expenses..... | 325,735 | 223,707 |
| Recoverable income taxes | 196,139 | 152,381 |
| Prepaid expenses and deposits | 211,474 | 232,518 |
| Instalment notes receivable due within one year..... | 943,453 | 844,688 |
| | <u>21,222,990</u> | <u>20,946,120</u> |
| OTHER ASSETS: | | |
| Instalment notes receivable, less current portion included in current assets..... | 1,181,299 | 909,493 |
| Miscellaneous..... | 45,720 | 104,802 |
| | <u>1,227,019</u> | <u>1,014,295</u> |
| FIXED ASSETS, at cost (Note 4) | 16,169,606 | 14,935,008 |
| Less — Accumulated depreciation | 4,130,020 | 3,955,512 |
| | <u>12,039,586</u> | <u>10,979,496</u> |
| DEFERRED CHARGES: | | |
| Unamortized research and development costs | 315,177 | 418,916 |
| Unamortized plant start-up costs | 263,535 | 323,040 |
| Unamortized installation costs on rental contracts | 126,794 | 196,875 |
| Share issue costs | 71,353 | 71,353 |
| Miscellaneous..... | 4,207 | 4,564 |
| | <u>781,066</u> | <u>1,014,748</u> |
| EXCESS OF COST OF SHARES OF SUBSIDIARIES OVER BOOK VALUE | 158,981 | 158,981 |
| | <u><u>\$35,429,642</u></u> | <u><u>\$34,113,640</u></u> |

Sheet—March 31, 1970

(as at September 30, 1969)

LIABILITIES

| | March 31, 1970 | September 30, 1969 |
|---|-------------------|-----------------------|
| CURRENT LIABILITIES: | | |
| Outstanding cheques, less related bank balances..... | \$ 1,594,297 | \$ 1,902,178 |
| Current bank loans, secured (Note 5) | 4,562,877 | 4,605,947 |
| Accounts payable and accrued liabilities..... | 5,036,381 | 5,764,579 |
| Income taxes, including \$985,000 since paid (Note 2) | 1,985,173 | 1,262,276 |
| Long term debt due within one year..... | 1,453,176 | 760,009 |
| | <u>14,631,904</u> | <u>14,294,989</u> |
| DEFERRED CREDITS: | | |
| Deferred income | 869,217 | 568,836 |
| Deferred income tax liability | 1,898,396 | 2,108,301 |
| | <u>2,767,613</u> | <u>2,677,137</u> |
| LONG TERM DEBT: | | |
| 8% Debenture due March 1, 1983 (Note 6) | 2,600,000 | 2,800,000 |
| Term bank loans, at rates varying from 7½% to 13%, secured by assignment of specific rental contracts and repayable generally within two years | 1,353,707 | 794,589 |
| Mortgage loans, finance company notes, etc..... | 479,312 | 321,906 |
| | <u>4,433,019</u> | <u>3,916,495</u> |
| Less—Amounts due within one year | 1,453,176 | 760,009 |
| | <u>2,979,843</u> | <u>3,156,486</u> |
| SHAREHOLDERS' EQUITY: | | |
| Share capital (Note 7) — | | |
| Common shares without nominal or par value — | | |
| Authorized—3,500,000 shares | | |
| Issued—2,548,860 shares | 4,831,001 | 4,785,246 |
| Contributed surplus (Note 2) | 985,000 | — |
| Retained earnings, per statement attached | 9,234,281 | 9,199,782 |
| | <u>15,050,282</u> | <u>13,985,028</u> |
| COMMITMENTS (Note 9) | | |

APPROVED ON BEHALF OF THE BOARD:

 Director

 Director

\$35,429,642

\$34,113,640

**ATCO INDUSTRIES LTD.
AND SUBSIDIARY COMPANIES**

Notes to Consolidated Financial Statements

MARCH 31, 1970

I. PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements comprise the accounts of Atco Industries Ltd. and its subsidiary companies, all of which are wholly owned.

Accounts in foreign currencies have been expressed in terms of Canadian dollars, capital assets and depreciation provision being converted at historical rates, profit and loss accounts other than depreciation being converted at the approximate average rate for the year, and current assets and current liabilities being converted at the approximate rate prevailing at the year end.

Since the end of May 1970 the value of the Canadian dollar has changed in terms of the United States dollar and the Australian dollar as indicated below:

| | Value in Canadian currency of | |
|------------------------|-------------------------------|------------------------|
| | \$1.00 (U.S.) | \$1.00 (Australian) |
| On May 29, 1970 | 1.07 $\frac{3}{8}$ | 1.20 |
| On June 17, 1970 | 1.04 $\frac{3}{8}$ | 1.17 |
| Range during period | | |
| High | 1.07 $\frac{3}{8}$ | 1.20 |
| Low | 1.02 | 1.14 |

So long as present exchange conditions prevail the Canadian dollar equivalent of the net income of the consolidated companies earned in United States and Australian dollars (\$158,053 and \$249,413, respectively, for the six months ended March 31, 1970), and the current assets less current liabilities (working capital) in such currencies, (\$2,499,060 and \$1,065,812, respectively, at March 31, 1970), will be relatively lower than when converted at the rates which prevailed in the periods covered by the financial statements.

2. PRIOR YEARS' TAX ASSESSMENTS:

A review by the Department of National Revenue of Canada of the operations of Atco (International)

Limited, a subsidiary incorporated in Nassau, resulted in income taxes being levied against the subsidiary on the grounds that for the years prior to midway through the fiscal year ending September 30, 1967 the subsidiary was resident in Canada, and therefore subject to Canadian income taxes for such prior periods. The tax assessments, which were received subsequent to March 31, 1970, comprised taxes and interest aggregating \$985,000.

The subsidiary was acquired by the Company as at September 30, 1967, at which time the vendors (the principal shareholders of the Company) gave a covenant of indemnity against undisclosed and/or contingent liabilities, including income taxes. Pursuant to this covenant the shareholders concerned have, subsequent to March 31, 1970, contributed \$985,000 to the Company and these funds have been used to discharge the income tax liability in full.

The income tax liability and the corresponding amount recoverable under the covenant have been reflected in the accounts as at March 31, 1970; a prior years' tax provision of \$985,000 in retained earnings is offset by a contributed surplus of a like amount, and the assessments have had no effect on the consolidated financial position of the companies.

3. INVENTORIES:

Particulars of the inventories are as follows:

| | <u>1970</u> | <u>1969</u> |
|---|--------------------|--------------------|
| Materials and parts..... | \$2,624,556 | \$2,837,656 |
| Work in progress, including estimated profit on uncompleted contracts | 2,233,307 | 2,759,064 |
| Finished units | 2,999,168 | 2,548,740 |
| Less—Progress billings | (45,000) | (32,000) |
| | <u>\$7,812,031</u> | <u>\$8,113,460</u> |

4. FIXED ASSETS:

A summary of the fixed assets is given hereunder:

| | <u>1970</u> | <u>1969</u> |
|--|---------------------|---------------------|
| Land and improvements \$ | 412,940 | \$ 357,664 |
| Buildings, fixtures and equipment | 5,275,154 | 4,590,677 |
| Leasehold improvements | 929,987 | 771,952 |
| Utility trailers | 1,405,726 | 1,411,504 |
| Industrial rental units..... | 8,145,799 | 7,803,211 |
| | <u>16,169,606</u> | <u>14,935,008</u> |
| Less—Accumulated depreciation— | | |
| General fixed assets | \$2,112,151 | \$1,884,477 |
| Utility trailers | 651,704 | 604,976 |
| Industrial rental units..... | 1,366,165 | 1,466,059 |
| | <u>4,130,020</u> | <u>3,955,512</u> |
| Net book value | <u>\$12,039,586</u> | <u>\$10,979,496</u> |

5. CURRENT BANK LOANS:

The current bank loans are secured in most instances by the assignment of book debts and/or inventories. In certain cases the loans are secured by a floating charge on the assets of the respective subsidiaries and/or by the guarantee of the parent Company.

6. 8% DEBENTURE:

The Debenture is repayable by annual amounts of \$200,000 together with interest on March 31 each year. In each year one-twelfth of the annual payment due is required to be deposited with the lender monthly in advance and bears interest at 8% per annum. The Company has the right to prepay the principal balance outstanding at any time without notice or bonus.

The Indenture for the 8% Debenture prohibits the declaration or payment of cash dividends without the prior written consent of the holder of the Debenture if, after giving effect thereto, the aggregate of the cash dividends declared or paid subsequent to September 30, 1967 would exceed the "consolidated earnings" less

"consolidated losses" (as defined in the Indenture) of the Company and its subsidiaries subsequent to September 30, 1967.

7. SHARE CAPITAL:

Changes in share capital during the six months ended March 31, 1970 are summarized hereunder:

| | <u>Number of Shares</u> | <u>Share Capital</u> |
|--|-----------------------------|--------------------------|
| Outstanding at September 30, 1969 | 2,542,400 | \$4,785,246 |
| Issued for cash upon exercise of options by officers, directors and key em- ployees | <u>6,460</u> | <u>45,755</u> |
| Outstanding at March 31, 1970 | <u>2,548,860</u> | <u>\$4,831,001</u> |

Options, which are exercisable cumulatively over five-year periods, have been granted to certain officers, directors and key personnel of the Company and its subsidiaries. Options not exercised and outstanding at March 31, 1970 are as follows:

| | <u>Price per Share</u> | <u>Number of Shares</u> |
|-------------------------------|----------------------------|-----------------------------|
| Options expiring in 1973 | \$ 6.95 | 43,200 |
| Options expiring in 1974 | \$11.60—\$13.50 | 17,000 |
| Options expiring in 1975 | \$13.05—\$13.50 | 2,940 |

Of 125,000 shares initially reserved for the stock option plan, 92,340 shares remain to be granted and/or exercised.

8. REMUNERATION OF DIRECTORS AND OFFICERS:

The aggregate direct remuneration paid by the Company and its subsidiaries to directors and senior officers of the Company for the six months ended March 31, 1970 amounted to \$110,647.

9. COMMITMENTS:

The Company and its subsidiaries have material contractual obligations in respect of long term leases of manufacturing facilities and office premises and equipment. The rentals incurred by the companies amounted to \$170,000 for the six months ended March 31, 1970; the minimum rentals to be incurred on such facilities during the five-year period ending March 31, 1975 aggregate \$958,000.

Effective June 1, 1970 the Company introduced an employees' pension plan which is also applicable to its subsidiaries other than the Australian subsidiaries for which a separate plan is being designed. The plan is contributory by both the employees and employer and is integrated with the Canada Pension Plan or Social Security benefits in the United States, as applicable, to

provide an annual future service pension equal to 40% of the employee's required contributions to the plan and an annual past service pension equal to 1% of earnings at June 1, 1970 for each year of service prior to the effective date minus one year.

Participation in the plan is mandatory except for those employed at the date of introduction of the plan. The cost of past service benefits, estimated at not more than \$640,000 for other than the Australian subsidiaries, will be borne entirely by the companies and the liability will be discharged in annual instalments over a period of twenty years, the costs being charged to income as the instalment payments are made. The cost to the companies of current service contributions for the first year of the plan is estimated at \$100,000 excluding the Australian subsidiaries.

Auditors' Report

To the Shareholders of
Atco Industries Ltd.

We have examined the consolidated balance sheet of Atco Industries Ltd. and its subsidiaries as at March 31, 1970 and the consolidated statements of earnings and retained earnings and source and application of funds for the six months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1970 and the results of their operations and the source and application of their funds for the six months then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Calgary, Alberta
June 17, 1970

PRICE WATERHOUSE & CO. Chartered Accountants.

SIX MONTH REVIEW

In reviewing ATCO's attributes in past reports the geographical diversification of market areas has always rated high on the list. This fact has never been more aptly demonstrated than by the Group's performance during the six months to March 31, 1970.

While all subsidiaries and divisions contributed to the success achieved, export sales were especially prominent.

In overseas markets special emphasis has been and will continue to be placed on North Africa, the Middle East, New Guinea and New Caledonia.

Double wide Velaire by ATCO Homes Ltd offers a full-size home with mobile home economy



Mobile homes are fully furnished with decorator coordinated furnishings

Careful use of bright materials lends an airy spaciousness to every room in the Velaire series





Production began recently in the expanded portion of ATCO Homes Inc.'s modern Nampa, Idaho facility. The addition to the Nampa facility doubles the size and capacity of the previous factory.

Activities of ATCO Leasing include large camps such as this one in British Columbia.

Geophysical exploration camp units marketed by ATCO (International) Ltd., are a new standard export series designed for rugged use in the arid regions of the world.

The picturesque Algerian coastal town of Bou-Merdes has grown with the recent addition of more than 100 modern relocatable homes supplied by ATCO (International) Ltd. and WOWIC Industries Pty Ltd. The buildings are owned by Sonatrach, the large Algerian oil development agency.

Extensive coverage was given to those companies and agencies operating in the Algerian petroleum industry. Of major significance was the supply of housing to the geophysical companies participating in the massive exploration program sponsored by Sonatrach, the Algerian Government's integrated petroleum organization. Further developments in the petroleum industry will almost certainly be followed by expansion of other industrial capacity and an accelerated demand for ATCO's products and services seems almost certain.

The Libyan government has enacted laws upgrading the quality and quantity of housing facilities supplied for local personnel working in the oil industry. ATCO received the first contract awarded as a result of this legislation when it supplied approximately one hundred units of management type accommodation for use by Libyan workmen employed by Occidental Petroleum Company.

The increasing participation in international construction programs by European based firms resulted in several significant orders for delivery to Syria, Iran, Martinique and neighbouring countries.



Mineral development on the Pacific Islands has expanded dramatically in the past few months with the result that equipment has been supplied to New Caledonia, New Guinea and the Territory of Papua. Accelerated activity is expected in this market and agents have been appointed to represent ATCO's subsidiary, WOWIC Industries (Pty.) Ltd., in New Caledonia and the New Hebrides Islands. The strategic location of the Australian facilities in relation to these developments indicates that WOWIC will be able to capture a major share of this new market.

The scope of ATCO activity in north Africa warrants frequent visits by officers of the company. Left to right are: Dr. J. D. Wood, Senior Vice President, Engineering and Research; J. J. Urbas, Project Manager for Algeria; E. A. Balys, Construction Manager, ATCO (Quebec) Ltée., and L. Morin, Design Engineer, ATCO (Quebec) Ltée.



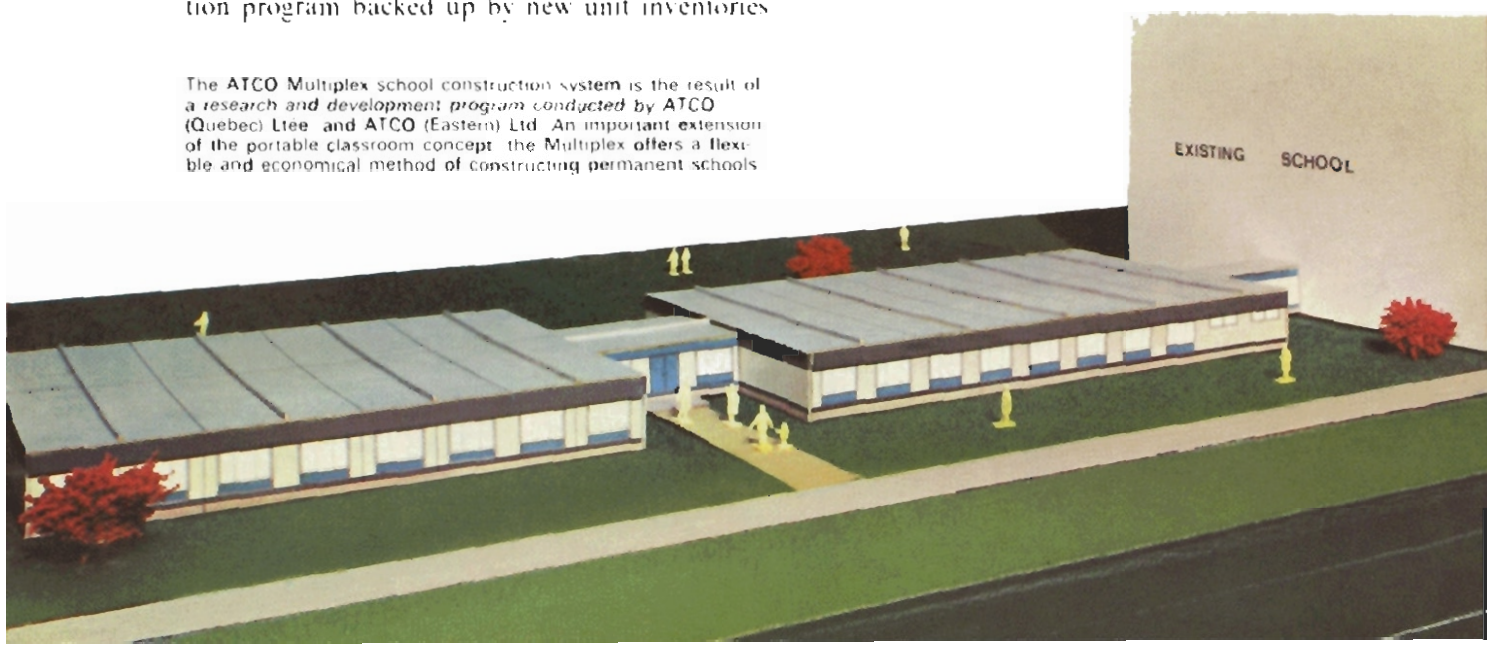


ATCO (Quebec) Ltée has now completed the manufacture of 400 flatcar-mounted crew quarters for the Canadian National Railway. These units were photographed as they passed through Edmonton on their way into service in CN's western regions.

The circumstances surrounding the delay in commencement of construction of the Trans-Alaska Pipeline System from Valdez to the North Slope of Alaska are well known; however, equipment was ordered for related road construction projects. Northland Camps Inc., ATCO's Alaskan subsidiary, received orders from four of the five contractors involved. The Group's performance capability was aptly demonstrated on this job with 400 units being delivered to the site in 45 days. This was accomplished through an expedited production program backed up by new unit inventories

located in Anchorage, Fairbanks and Calgary. This demonstrable performance will prove of vital importance when the pipeline does go ahead. Industry and governments associated with other projects have also been assured of a high standard of performance from ATCO. A Houston marketing office will be opened very shortly to assist in the coordination of requirements in Alaska, while at the same time expanding our association with southern United States companies working overseas.

The ATCO Multiplex school construction system is the result of a research and development program conducted by ATCO (Quebec) Ltée and ATCO (Eastern) Ltd. An important extension of the portable classroom concept, the Multiplex offers a flexible and economical method of constructing permanent schools.



Domestically progress has been made in all areas of operations despite some slackening of economic growth in North America.

Trans-Canada Rent-A-Trailer Ltd.'s head office has moved to Montreal to be nearer the major market area for its services. This change, along with a newly instituted computerized management information system, will provide closer control on day to day activities while reducing costs of operation. In addition a concentrated program of branch and dealer education is being undertaken in order to improve liaison and operating procedures. Imaginative dealer aids and product promotions are included in this year's plans for overall improvement of this operation.

This drilling camp arrived at its North Slope location as four loads in Hercules aircraft

Factory built classrooms continue to be an important product line of ATCO (Western) Ltd. This complex helps to serve the growing population of Fairbanks, Alaska



Production of mobile homes by the Calgary-based ATCO Homes Ltd. division commenced on schedule in March. The two lines now offered to dealers are the "Velmont" and the deluxe "Velaire" which features a unique mansard roof design. Initial dealer and consumer acceptance has been encouraging and, despite a general temporary softening of the market, a solid operation is being established upon which to base future expansion. The all important dealer organization is taking shape with 16 outlets now handling the product.

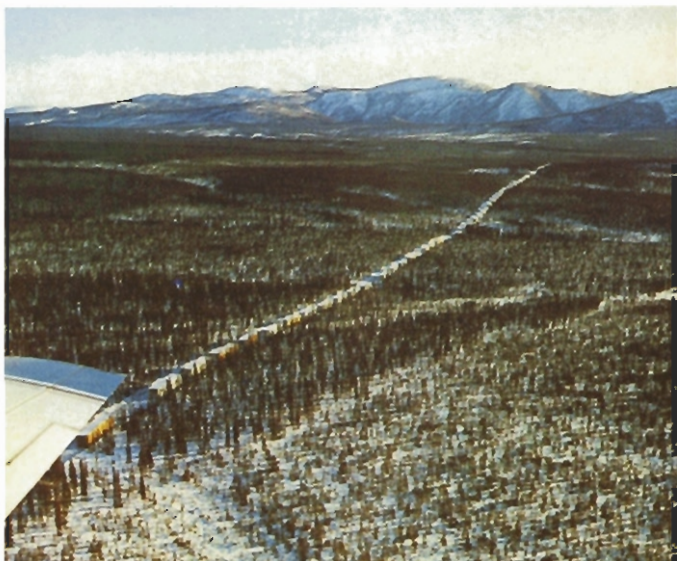
Production of mobile homes from the enlarged facility of ATCO Homes Inc. in Nampa, Idaho began in early April. A complete line of units is now offered in Nampa with the Vardo, Gentry and Rideau models filling consumer requirements for deluxe, standard and economy lines respectively. Offering this complete product range also opens the way for the establishment of exclusive ATCO dealerships which help promote increased sales through concentrated product promotion.

Factory built homes built in Calgary by ATCO (Western) Ltd are sold in Alaska by Northland Camps Inc

This drive-in bank in Fairbanks was custom-built by ATCO (Western) Ltd in Calgary

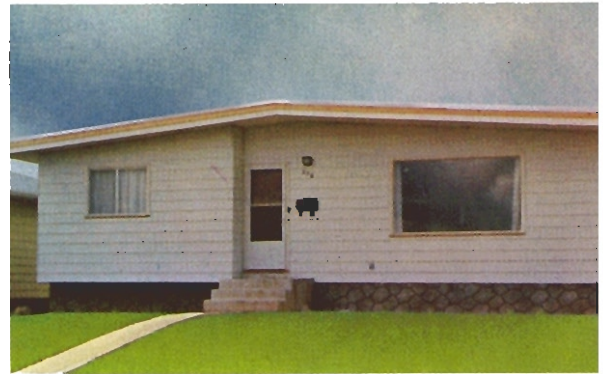
A number of Fold-A-Way buildings are in service as shipping depots and equipment repair shops at the busy Fairbanks airport

More than 400 ATCO housing units were mobilized recently in preparation for the construction of the access road that will facilitate construction of the Trans Alaska Pipeline System





Sales of Cedarglen residences in the Huntington Hills, Calgary development showed gains during the first half of 1970



Cedarglen has entered the lower-cost housing market with new models, such as this 980 square foot bungalow

ATCO (Western) Ltd. and ATCO (Quebec) Ltee. have placed continuing emphasis on product improvement with several new interesting developments resulting.

A modular classroom building system which allows for interconnection of factory built modules to form large permanent schools is a major departure from the conventional factory built temporary unit. Significant cost savings are a feature of this system, which is being marketed under the name Multiplex.

With industry moving more and more into remote locations the transportability of housing is assuming increasing importance. ATCO pioneered development of lightweight shelters for transport by Hercules aircraft and by helicopter. To comple-

ment these units a family of panellized buildings is in the process of development. These buildings break down into panels small enough to fit the cargo hold of such fixed wing aircraft as the Otter

The Three Greenhorns - a fine new Calgary restaurant features an elegant decor by Superior Interiors



and Beaver. This program meets the needs of such industries as diamond drilling, geophysical and exploration companies.

The Cedarglen Homes division recorded excellent progress in its first year of operation. The present emphasis is on low cost housing throughout Canada and Cedarglen is participating in this market in the Calgary area. New designs have been developed to complement the smaller lots involved and a strong demand is anticipated for this type of housing. Sufficient mortgage financing has been obtained to complete this year's building program which projects a 50% increase over last year.

Superior Components Ltd. Interiors Division completed a number of deluxe interior finishing contracts during the past six months. The clientele included banks, hotels, restaurants and private clubs from Toronto to Vancouver.

Metal components are supplied to the mobile home industry and metal building fabricators, while wooden furnishings and fixtures were provided house and apartment builders as well as the mobile home industry.

In order to accommodate the demand for its products Superior expanded its facilities and now operates in 86,000 sq. ft. at the ATCO Industrial Park in Calgary.

In summation not only have the last six months been very profitable for the ATCO Group, but in addition continued progress has been recorded in broadening the product line and the market place.

Superior Components Ltd. supplies a wide range of components to the homebuilding and trailer manufacturing industries in western Canada. These roof components are bound for a Saskatchewan mobile home producer.



Availability of modern rolling stock at Trans Canada's 435 dealers is assured by back-up given by the company's five strategically located branches.



On May 5, 1970, the 5,000th unit to be manufactured by WOWIC in Australia came off the line. In attendance at a brief ceremony were Miss Industry in South Australia, Miss Marilyn Perrin and "Queen of the Pacific," Miss Hilo Suzuki from Japan.

The U.S. seismographic survey vessel, the Polaris, was struck by a fire at the docks of Port Adelaide, destroying crew quarters and a radio room. Within two weeks of the fire, WOWIC had supplied 22' x 24' living complex and radio room to replace the burnt-out quarters.



WOWIC's plant in Elizabeth proudly flies the Export Pennant adjacent to the Australian flag. The pennant indicates official recognition by commerce and government of WOWIC's role as a major Australian exporter.

P. G. White receives congratulations from the Premier of South Australia, The Hon. R. Steele Hall. Former Premier The Hon. Thomas Playford looks on.



RESEARCH & DEVELOPMENT CENTER, 1970.

Following the policy initiated last year, work continued on the development of a number of new light weight shelters and containerization systems. Customers for these products included private industry as well as the Canadian and United States governments..

Significant programs undertaken in the last six months include:

Low Cost Personnel Shelter.

In the past a majority of crews exploring the Canadian north during summer months have been housed in tents. The wide variety of weather conditions encountered in this area make such accommodation unsatisfactory and a program was undertaken for a major Canadian oil company to develop a rigid panel structure. The units developed are now being utilized on site in the Northwest Territories.

Advanced Electronics Shelter

Last January the United States Navy commissioned the R & D Center to develop the concept of an advanced electronics shelter. Requirements included not only EMI (Electromagnetic Interference) shielding, weather protection and a light-weight structure, but in addition the integration of auxiliary equipment within the units. This equipment included a ducted air conditioning and heating system, static frequency converter, high voltage transformer, power distribution system and storage cabinets. In addition, this particular shelter is required to withstand the environments of military air transport and exposure in the operational mode while mounted on the deck of a destroyer.

The shelter has been completed and United States Navy operational testing is now under way.

Airmobile Maintenance Shop (AMS)

Two new prototypes are being fabricated incorporating all design changes determined necessary by the United States Army. In addition ATCO's contract calls for revision of the procurement drawing package and consultation with Army personnel during the testing program.

Successful conclusion of testing scheduled for the spring of 1971 will result in the unit being classified and catalogued as a standard article for Army procurement.

Other contracts which have just been initiated in the R & D Center include five additional container systems for the U.S. Air Force Bare Base Program, an all aluminum arch intersection structure for the U.S. Navy for use at its new South Pole Station, development of munitions containers for the U.S. Navy, a portable equipment shelter for NASA, and a radio equipment shelter for the Immigration and Naturalization Service of the U.S. Department of Justice.

A number of new contracts are being negotiated at the time this report is being prepared. For example, the U.S. Air Force is requesting a study and prototypes to evaluate the containerization system requirements for their Bare Base Water/Sewage Distribution System and a four storey Sky Lab building will be developed for the U.S. Navy for use at the new South Pole Station.

The Mini-Max is a low-cost housing design which provides a maximum of living space on a very small area of land



Prototype of advanced electronics shelter for U S Navy has been completed by ATCO R & D Center



This lightweight, panelized geophysical exploration camp unit is highly mobile. The door-sized components are easily transported inside an Otter aircraft



