

*Annual
Report
1974*

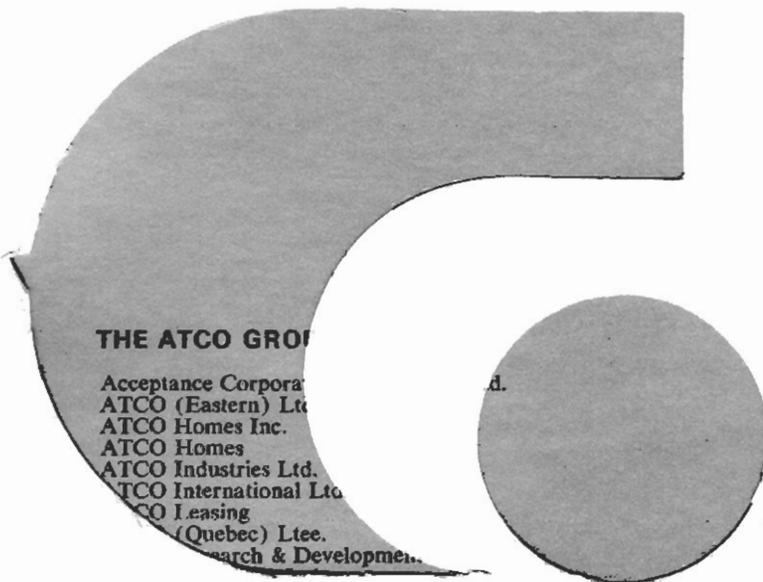
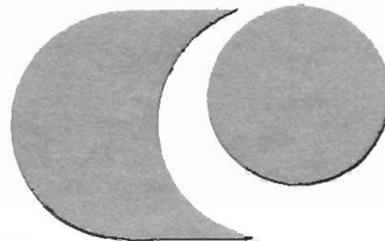
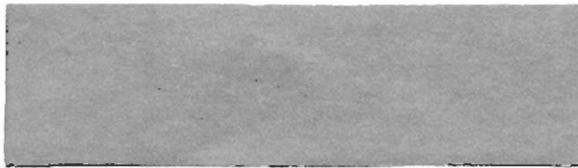


DIRECTORS

- B. P. DRUMMOND
- B. P. DRUMMOND
President, Greenshields Inc., Montreal
- E. N. FARCH
Sr. Vice-President, International Operations, ATCO
- G. A. FREEMAN
Secretary, ATCO
- G. P. KIEFER
Sr. Vice-President, Western Region, ATCO
- R. RICE
Vice-President, First National City Bank of New York
- C. S. RICHARDSON
Sr. Vice-President, Finance, ATCO
- C. N. SIMPSON
Engineering Consultant
- 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, Eastern Region, ATCO
- *Member - Audit Committee*

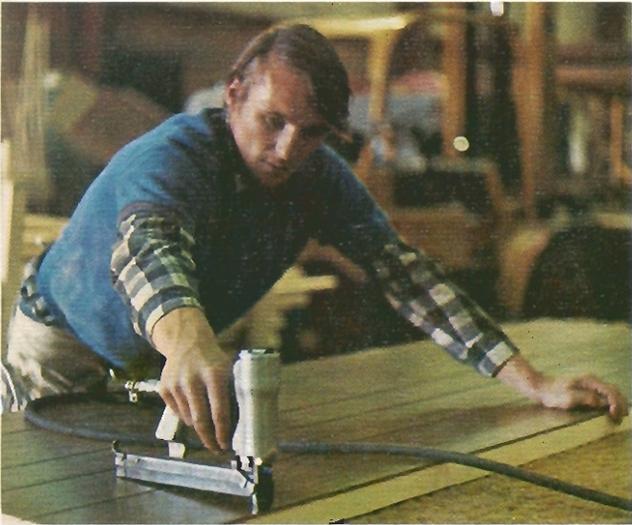
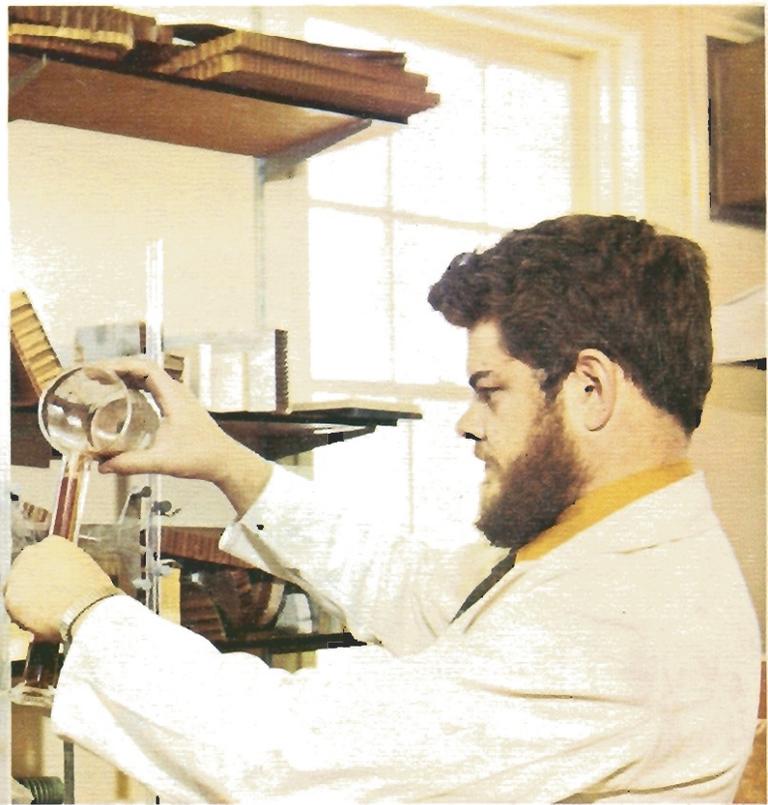
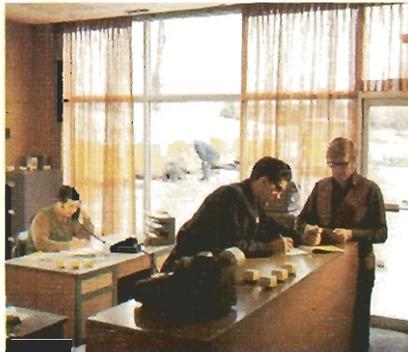
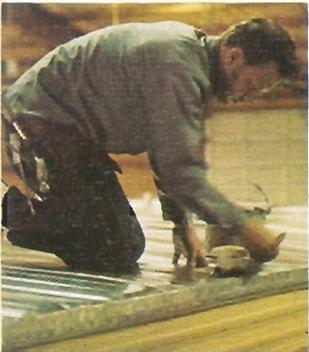
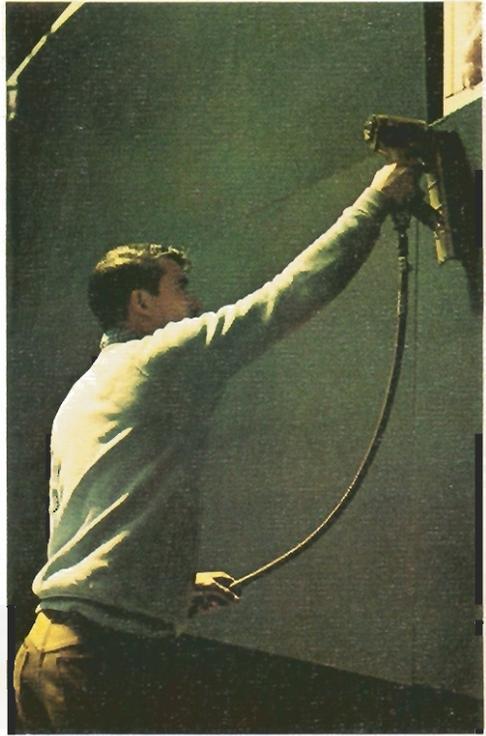
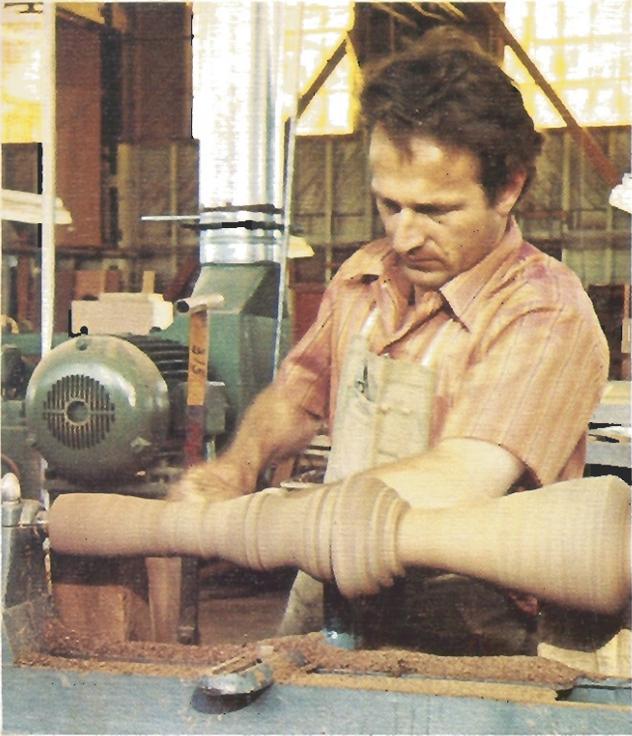
OFFICERS

- S. D. SOUTHERN
- S. D. SOUTHERN
Chairman of the Board
- R. D. SOUTHERN
President and Chief Executive Officer
- T. A. CUNNINGHAM
Vice-President, Administration
- E. N. FARCH
Sr. Vice-President, International Operations
- G. A. FREEMAN
Secretary
- G. P. KIEFER
Sr. Vice-President, Western Region
- C. S. RICHARDSON
Sr. Vice-President, Finance
- Dr. J. D. WOOD
Sr. Vice-President, Eastern Region



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People our most important asset

FINANCIAL HIGHLIGHTS

	1969	1970	Change
TOTAL REVENUE	\$47,750,000	\$46,097,000	— 8%
EARNINGS:			
Before income taxes and extraordinary item	7,300,000	\$ 4,581,000	—67%
Income taxes	4,840,000	2,131,000	—62%
	2,500,000	2,450,000	—70%
Extraordinary item	266,000	—	—
Net earnings	\$ 464,000	\$ 2,450,000	—81%
AVERAGE SHARES OUTSTANDING			
During Year	2,549,000	2,544,000	
EARNINGS PER SHARE			
Before income taxes and extraordinary item	\$ 0.60	\$ 1.80	—67%
Income taxes	0.32	0.84	—62%
	0.28	0.96	—70%
Extraordinary item	0.10	—	
Net earnings	\$ 0.18	\$ 0.96	—81%
Cash flow per share	\$ 1.89	\$ 2.93	—55%
FINANCIAL POSITION			
Working capital	\$ 7,414,000	\$ 6,591,000	+12%
Fixed assets	14,564,000	12,040,000	+21%
Other assets	2,296,000	2,167,000	+ 6%
	24,274,000	20,798,000	
Less —			
Long term debt	5,976,000	2,980,000	+101%
	18,298,000	17,818,000	
Deferred items	2,779,000	2,768,000	
Shareholders' equity	\$15,519,000	\$15,050,000	+ 3%

TO OUR SHAREHOLDERS

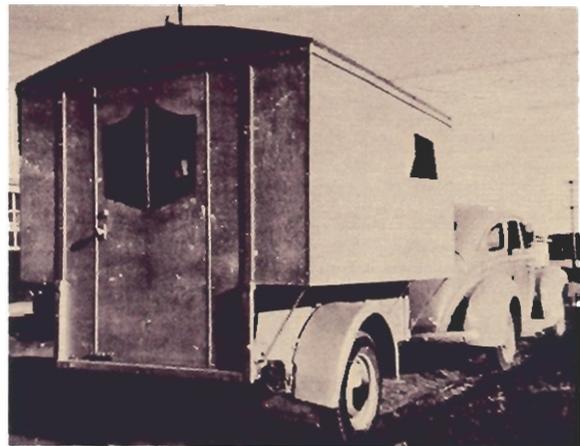


R. D. Southern

Twenty-five years ago a very small business venture was undertaken by a city of Calgary fireman, S. D. Southern, which he called Alberta Trailer Hire. This predecessor to ATCO Industries was created with a total of four thousand dollars (the majority of which was debt). Through the untiring efforts of "S.D.S.", the present Chairman of the Board of ATCO, and literally hundreds of other truly determined ATCO people, the company is today multi-national and the world leader in an industry which it created 9,125 eventful days ago. It is to S. D. Southern and all other people who have worked in ATCO, as well as our shareholders, that this 25th Anniversary Report is dedicated.

These years have been an adventure of successes and setbacks, however, rather than try to recount them for you, I think the following better illustrate the progress we have made than any words I can offer.

ALBERTA TRAILER HIRE INCOME STATEMENT For The Year Ended March 31, 1948		
Sales	\$1,077.65	
Less Cost of Sales	621.89	
Gross Margin		\$ 455.76
Expenses:		
Advertising	\$ 77.16	
Bank Charges	6.21	
Freight	257.60	
Insurance	209.22	
Legal	42.03	
Postage, Printing	197.67	
Rent	57.50	
Repairs	71.19	
Supplies	41.17	
Taxes	8.05	
Telephone	60.30	
Travel	10.00	
Utilities	10.05	
Wages	4.00	
		\$1,052.15
Net Loss		\$ (596.39)



ATCO Financial Statement — 1948.
ATCO's First Production Unit.
ATCO Manufacturing Facility, Airdrie — 1955.



ATCO's performance has provided thousands of job opportunities and developed and marketed dozens of innovative products that fill a social as well as an economic need. It has brought comfort, dignity and opportunity in the "housing" field to people in the far reaches of the world.

In addition to paying tribute to the integrity of effort that built ATCO over the last 25 years, I would like you to better understand ATCO's strengths for today and tomorrow. What are these strengths?

1. A sound financial position.
 2. A management staff of young "old professionals"; i.e. in all the ATCO companies, the average age of the Senior Executive is 42 years, and they average 10 years of experience with ATCO.
 3. Products – industrial camps, engineered steel buildings, schools, houses (conventional and modular), wood and metal components for the construction industry, mobile homes, recreational vehicles(*) and military shelters.
 4. Markets – serving isolated and urban areas alike one need only consider the resource developments required in Canada, U.S.A., Australia and throughout the world in the 70's to grasp the potential for ATCO. In the cities, ATCO houses, schools and components will play an important role.
 5. Facilities – strategically located in Canada, the U.S.A. and Australia, ATCO's factories have been kept up to date through expansion and machinery modernization.
 6. A continuous, formalized Research & Development effort aimed at keeping ATCO in the lead.
- (*) Through an associate company, "South Park Industries Ltd.", for which ATCO has the right of first refusal to purchase at book value.

Reading these points might lead one to believe that this is an "optimistic sales letter". It is not! It is, I believe, a factual recitation of the status of ATCO after 25 years of effort. Further, it is another way of saying that all that has gone before has been preparatory for what we can now accomplish in the 70's. Given a reasonable world economy, I am confident that you will find that progress most satisfactory.

In reviewing the year ending March 31st, 1971, I would like to point out that the comparative figures for fiscal year 1970 are unaudited and heretofore unpublished. Due to our six month "year" from October 1969 to March 1970, we have taken these audited figures plus the last six months of the previous year's report to provide the figures on which comparisons can be drawn.

Probably the best comparison that can be drawn is that the unaudited fiscal year 1970 figures indicate the growth and profitability that is inherent in ATCO during good economic times. Fiscal year 1971 was not a year of good economic times as is well recognized. In considering the performance of our industry, specifically, and of the economy generally, however, we are pleased with the progress we did achieve.

Total sales for the ATCO Group during 1971 were \$42,548,385 with earnings of \$730,029 or 28¢ per share before an extraordinary loss on foreign exchange of \$266,475 or 10¢ per share. Because of the aforementioned change in year end, two sets of comparative figures have been included in the financial portion of this report for your information.

Our Australian companies continued their strong performance, a credit to their management capability over the last three years. It should be mentioned, however, that Australia's economy was buoyant during this period and not greatly affected by an inflation - recession cycle.

Unfortunately, the opposite situation prevailed in the balance of the areas in which ATCO operates. Specifically, we were hurt by the revaluation of the Canadian dollar. The direct effect is shown in our statements, however, probably more important but of a non-calculable nature are lost profits and lost sales resulting from our more expensive international posture. This position has been gradually improving as other countries revalue their currencies and inflation takes its toll on export products originating in other industrialized countries. A second major depressant on our earnings was the near crisis conditions that existed politically and economically in the Province of Quebec. As a result, earnings from our Eastern Canadian operations were at a break-even point. At the time of this writing, we are particularly encouraged by the returning investor confidence, improving political

stability and general economic pick-up in this part of Canada. ATCO's confidence has been demonstrated by the opening in May 1971 of a 120,000 square foot production facility in Ville La Salle, P.Q.

Our U.S. operations were affected by rising costs in an increasingly price sensitive market, however, the effect of efforts to stem inflation and improve the economy are now being felt by our company. Delays in approval of the ALPS (Alyeska Pipeline Service Co.) project in Alaska also affected our operations in that region.

As mentioned previously, despite these problems and the effects they had on the year's earnings, ATCO made very real progress in other areas.

Our working capital increased by \$822,979. In addition, a \$5,500,000 term debenture was arranged on which \$2,200,000 had not been drawn down at the fiscal year end. Operating lines of credit were also increased and although they are being utilized to a modest level, our overall access to funds has been greatly enhanced.

Our capital investment in rental equipment amounted to \$6,433,837 (net \$3,735,875) in this period, and ATCO's policy of having modern equipment, strategically located, is being felt in the market place. The modernization program, started four years ago, is complete and further investments should only be necessary to maintain our status and to seize new opportunities as they arise.

In the past year we have implemented pension and long term disability plans which together with our hospitalization and medical insurance programs provide our employees with, by far, the best fringe benefit package in our industry. Of particular note is the fact that the cost of the pension plan past service benefits is borne entirely by the Company.

The acquisition of a 70% interest in Paraweld Pty. Ltd. and Paraweld Holdings Pty. Ltd. is described in detail in Note 1 to the financial statements. This modest but significant purchase by our Australian subsidiary WOWIC Industries Pty. Ltd. will establish them in the metal fabricating business, and will in the years ahead play an important part in supporting WOWIC's overall housing activities.

In the interests of providing an objective critique to senior management and maximizing our protection to shareholders in May of 1970, the Board of Directors established an Audit Committee. The three-man Committee has two "outside" directors, one of whom acts as Chairman, and one "inside" director. The Committee meets independently with the Group's auditors to review corporate results, policies and interpretation. It has unrestricted access to all company information, and summarizes its findings as recommendations to the Board of Directors. It has the right to publish as an addendum to our formal quarterly and annual reports any recommendations not accepted by Management or the company's auditors should the Committee deem the matter to be of importance to our shareholders. The Audit Committee is functioning and already has been of help in providing Management with recommendations for the betterment of our operations and the protection of our shareholders.

All of us at ATCO would like to have provided you with higher earnings for our 25th year of operation, but the economy simply did not allow us to do so. I have, however, tried to give you a sincere evaluation of our position as we head into the 70's. I trust you will not conclude it to be overly optimistic for there will no doubt be many difficulties and some surprises in the next decade that will make the job more difficult. The ATCO Group of Companies is poised for solid growth and, as mentioned earlier, given reasonable economic stability in Canada, U.S.A. and Australia, we are confident that we can do just that.

On behalf of the Board of Directors



R. D. Southern,
President and Chief Executive Officer

TWENTY-FIVE YEARS OF PROGRESS

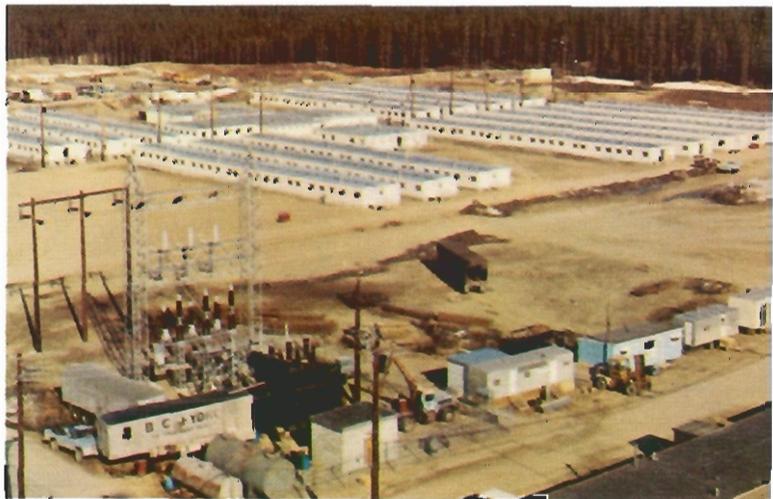
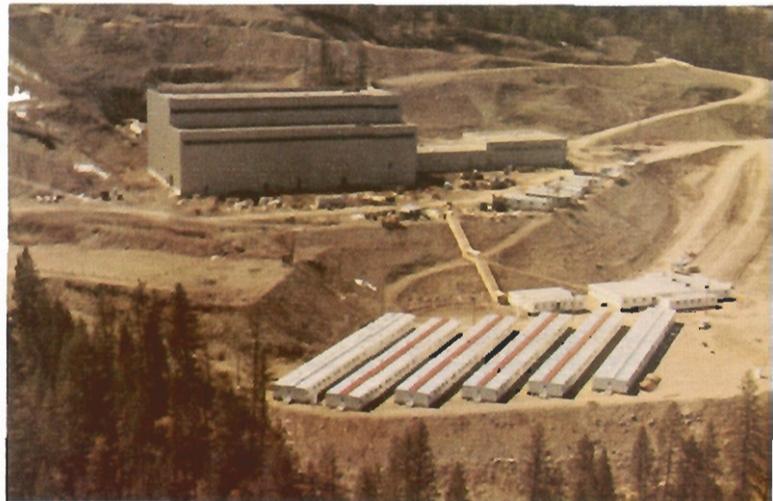
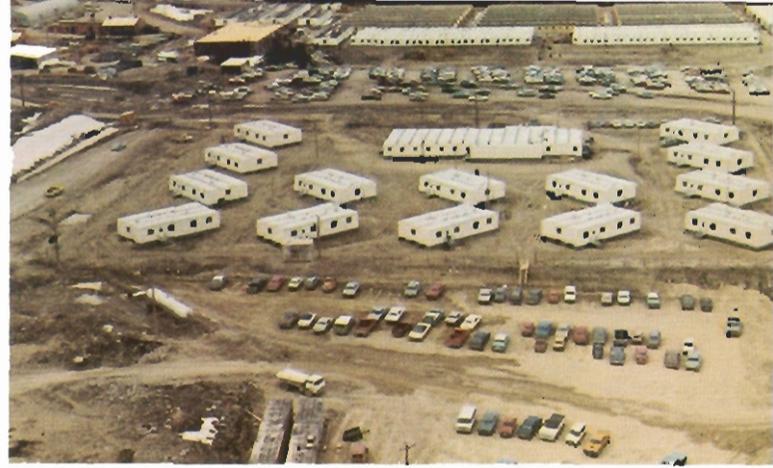
- 1946 S. D. Southern now Chairman of the Board of ATCO Industries Ltd. commenced business under the name of Alberta Trailer Hire with the purchase of 15 utility trailers. Rental of these units was restricted to the Calgary area.
- 1949 Retail mobile home sales operations commenced in Calgary.
- 1950 The inter-provincial utility trailer rental agency organization commenced operations with the appointment of agents in Ontario.
- 1951 Alberta Trailer Company imported the first United States mobile homes to Canada for sale to the public.
- 1953 Industrial housing manufacturing operations opened in Edmonton on a partnership basis under the name of Roadway Industries.
- 1955 The Edmonton facility was destroyed by fire during manufacture of the largest order received to date – 68 units. Operations were quickly reestablished at the Airdrie airport facility and the order was completed on schedule. The Roadway partnership was dissolved.
- 1959 The initial export order was completed with the shipment of equipment to Alaska. As a result Northland Camps Inc. was incorporated as the first non-Canadian ATCO company.
- 1960 The first large off-shore contract was obtained for the supply of housing for the Mangla Dam project in Pakistan.
- Boeing awarded ATCO the first of many rental contracts for the supply of housing and administrative facilities to support their Minuteman IBM installation program which eventually involved work in Montana, North Dakota, South Dakota, Missouri and Wyoming.
- 1961 Operations expanded to Australia with the opening of a 70,000 sq. ft. plant in Adelaide, South Australia. This Plant has since been expanded to 110,000 sq. ft.
- 1965 United States manufacturing facilities opened in Nampa, Idaho. This facility was enlarged to 60,000 sq. ft. in 1970.
- Calgary manufacturing relocated from Airdrie to a 54 acre site in Southwest Calgary which was named ATCO Industrial Park.
- 1968 ATCO Industries Ltd. became a public corporation with the sale of 700,000 common shares in March. The shares were listed for trading on the Toronto Stock Exchange.
- Industrial unit production commenced in Montreal with a 50,000 sq. ft. plant located in suburban Ville La Salle.
- 1969 Montreal manufacturing capacity doubled with the opening of a 50,000 sq. ft. plant in Ville St. Pierre.
- Superior Woodcraft Manufacturing Ltd. and Superior Interiors Ltd. joined the ATCO Group of Companies and established production facilities in the ATCO Industrial Park. The name was subsequently changed to Superior Components Ltd.
- 1970 ATCO Homes Division commenced mobile home production in ATCO Industrial Park.
- Paraweld Industries Pty. Ltd., an Australian metal fabricator headquartered in Adelaide, South Australia, joined the ATCO Group.
- 1971 Montreal manufacturing consolidated into one location – a 120,000 sq. ft. plant with adjoining office facilities in Ville La Salle.

HOUSING — INDUSTRIAL

Fiscal 1971 was a year of mixed success for the three industrial housing companies in the ATCO Group. ATCO (Western) Ltd., ATCO (Quebec) Ltee and WOWIC Industries Pty Ltd. of Australia. While the Canadian economy experienced severe difficulties such was not the case in Australia where industrial momentum was maintained with only minor problems resulting from inflation and higher interest rates.

The level of business achieved in Western Canada was satisfactory in view of the overall slowdown. Perhaps the most damaging situations in the West were the prolonged construction strike in British Columbia which sharply reduced rental fleet revenues and the continued delay in Alaska pipeline construction. Eastern Canada was a distinct disappointment with very little activity until the last quarter of the year except for a strong demand for transportable schools during mid summer. Undoubtedly the fourth quarter upturn indicates a trend for the better in fiscal 1972.

Despite the mediocre performance of the Canadian economy ATCO participated in a number of interesting projects. In the fourth quarter ATCO (Quebec) Ltee received contracts for the supply of a further 225 work train housing units from the Canadian National Railway as well as contracts for housing and related facilities at the Quebec Cartier Mt. Wright mining project and the Procon refinery complex located near Come By Chance Newfoundland. These latter two contracts call for the housing of some 3,000 men when peak activity is reached.



Typical industrial camps — Top to Bottom
Lornex Mining — Ashcroft, B.C.
Canadian Bechtel — Princeton, B.C.
B.C. Forest Products — McKenzie, B.C.
Caribou Pulp & Paper (Weldwood) — Quesnel, B.C.



A travelling billboard — housing for North American railway crews.

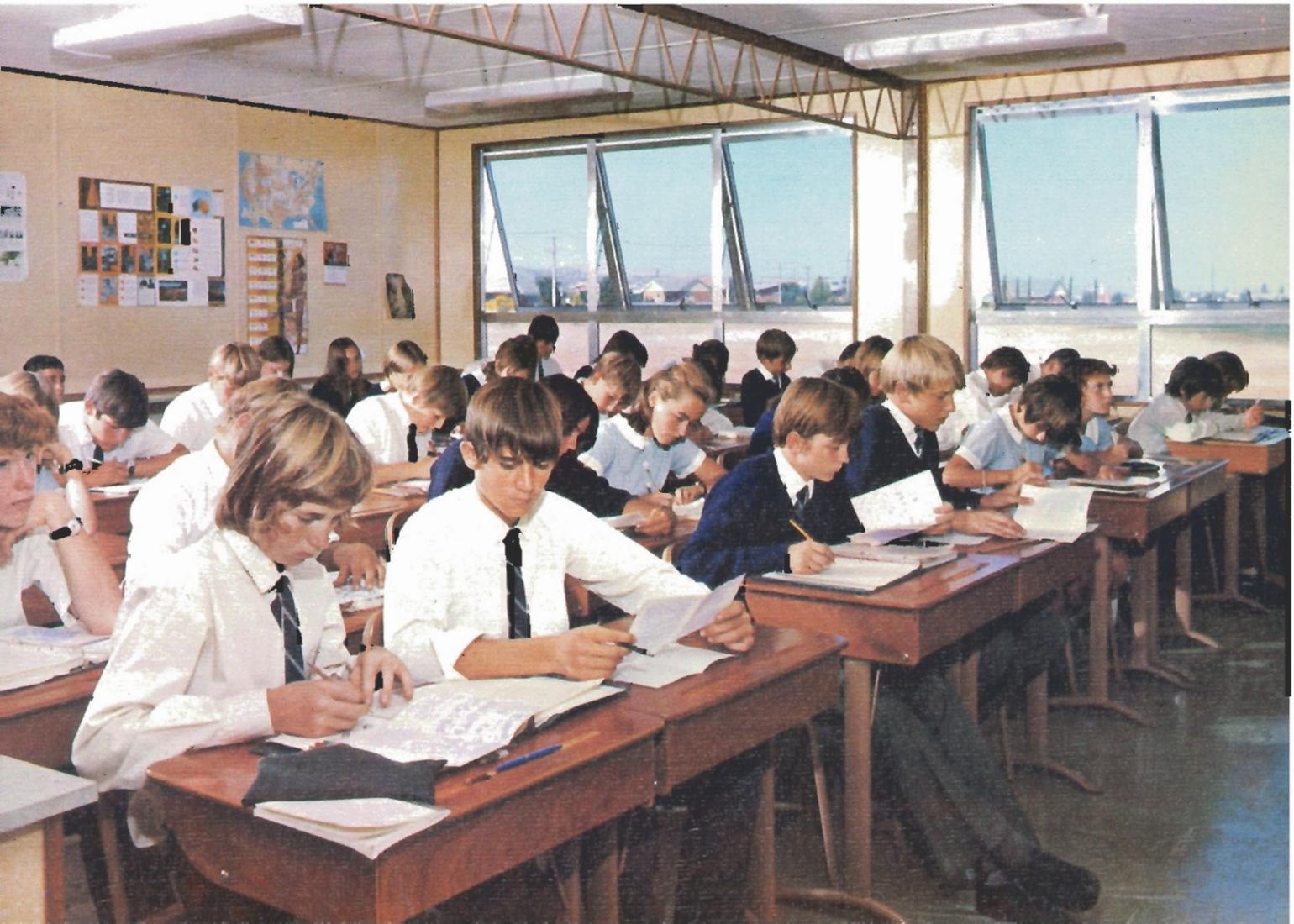
Previous reports mentioned the development of the "Multiplex" a modular classroom building system designed to facilitate factory construction of large permanent schools. The concept met with immediate success and was chosen by the University of Quebec at Three Rivers to fill their requirements for an additional 14,000 sq. ft. of classroom and administrative space. Additional Multiplex contracts have been received subsequent to the year-end and indications are that this system will greatly enhance ATCO's ability to meet the expanding need for educational facilities. In addition the transportable classroom with minor modification is finding increasing use as offices, retail outlets and libraries.

The Eastern Canadian rental fleet continues to expand with special emphasis being placed on the renting of construction offices in the larger centres. Response to a vigorous advertising campaign has been very encouraging and this market appears to have considerable potential.

In Western Canada very significant growth was achieved in industrial rentals during the latter part of fiscal 1971. ATCO is now housing upwards of 8000 men for a variety of customers including Gibraltar Mines, Canadian Bechtel, Noranda Mines, Lornex Mining, McKenzie Forest Products, and Caribou Pulp & Paper, all in British Columbia as well as Parsons Whittemore at Dore Lake, Saskatchewan.



Transportable schools are marketed in Australia (pictured), Canada, and the United States.





The Multiplex system supplied to the University of Quebec at Three Rivers. This 14,000 sq. ft. structure includes washrooms, lounges, offices, mechanical rooms and open area classrooms.



ATCO (Western) Ltd. has also been active in supplying housing for the Arctic Islands petroleum exploration programs of Panarctic, Sun Oil and others.

Although a number of uncertainties still exist regarding petroleum industry activity in both Canada and Alaska there are several positive factors which have emerged in recent months. Significant gas discoveries in the Arctic Islands coupled with encouraging reports from the McKenzie Delta tend to confirm earlier projections of significant reserves in the area. Combined with at least partial resolution of the tax position of natural resource development companies operating in Canada, these factors point to a definite upturn in activity in the near future.

Indications are that the United States Government is close to a decision on the transportation of Prudhoe Bay oil to Southern markets. As in the case with the Canadian North, ATCO (Western) Ltd. is in an excellent position to capitalize on opportunities as they arise. Their products and allied services have been proven through many years of servicing similar requirements and their

ATCO serves the urban construction market. The Golden Eagle refinery site (pictured here) contains 5 Fold-A-Way buildings and 15 offices.





2-story barrack blocks housing Quebec Cartier workmen at their giant new iron ore mine in Northern Quebec.

inventory of completed units enables them to react to the crucial delivery schedules associated with such projects.

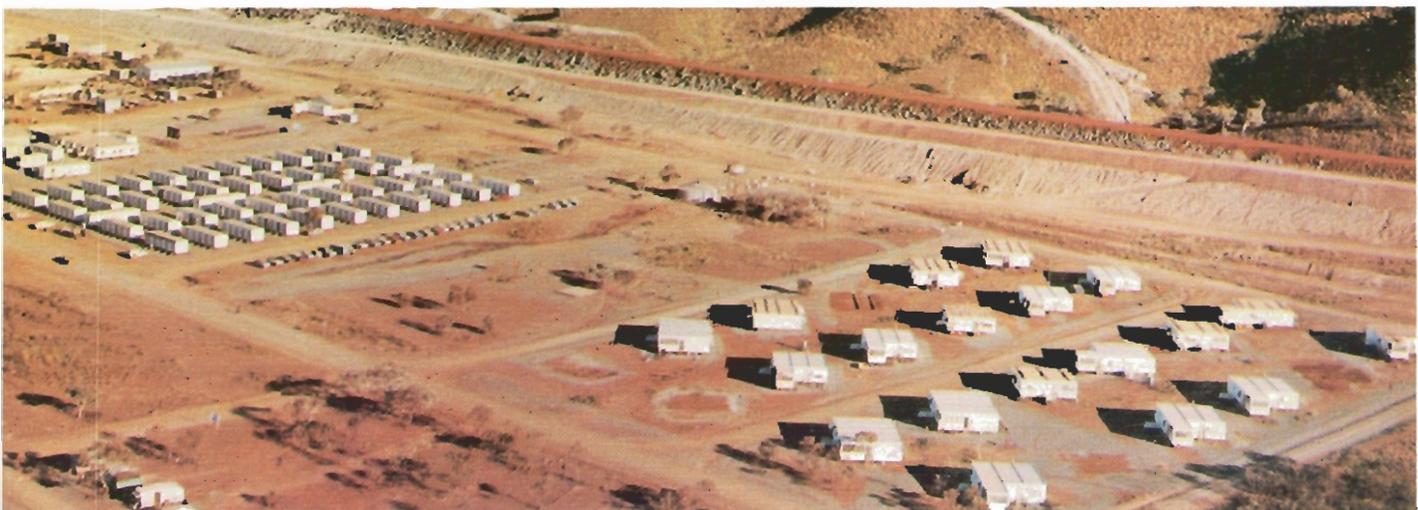
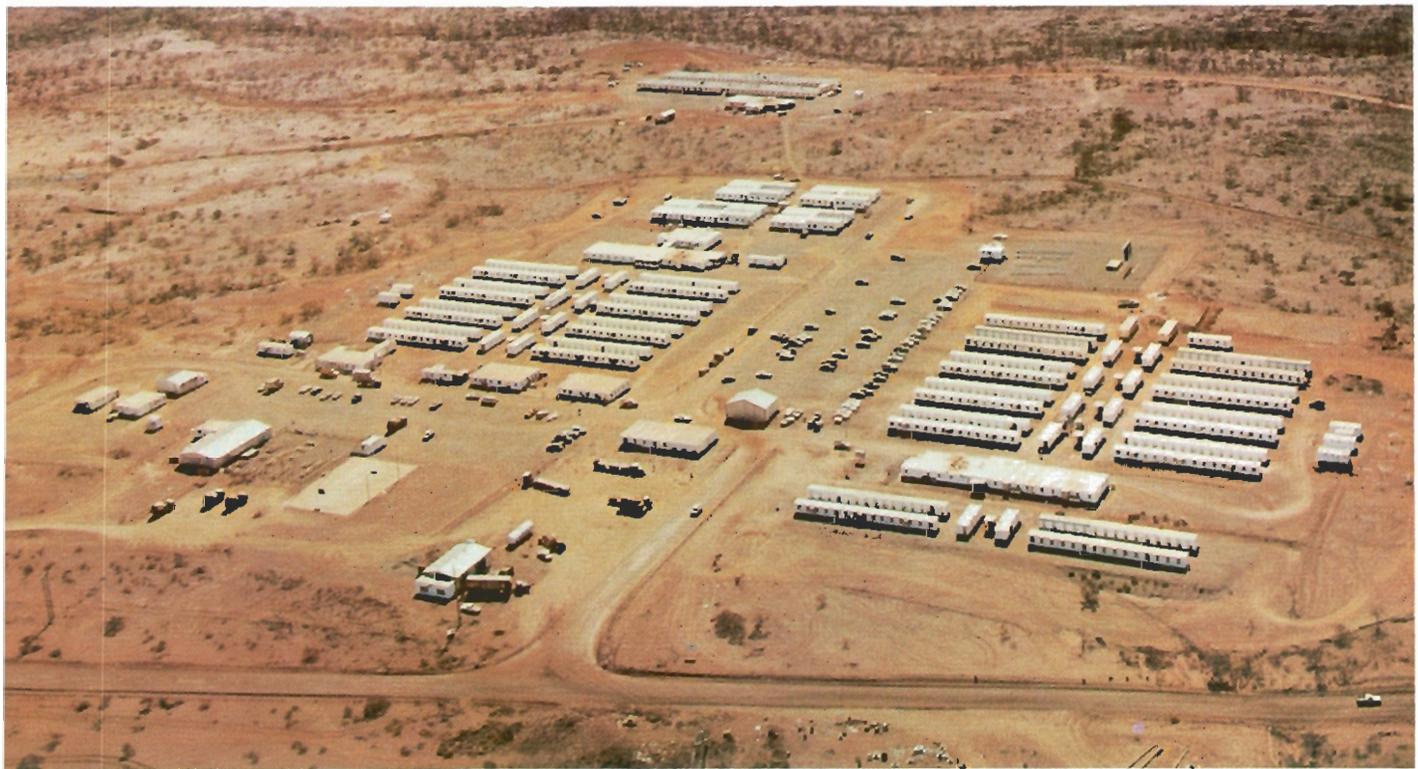
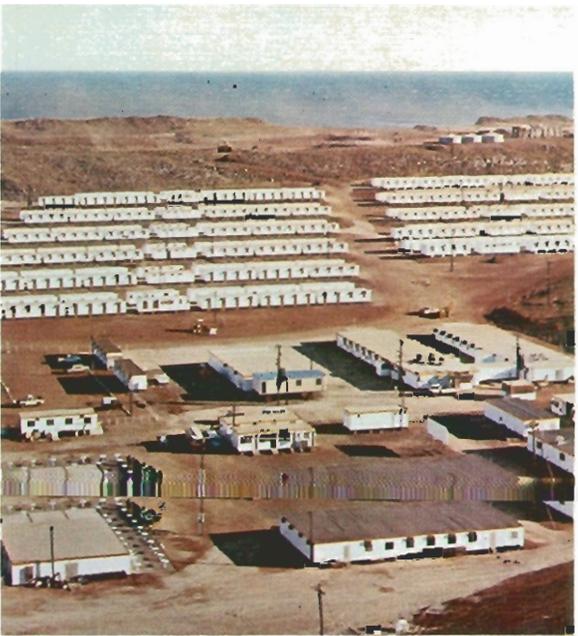
During the year, the name of Northland Camps Inc. was changed to ATCO Structures Inc. It is felt that this latter name more accurately portrays ATCO's housing activities in the United States and particularly in Alaska.

Delay in approval of the Alaska pipeline project effectively stifled the Alaskan economy and with it the growth of ATCO Structures. Modest activity was realized from government and non-petroleum commercial work, however, meaningful profits will not be achieved while the aforementioned delay continues.



Modern well-equipped ATCO Kitchen — Diners facilitate fast, efficient food service. Dining areas double as recreation halls during off hours.

The port — the minesite — the railway — WOWIC housing appears in all phases of Australia's Hammersley iron ore development.





Attractive dining facilities are a highlight of ATCO camps.



High capacity air-conditioning is featured in this WOWIC housing complex provided for Poseidon to develop their world famous nickel deposits.

Australian industrial housing operations continued on a strong basis with several major contracts highlighting the year's activity. Of significance was the increasing emphasis on rentals with WOWIC receiving the largest rental contract in its history from Utah Construction for the Goonyella Coal Project in Queensland.

WOWIC was chosen as housing supplier by the Morrison Knudsen – Mannix – Oman joint venture which is constructing rail lines to service the huge iron ore projects at Paraburdoo and Robe River in West Australia. In addition to the usual residences and related amenities, the joint venture called upon WOWIC to supply a controlled environment building to house a complex computer system used to control site operations.

The market for community structures is expanding in Australia with WOWIC providing classrooms, nurses quarters, and similar facilities to various state governments.

Toward the end of the year, there were several indications of increased activity in New Caledonia and Indonesia. While the contracts obtained to date have been modest, they appear to be forerunners of much larger orders if the projected resource development materializes. Agents have been appointed in both countries to provide necessary local support for Australian based marketing efforts.

An ATCO camp located North of the Brooks Range in Alaska. First aid and other specialty units are a must in this harsh environment.



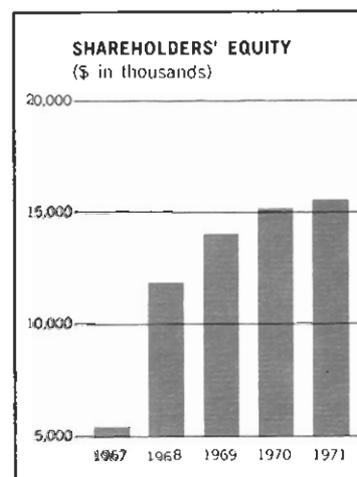
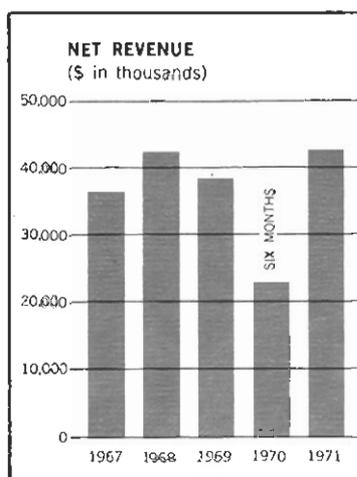
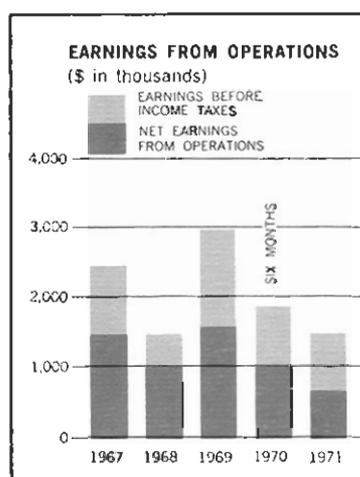
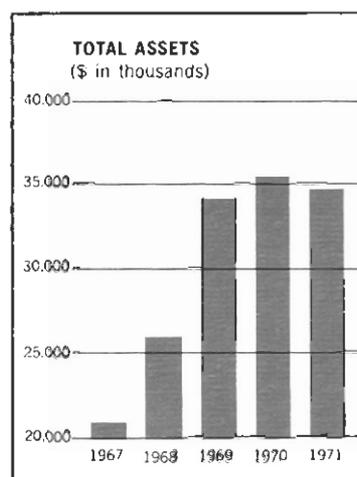
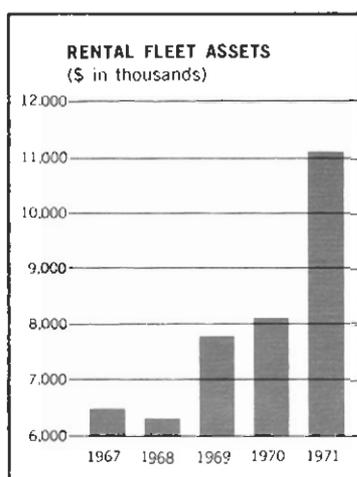
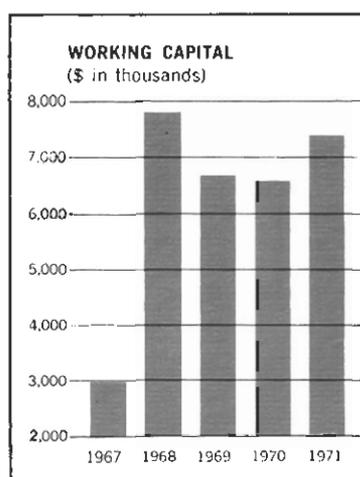


An 18 ton lock gate fabricated by Paraweld for installation on the River Murray irrigation system, in South Australia.

Paraweld crews installed this two million bushel wheat silo at Gladstone, South Australia.



Paraweld Pty. Ltd. the Adelaide based metal fabricator that joined the ATCO Group in June of 1970 experienced a disappointing year resulting from a serious steel shortage and some unforeseen personnel problems. Arrangements have now been completed to assure a continuing supply of steel at competitive prices while the personnel problems have been resolved. Accordingly, Paraweld is now in a position to achieve satisfactory growth in the up-coming years.



CONSOLIDATED STATEMENT OF EARNINGS

For the Four and One Half Years Ended March 31, 1971 (thousands of dollars)	1967	1968	1969	1970 (Six Months)	1971
Sales, rentals and service revenue	36,013	42,112	37,889	22,762	41,804
Other income	300	280	418	275	744
	36,313	42,392	38,307	23,037	42,548
Operating costs and amortization	26,765	33,195	27,141	16,462	31,060
	9,548	9,197	11,166	6,575	11,488
Selling & administrative expenses	5,587	6,240	6,399	3,612	7,557
	3,961	2,957	4,767	2,963	3,931
Interest expense	456	421	556	363	855
	3,505	2,536	4,211	2,600	3,076
Depreciation	1,002	991	1,198	674	1,543
	2,503	1,545	3,013	1,926	1,533
Income taxes	1,048	549	1,377	907	803
	1,455	996	1,636	1,019	730
Extraordinary earnings	—	279	—	—	(266)
NET EARNINGS	1,455	1,275	1,636	1,019	464

FEDERAL SALES TAX

In March of 1971 as the result of representations made one year earlier to the Department of National Revenue, Customs and Excise Division, a favourable ruling was received covering the application of Canadian Federal Sales Tax on mobile homes and industrial units. This ruling calls for the payment of Federal Sales Tax on material cost only for all units over 9 feet in width. Previously this tax was payable on the selling price of the units. The most important aspect of the ruling is that ATCO equipment is now taxed on the same basis as on-site construction which formerly enjoyed a competitive advantage in this area. Further, the administrative procedures previously required to collect Federal Sales Tax collection under a variety of complex, technical rulings have been greatly simplified.

FINANCIAL REPORT 1971

Consolidated Statement of Earnings and Retained Earnings

	Year ended March 31,		Six months ended March 31, 1970
	1971 (Audited)	1970 (Unaudited)	(Audited)
Sales, rentals and service revenue	\$41,803,759	\$45,601,506	\$22,761,889
Other operating revenue	351,941	204,118	125,387
Interest income	392,685	291,387	149,265
	<u>42,548,385</u>	<u>46,097,011</u>	<u>23,036,541</u>
Operating costs	30,960,016	32,092,514	16,187,893
Amortization of deferred charges	100,556	363,384	274,264
Selling and administrative expenses	7,557,316	7,011,239	3,611,313
Interest expense:			
Long term debt	547,411	251,042	162,302
Other	307,324	447,268	200,751
	<u>39,472,623</u>	<u>40,165,447</u>	<u>20,436,523</u>
	3,075,762	5,931,564	2,600,018
Provision for depreciation	<u>1,542,559</u>	<u>1,350,884</u>	<u>673,390</u>
	1,533,203	4,580,680	1,926,628
Provision for income taxes	<u>803,174</u>	<u>2,130,650</u>	<u>907,129</u>
Earnings before extraordinary item	730,029	2,450,030	1,019,499
Extraordinary loss on foreign exchange (Note 1)	266,475	—	—
Net earnings for the period	463,554	2,450,030	1,019,499
Retained earnings, beginning of period	9,234,281	7,769,251	9,199,782
	9,697,835	10,219,281	10,219,281
Prior years' income taxes		985,000	985,000
Retained earnings, end of period	<u>\$9,697,835</u>	<u>\$9,234,281</u>	<u>\$9,234,281</u>
Earnings per share:			
Earnings before extraordinary item	28¢	96¢	40¢
Extraordinary item	10¢	—	—
Net earnings	<u>18¢</u>	<u>96¢</u>	<u>40¢</u>

Consolidated Statement of Source and Application of Funds

	Year ended March 31,		Six months ended March 31,
	1971 (Audited)	1970 (Unaudited)	1970 (Audited)
Source of funds:			
Net earnings for the period.....	\$ 463,554	\$ 2,450,030	\$ 1,019,499
Add (deduct) charges or credits to earnings not involving the disbursement or receipt of funds—			
Depreciation.....	1,542,559	1,350,884	673,390
Undepreciated cost of industrial rental units sold.....	2,697,962	2,953,543	1,535,597
Deferred income taxes	245,204	100,506	(209,905)
Deferred income	(228,474)	246,502	300,381
Amortization of deferred charges	100,556	363,384	274,264
Funds derived from operations.....	4,821,361	7,464,849	3,593,226
Proceeds of debenture	3,300,000	—	—
Issue of shares	5,060	68,930	45,755
Working capital of subsidiaries acquired	87,868	—	—
Contributed surplus	—	985,000	985,000
Miscellaneous.....	2,337	161,110	161,110
Increase of term bank loans, notes and mortgages.....	—	—	23,357
Reduction of long term receivables	10,851	—	—
	<u>8,227,477</u>	<u>8,679,889</u>	<u>4,808,448</u>
Application of funds:			
Additions to fixed assets—			
Industrial rental units.....	6,433,837	5,025,782	2,354,367
Other—net	118,543	2,084,994	914,710
Increase of long term receivables.....	—	280,061	271,806
Non-current deposits	300,000	—	—
Payment of 8% debenture	200,000	200,000	200,000
Acquisition of shares in and amounts due from subsidiaries	182,203	—	—
Decrease of term bank loans, notes and mortgages.....	150,445	162,324	—
Deferred charges incurred	19,470	446,953	142,610
Prior years' provision for income taxes	—	985,000	985,000
Miscellaneous.....	—	23,897	—
	<u>7,404,498</u>	<u>9,209,011</u>	<u>4,868,493</u>
Increase (decrease) in working capital.....	822,979	(529,122)	(60,045)
Working capital, beginning of period	<u>6,591,086</u>	<u>7,120,208</u>	<u>6,651,131</u>
Working capital, end of period.....	<u>\$ 7,414,065</u>	<u>\$ 6,591,086</u>	<u>\$ 6,591,086</u>

ATCO INDUSTRIES LTD.
Consolidated Balance

ASSETS	<u>1971</u>	<u>1970</u>
Current Assets:		
Cash	\$ 1,381,578	\$ 1,787,570
Accounts receivable—		
Trade.....	6,836,176	8,961,588
Due from shareholders.....		985,000
Inventories, at lower of cost or estimated realizable value, and uncompleted contract costs less progress billings (Note 2).....	7,870,958	7,812,031
Recoverable expenses.....		325,735
Recoverable income taxes	447,421	196,139
Prepaid expenses and deposits	188,091	211,474
Instalment notes receivable within one year.....	<u>1,184,568</u>	<u>943,453</u>
	17,908,792	21,222,990
 Other Assets:		
Instalment notes receivable, less current portion included in current assets.....	1,170,448	1,181,299
Miscellaneous.....	<u>343,383</u>	<u>45,720</u>
	1,513,831	1,227,019
 Fixed Assets, at cost (Note 3).....		
Less—Accumulated depreciation	19,345,210	16,169,606
	<u>4,780,753</u>	<u>4,130,020</u>
	14,564,457	12,039,586
 Deferred Charges:		
Unamortized research and development costs	240,777	315,177
Unamortized plant start-up costs	242,541	263,535
Unamortized installation costs on rental contracts	139,924	126,794
Share issue costs	71,353	71,353
Miscellaneous.....	<u>5,385</u>	<u>4,207</u>
	699,980	781,066
 Excess of Cost of Shares of Subsidiaries Over Book Value (Note 1)		
	81,706	158,981
	<u>\$34,768,766</u>	<u>\$35,429,642</u>

LIABILITIES

	<u>1971</u>	<u>1970</u>
Current Liabilities:		
Outstanding cheques, less related bank balances.....	\$ 742,160	\$ 1,594,297
Current bank loans, secured (Note 4)	2,447,250	4,562,877
Accounts payable and accrued liabilities.....	5,240,100	5,036,381
Income taxes	657,766	1,985,173
Long term debt due within one year.....	1,407,451	1,453,176
	<u>10,494,727</u>	<u>14,631,904</u>
 Deferred Credits:		
Deferred rental and interest income	640,743	869,217
Deferred income tax liability	2,138,260	1,898,396
	<u>2,779,003</u>	<u>2,767,613</u>
 Long Term Debt (Note 5):		
8% Debenture due March 1, 1983, secured	2,400,000	2,600,000
Debenture due November 16, 1977, secured	3,300,000	—
Term bank loans, at rates varying from 7½% to 11%, secured by assignment of specific rental contracts and repayable generally within two years.....	1,186,353	1,353,707
Mortgage loans, finance company notes, etc.....	472,093	479,312
	<u>7,358,446</u>	<u>4,433,019</u>
Less—Amounts due within one year	1,407,451	1,453,176
	<u>5,950,995</u>	<u>2,979,843</u>
Minority Interest in Subsidiary Companies	25,145	—
 Shareholders' Equity:		
Share capital (Note 6)—		
Common shares without nominal or par value—		
Authorized— 3,500,000 shares		
Issued — 2,549,460 shares	4,836,061	4,831,001
Contributed surplus	985,000	985,000
Retained earnings	9,697,835	9,234,281
	<u>15,518,896</u>	<u>15,050,282</u>
 Commitments (Note 8)		
Approved on Behalf of the Board:		
 Director		
 Director	\$34,768,766	<u>\$35,429,642</u>

Notes to
Consolidated Financial Statements

March 31, 1971

1. Principles of Consolidation:

The consolidated financial statements comprise the accounts of Atco Industries Ltd. and all its subsidiary companies. The subsidiaries are wholly owned with the exception of the two companies referred to below.

By agreements made as of June 30, 1970 a subsidiary of the Company acquired 70% of the outstanding shares and all of the amounts due to shareholders of two Australian companies, Paraweld Pty Limited and Paraweld Holdings Pty Limited, for an aggregate consideration of \$182,203; an option is held to purchase any part of the remaining 30% interest. The net book value of the subsidiaries at the date of acquisition exceeded the cost attributed to the shares by \$77,275 and this amount has been applied to reduce the excess of the cost of shares over book value of subsidiaries previously acquired. The agreements provide that additional amounts may be payable dependent upon future operating results of the subsidiaries; the maximum additional consideration respecting the 70% interest already acquired is \$309,000. The accounts of these subsidiaries have been included in the consolidated financial statements from the date of acquisition. The effect on consolidated earnings is not significant.

Accounts in foreign currencies have been expressed in terms of Canadian dollars as follows—

Current assets and liabilities — at the approximate rates prevailing at the year end

Fixed assets and accumulated depreciation — at historical rates

Other assets and liabilities — at historical rates

Earnings — at the approximate average rates for the year except for the provision for depreciation which has been converted at historical rates.

The fluctuation of foreign exchange rates caused by the freeing of the Canadian dollar in May 1970 has resulted in a loss of \$266,475 (after giving effect to a reduction in income taxes of \$73,450) in converting foreign currencies and this amount is reported in the consolidated statement of earnings as an extraordinary item.

2. Inventories:

Particulars of the inventories are as follows:

	<u>1971</u>	<u>1970</u>
Materials and parts	\$2,473,890	\$2,624,556
Work in progress, including estimated profit of \$30,912 on uncompleted contracts	2,526,831	2,233,307
Finished units	2,921,688	2,999,168
Less—Progress billings	(51,451)	(45,000)
	<u>\$7,870,958</u>	<u>\$7,812,031</u>

3. Fixed Assets:

A summary of the fixed assets is given hereunder:

	<u>1971</u>	<u>1970</u>
Land and improvements \$	468,291	\$ 412,940
Buildings, fixtures and equipment	5,419,634	5,275,154
Leasehold improvements	991,346	929,987
Utility trailers	1,363,929	1,405,726
Industrial rental units	11,102,010	8,145,799
	<u>19,345,210</u>	<u>16,169,606</u>
Less—Accumulated depreciation—		
General fixed assets	2,596,704	2,112,151
Utility trailers	709,526	651,704
Industrial rental units	1,474,523	1,366,165
	<u>4,780,753</u>	<u>4,130,020</u>
Net book value	<u>\$14,564,457</u>	<u>\$12,039,586</u>

Industrial rental units and utility trailers are depreciated at the rate of 10% per annum by the straight line method. Other fixed assets are depreciated at the normal rates allowed for income tax purposes.

4. 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.

5. Long Term Debt:

The 8% debenture due March 1, 1983 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 debenture due November 16, 1977, is authorized in an amount of \$5,500,000 and is repayable in twenty equal quarterly instalments beginning February 16, 1973. The debenture bears interest at the rate of 1% over the prime rate (but not less than 8%), payable monthly, and the Company is required to maintain a non-interest bearing cash margin account with the lender equal to at least 10% of the principal outstanding. The Company has the right to prepay the principal balance outstanding at any time without bonus except where the funds for prepayment are borrowed from a commercial bank other than the lender, in which case the bonus is 1% of the amount prepaid.

The debentures are secured by a first fixed charge on the real estate of the Company itself and a first floating charge against its undertaking, property and assets.

The declaration or payment of cash dividends is prohibited without prior written consent of the holders of the debentures.

6. Share Capital:

Changes in share capital for the year ended March 31, 1971 are summarized hereunder:

	<u>Number of Shares</u>	<u>Share Capital</u>
Outstanding at March 31, 1970	2,548,860	\$4,831,001
Issued for cash upon exercise of options by officers, directors and key employees	<u>600</u>	<u>5,060</u>
Outstanding at March 31, 1971	<u>2,549,460</u>	<u>\$4,836,061</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, 1971 are as follows:

	<u>Price per Share</u>	<u>Number of Shares</u>
Options expiring in 1973	\$ 6.95	41,000
Options expiring in 1974	\$11.60 - \$13.50	15,300
Options expiring in 1975	\$ 8.78 - \$13.50	3,700
Options expiring in 1976	\$ 6.75	21,800

Of 125,000 shares initially reserved for the stock option plan, 91,740 shares remain to be granted and/or exercised.

Subsequent to March 31, 1971, options with respect to 18,700 shares that were granted originally at prices ranging from \$8.78 to \$13.50 per share expiring in 1974 and 1975 were reissued at a price of \$7.75 per share to expire on June 8, 1976.

7. 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 year ended March 31, 1971 amounted to \$243,603.

8. Commitments:

The Company and its subsidiaries have material contractual obligations in respect of long term leases of manufacturing facilities, office premises and equipment. The rentals incurred by the companies amounted to \$354,000 for the year ended March 31, 1971; the minimum rentals to be incurred on such facilities during the five-year period ending March 31, 1976 aggregate \$1,800,000.

The future cost of past service benefits for the employees' pension plan is estimated to be \$588,000 which will be paid and charged to earnings in equal monthly instalments over the next 15 years.

A subsidiary company has a contingent liability for a maximum amount of \$309,000 on the purchase of shares (see Note 1).

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, 1971 and the consolidated statements of earnings and retained earnings and source and application of funds for the year 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, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

PRICE WATERHOUSE & CO.
Chartered Accountants.

Calgary, Alberta
June 30, 1971

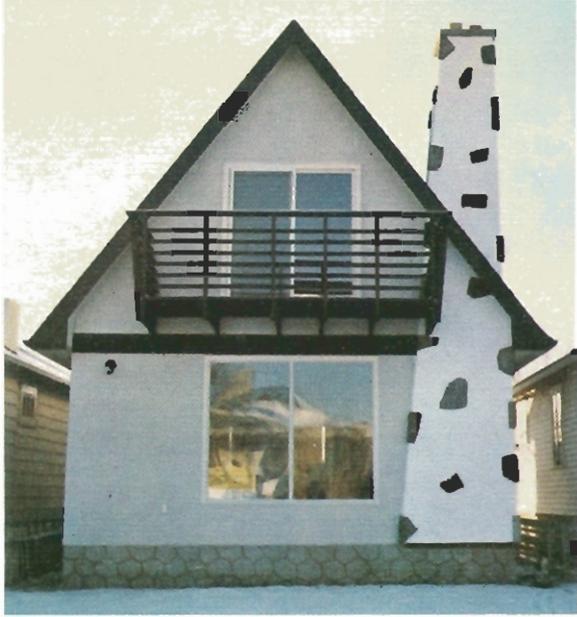
HOUSING — RESIDENTIAL

During the two years since its inception Cedarglen Homes, the on-site residential building division of the ATCO Group has experienced remarkable growth. In the face of mediocre years for the housing industry, Cedarglen now markets houses in a half-dozen locations in the City of Calgary utilizing their own sales force. Concentration continues on low to medium cost houses with a sufficient supply of competitively priced mortgage funds assured

through arrangements with several large Canadian financial institutions. Projections for Cedarglen during the upcoming year indicate a sales increase in excess of 50%.

Since Calgary enjoys a unique position in Canada in that a good supply of building lots are available from a large number of highly competent land developers, Cedarglen will for the present continue its policy of purchasing serviced lots on an as-required basis.





Unique design enables Cedarglen Homes to maximize living area on a 25 ft. frontage lot.

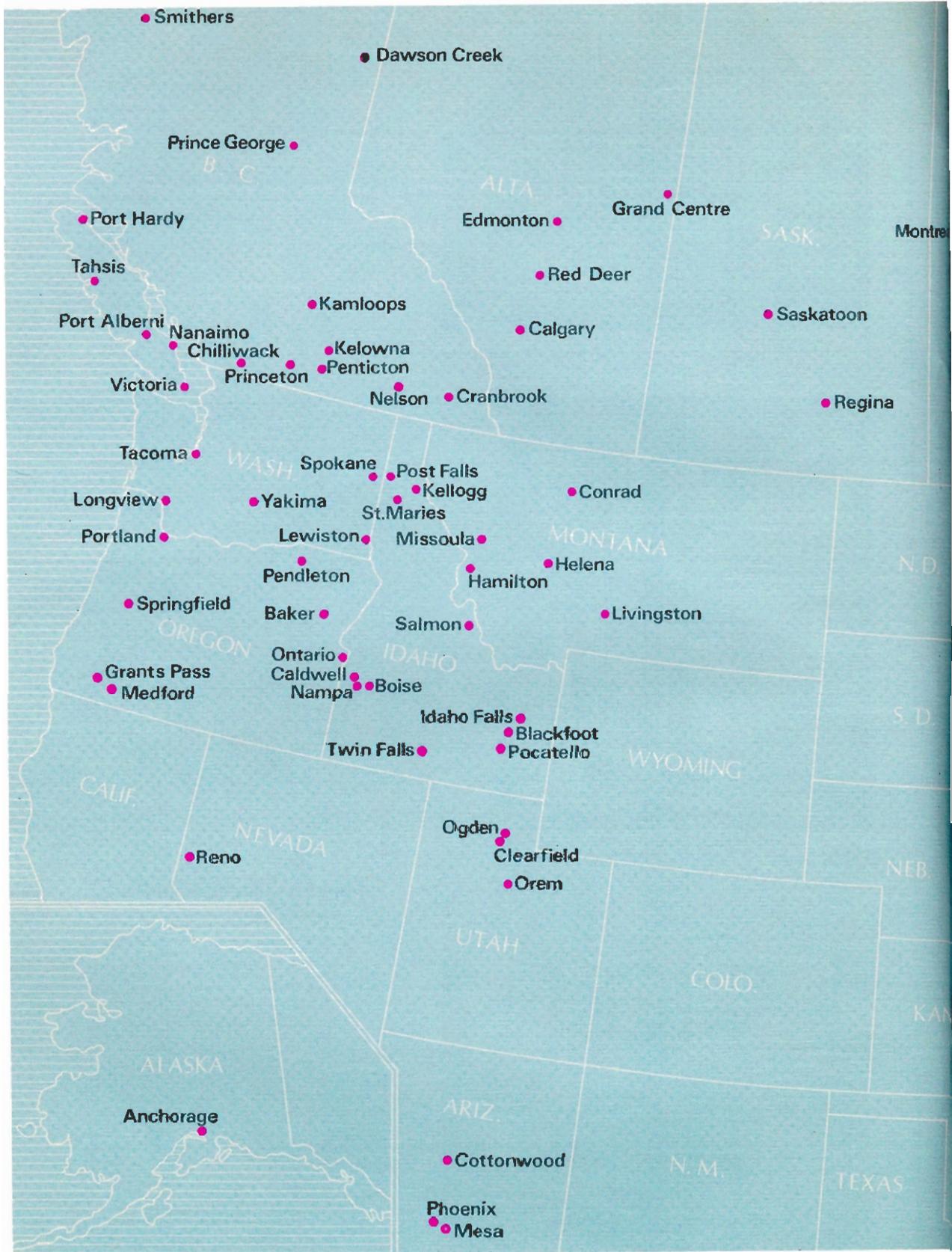


Fireplaces and patios are featured on many Cedarglen residences.



"Where Extra Value is a way of Life" is aptly portrayed by these imaginative interior designs.

MOBILE HOMES



ATCO's Mobile Homes Dealer Organization.



The increasing number of quality mobile home parks indicates a bright future for the mobile home industry.



Excellent progress was made during the past year in development of the Group's mobile home operations in Nampa, Idaho and Calgary. In both locations special emphasis was placed upon customer acceptance with extensive design and decor improvements instituted under the direction of professionals specifically engaged for this assignment.

In Calgary, continued emphasis on the dealer organization has brought results with about 30 dealers now handling ATCO Homes from Vancouver Island to Winnipeg. The Vermont and Ve-laire lines have been supplemented by addition of the Sierra and San Juan series providing customers with a greater selection of homes.

Despite significant economic problems in the Pacific Northwest and particularly Seattle, ATCO Homes Inc. increased sales volume by approximately 35% over 1970 and plans are now finalized for further expansion of the market in a southerly direction to Arizona.

The viability of the product was clearly demonstrated when ATCO Homes Inc. was chosen by Bechtel Corporation of San Francisco to supply 60 doublewide mobile homes to house married workmen at the Navajo Generating Station project near Page, Arizona. Coming as it did during the winter months, this contract was most welcome since it helped maintain employment levels during a traditionally slow period. The benefits from this continuity of production staff will continue to accrue during fiscal 1972.

Luxurious family living in ATCO mobile homes.





SUPERIOR COMPONENTS & INTERIORS

Superior Components experienced another year of remarkable progress in the manufacture of building components and construction of high quality commercial interiors. The Interiors Division's clients included Hy's of Saskatoon, the Calgary International Inn, Westburne International Industries and a number of the Canadian chartered banks. Late in the year a contract was received to provide all interior finishing for the new Hyatt House development in downtown Toronto.

Just as the majority of the Hyatt House work will be completed in the current year, so will



the contract with the University of Calgary for the supply of laboratory casework. This latter job is of great significance in that it substantially broadens Superior's participation in the fast growing field of educational facility furnishings and fixtures.

Superior's production facilities are currently being expanded by the addition of 30,000 sq. ft. in the woodworking area. Simultaneously several new machines are being installed to increase productivity and reduce costs. Completion of this program will provide Superior with production capability unequalled in Canada.

Westburne International Industries chose Superior Interiors to provide quality finishing in their remodelled executive area.





Fine restaurants across the country such as the Beefeater in Calgary feature Superior designed and installed interiors.

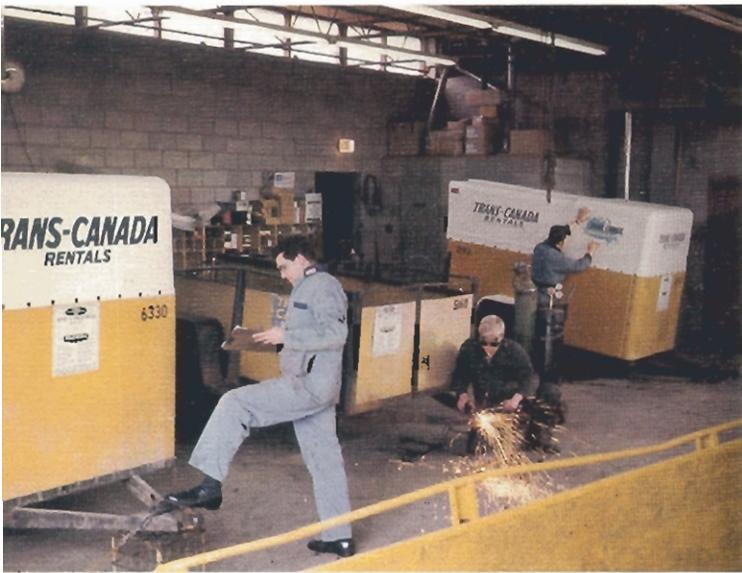
The extensive use of mirrors and novel lighting in the Piano Bar of the new International Hotel in Calgary illustrates Superior's flexibility in materials and design.

The new Toronto Hyatt House will feature interiors and furnishings by Superior.





TRANS-CANADA RENTALS



Trans-Canada Toronto maintenance center. Similar operations in all major cities assure clients of trouble free trailer operation.

During the past year, emphasis in the Trans-Canada Rent-A-Trailer Ltd. operation has been on continuance of the administrative improvement program commenced during 1970. The area of customer service has also received considerable attention with incentive programs established to promote improved dealer performance. Prototypes of newly designed rental units are now undergoing performance tests in the fleet to ensure that in future all new rolling stock will meet the consumers needs while maintaining minimum rental rates.

TRANS-CANADA DEALER DISTRIBUTION

Region	Dealers
British Columbia	68
Alberta	80
Saskatchewan & Manitoba	29
Ontario	98
Quebec	133
The Maritimes	9

Total 417

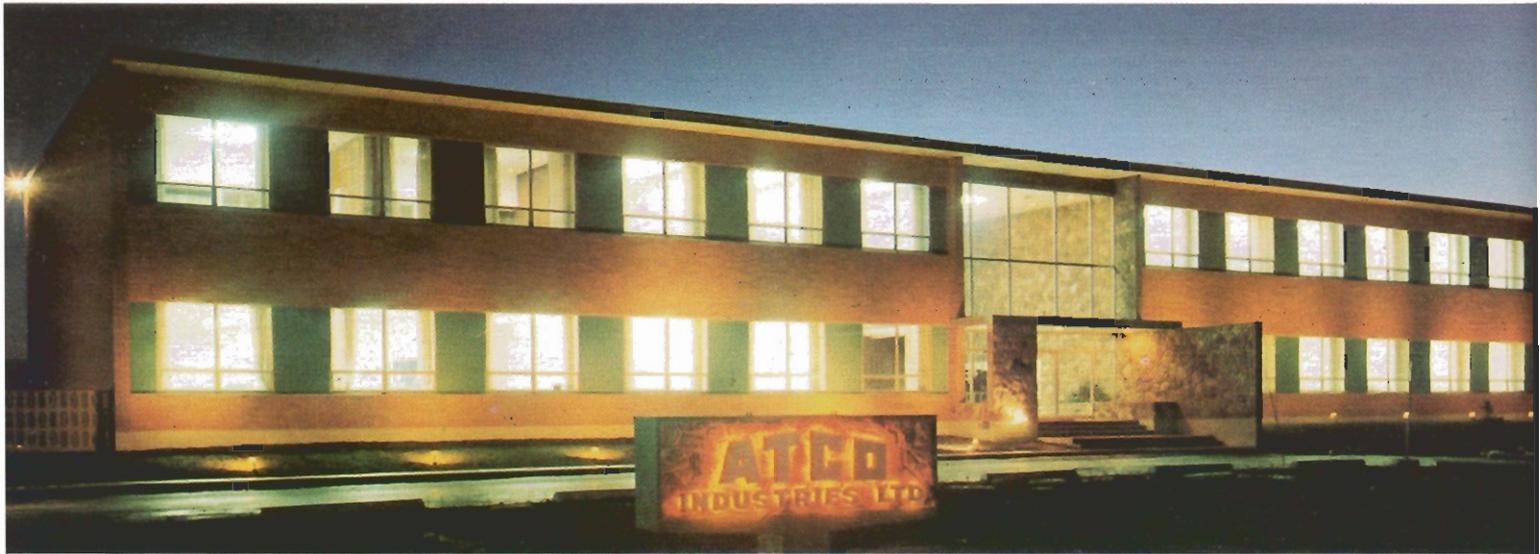


Another unit providing low cost moving to anywhere in Canada.



ATCO housing reaches world-wide destinations using all modes of land, water and air transport.

FACILITIES



ATCO Industrial Park
ATCO (Western) Ltd.
Superior Components Ltd.
Research & Development Center
ATCO Homes Division
South Park Industries Ltd.

ATCO Industries Ltd. (Head Office) —
Calgary, Alberta

Paraweld Industries Pty. Ltd. - - Adelaide, Australia

ATCO Homes Inc. — Nampa, Idaho

ATCO (Quebec) Ltée. - - Montreal, Quebec

WOWIC Industries Pty. Ltd. - - Adelaide, Australia



RESEARCH & DEVELOPMENT

During fiscal 1971, the Research & Development Center expanded its line of shelter products to include construction techniques utilizing conventional materials. Two major programs were undertaken which utilized basic wood structures for relocatable shelters. The two programs were the Skylab Tower, a panelized structure developed for the National Science Foundation South Pole Station, and the Safety Equipment Maintenance Shelter Complex developed for the U.S. Marine Corps. Work continued in the area of lightweight shelter systems primarily employing sandwich panel construction techniques, and on advanced containerization systems associated with air transportable systems.

Major programs undertaken during fiscal year 1971 included:

Skylab Tower

The United States National Science Foundation initiated work on a new complex to be known as the South Pole Station. Work performed at this Station will be primarily associated with observing natural phenomena and extrapolating the environment associated with the South Pole to environments on the lunar surface. The 60 foot, 4 storey Skylab Tower will be the tallest building at the Station. The building is fabricated of fire retardant treated wood finished with pre-painted steel siding similar to most other ATCO structures.

Construction was completed in December, 1970, and shipment made to the U.S. Navy Construction Battalion Centre at Davisville, Rhode Island for forwarding to McMurdo in the Antarctic. Erection of the tower which will be located within 1000 feet of the geographic South Pole will take place during late 1971 under the direction of Research & Development Center personnel.



Artist's conception of the U.S. Navy/National Foundation South Pole Station. ATCO is supplying the housing units depicted within the Geodesic Dome and the Skylab Tower on the right.

Airmobile Maintenance Shelter

The Airmobile Maintenance Shelter (AMS) has been under development by ATCO for the past five years. During that time, a completely new technology has evolved for lightweight shelters including lightweight mobilizers required for air transportable shelters. Testing by the U.S. Army indicates that the AMS unit successfully meets all reliability requirements specified for the system. It is expected that the units will be reassigned to Fort Hood, Texas for further testing in July, 1971.



Sems modules in knock-down configuration are air lifted to the destination.



An erected Sems computer complex manufactured for the United States Marine Corps.



Air transportable maintenance shelters developed by the R & D Center undergoing U.S. Army testing procedures at Fort Rucker, Alabama.

Safety Equipment Maintenance Shelter Complex

The Safety Equipment Maintenance Shelter (SEMS) Complex was developed for the U.S. Marine Corps to facilitate maintenance of survival equipment such as parachutes, oxygen bottles, ejection seats and life rafts at forward air bases. Delivery of two complexes, each consisting of twelve knock-down units, was made in early January, 1971. The units have been deployed to Japan and Okinawa for functional field testing. The

SEMS Complex is a significant step forward in the development of relocatable facilities for military and commercial applications at remote sites. Each unit consists of an 8 foot x 20 foot shelter which in a knock-down configuration is only 2 feet high. In the expanded configuration, each unit allows for approximately 8 feet of head room.

The complex, constructed of conventional wood products and pre-finished steel siding, utilizes the proprietary concepts developed by ATCO in the EXPAC units.



U.S. Air Force Bare Base Containerization System

With the successful conclusion of qualification testing on the initial Bare Base Containerization System prototype, a contract was received to fabricate five additional containerization systems. Each system consists of a master consolidation container, modular shelving, knockdown cargo cages, and environmentally controlled boxes. These units will be used for further field testing by the Air Force to evaluate handling concepts under field conditions.

The additional systems were delivered in January, 1971, and have completed testing at U.S. Air Force installations in North and South Carolina. Test data, to date, indicates that the containerization system is functioning extremely well under field conditions, and in conjunction with excellent performance during qualification testing at Elgin Air Force Base, Florida, will result in a highly reliable air cargo containerization system. With these initial successes as indicative performance, another contract was awarded ATCO to develop a packaging system for the Bare Base

water distribution system. The initial phase of this design study has been completed, and functional field testing of the system should take place in the current year.

Radio Equipment Shelter

During fiscal 1971, the Research & Development Center, contracted with the U.S. Department of Justice, Immigration and Naturalization Service, to provide a remote location radio equipment shelter. The specifications called for an exterior surface with no exposed joints or seals to preclude entry of water, dust or foreign particles. In addition, panelling used in the shelter had to be impervious to a 22 calibre long rifle bullet from 40 yards. These stringent requirements dictated the development of a plywood-paper honeycomb sandwich panel completely covered with fibreglas to provide an impervious external coating.

The atmospherically conditioned shelter included an auxiliary generator, equipment racks, air conditioning and heating systems, and electrical distribution systems.

Portable Equipment Shelter

Requirement for a portable equipment shelter by the National Aeronautics and Space Administration to cover sensitive photographic and tracking equipment resulted in the development of a highly mobile and easily assembled shelter system. The shelter is a 20 foot hemispherical dome framed in lightweight aluminum and covered with hypalon fabric. The structure can be deployed or folded in less than five seconds, and withstand wind velocities up to 100 MPH. The entire shelter when packaged fits into a 2' x 4' x 7' box. Applications for patents have been instituted.

Munitions Containers

Aluminum alloy containers were developed for the U.S. Navy to house five and eight inch car-

tridge cases. The containers provide a complete environmentally controlled atmosphere with humidity indicators for continuous external observation of atmospheric conditions within the container. Provision is made for handling with all types of equipment now in the Navy inventory including cranes and fork-lifts.

New South Pole Station

Near the end of fiscal 1971, the Research & Development Center received a \$1.5 million contract from the U.S. Navy to provide living and working facilities for the South Pole Station. This contract requires the design and fabrication of the buildings which will form the major portion of the Station. Work has been initiated on this contract, and it is expected that the buildings, which will require approximately 28 Hercules aircraft trips to transport to the South Pole, will be completed during November, 1971.

New Programs

As the Research & Development Center entered fiscal 1972, two programs were initiated by the U.S. Navy. The first calls for development and construction of a Tactical Support Center for use as a computer facility. The second is the development of an advanced base aircraft hangar to be used by both the Navy and the Marine Corps. The aircraft hangar will use the basic concepts associated with the ATCO Fold-A-Way building. Delivery of both of these systems is scheduled for early 1972.

In addition, the Research & Development Center has been awarded two contracts from the Data Systems Division of Litton Industries in California to design and prototype electronic shelters for the U.S. Army and Marines. These shelters will be constructed of aluminum faced paper honeycomb sandwich panels.

HEAD OFFICE

1243 McKnight Blvd., Calgary 67, Alberta

TRANSFER AGENTS

CANADA PERMANENT TRUST CO.

Calgary — 515 8th Avenue S.W., Calgary 1, Alberta

Montreal — 600 Dorchester Blvd. W., Montreal 2, Quebec

Toronto — 320 Bay Street, Toronto 1, Ontario

THE ATCO GROUP

Acceptance Corporation of America Ltd.
ATCO (Eastern) Ltd.
ATCO Homes Inc.
ATCO Homes
ATCO Industries Ltd.
ATCO International Ltd.
ATCO Leasing
ATCO (Quebec) Ltee.
ATCO Research & Development Center
ATCO (Western) Ltd.
ATCO Structures Inc.
Cedarglen Homes
Paraweld Holdings Pty. Ltd.
Paraweld Pty. Ltd.
Southland Camps Pty. Ltd.
Superior Components Ltd.
Superior Interiors
Trans-Canada Rent-A-Trailer (1964) Ltd.
WOWIC Industries Pty. Ltd.
WOWIC Industries (WA) Pty. Ltd.