

1972 Annual Report

Head Office

1243 McKnight Blvd., Calgary, Alberta T2E 5T2

Transfer Agents

CANADA PERMANENT TRUST CO.

Calgary - 315 8th Avenue S.W., Calgary, Alberta

Montreal - 600 Dorchester Blvd. W., Montreal, Quebec

Toronto - 320 Bay Street, Toronto, Ontario

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Financial Highlights

	<u>1972</u>	<u>1971</u>	<u>Change</u>
TOTAL REVENUE	\$50,414,000	\$42,548,000	+ 18%
EARNINGS:			
Before income taxes and extraordinary item . . .	3,194,000	1,533,000	+108%
Income taxes	<u>1,571,000</u>	<u>803,000</u>	+ 96%
	1,623,000	730,000	+122%
Extraordinary item	—	266,000	
Net earnings	<u>\$ 1,623,000</u>	<u>\$ 464,000</u>	+250%
AVERAGE SHARES OUTSTANDING			
During Year	2,551,000	2,549,000	
EARNINGS PER SHARE			
Before income taxes and extraordinary item . . .	\$1.25	\$0.60	+108%
Income taxes	<u>0.61</u>	<u>0.32</u>	+ 91%
	0.64	0.28	+129%
Extraordinary item	—	0.10	
Net earnings	<u>\$0.64</u>	<u>\$0.18</u>	+256%
FINANCIAL POSITION			
Working Capital	\$ 9,610,000	\$ 7,414,000	+ 30%
Fixed assets	16,120,000	14,564,000	+ 11%
Other assets	<u>3,627,000</u>	<u>2,296,000</u>	+ 58%
	29,357,000	24,274,000	
Less —			
Long term debt	<u>7,923,000</u>	<u>5,976,000</u>	+ 33%
	21,434,000	18,298,000	
Deferred items	<u>4,267,000</u>	<u>2,779,000</u>	+ 54%
Shareholders' equity	<u>\$17,167,000</u>	<u>\$15,519,000</u>	+ 11%
VALUATION DAY PRICE (DECEMBER 22, 1971) PER SHARE		<u>\$8.13</u>	





*ATCO Board of Directors.
Seated, left to right - C. N. Simpson, R. Rice,
S. D. Southern, B. P. Drummond, E. N. Farch
Standing, left to right - J. D. Wood, R. D. Southern,
C. S. Richardson, G. A. Freeman, G. P. Kieler*

To Our Shareholders

In fiscal year 1972, the ATCO Group of Companies had total revenues of \$50,413,755. This was a substantial 18 percent increase over 1971 revenues of \$42,548,000. The achievement of this level of activity is indeed a credit to the dedicated efforts of our staff.

Earnings for fiscal 1972 were \$1,623,032, or 64¢ per share, an increase of 255 percent over 1971 earnings of \$463,554, or 18¢ per share. The 1971 figures include an extraordinary loss of \$266,475, or 10¢ per share. There were no extraordinary items in 1972. The Company's financial position continues to be excellent with working capital of \$9,410,245. Subsequent to our year-end but prior to the issuance of this report, long-term debenture financing has been arranged in the amount of \$10,000,000 to retire the previous long-term indebtedness and to provide additional capital for expansion.

Capital expenditures other than industrial rental fleet additions totalled \$1,082,569, a significant portion of which went to the establishment of new manufacturing facilities in Riverside, California; Montreal, Quebec; and Calgary, Alberta. Purchases of automated machinery continued during the fiscal year and all of these investments should be reflected in our fiscal 1973 revenues, which are estimated to exceed \$60,000,000.

Of significant note in the growth of our revenues in 1972 is the fact that sales of mobile homes and conventional housing were 24 percent of the revenues mentioned above.

The beneficial results of the diversification program that we undertook three years ago are now being realized and we look for increases in our earnings in the years ahead.

Further capital expenditures on new factories at various locations in North America are being contemplated at the present time and as decisions are reached by our Board, announcements will be made.

Emphasis on product development continued in 1972 and some of the results are illustrated in the text of this report.

The domestic economies in Canada, the United States and Australia were at best spotty when taken in the twelve-month context of our 1972 fiscal year. Definite improvement took place in the second half of the year, and we fully expect this to continue in the year ahead.

A fire completely destroyed one of the factories utilized by ATCO (Western) Ltd. on March 10, 1972. The Company was insured not only for the direct loss incurred but also for business interruption losses. The claim on these losses is presently being processed, and construction on a new factory should commence by September of this year.

While our industrial companies as a group were affected by a decline in resource development activity, it is particularly satisfying to note that they far outperformed their competitors in their various market areas. Timing of the return to higher levels of spending in the resource area is difficult to estimate; nevertheless, encouraging developments are the announcements concerning start-ups for pipelines, hydro-electric and mineral projects in the various markets that our industrial companies serve. We fully expect that in the next five years substantial levels of volumes and profits will be recorded by these subsidiaries.

A most encouraging development has taken place since the year-end with the Federal government's proposal to lower the taxation rate on manufacturing and processing industries to 40 percent effective January 1st, 1973. While ATCO will realize very limited benefits in the 1973 fiscal year, recognition by government of the key role played by secondary industry in the Canadian employment picture augurs well for the future. While regulations detailing eligibility for the reduced tax rate have not yet been made public, I am confident that a significant portion of the Group's income will qualify.

In February of 1972 your Board of Directors met in Adelaide, Australia for the first time. As a result of their visit, planning and operational decisions have been made that will enhance our position and broaden our endeavours in this expanding market place.

On behalf of our Board of Directors, I wish to express appreciation for the excellent performance and co-operation demonstrated by all my fellow employees during the past year and to convey to our shareholders our confidence that 1973 will be a year of new records for the ATCO Group of Companies.

For the Board of Directors,



A handwritten signature in dark ink, appearing to read "R. D. Southern". The signature is fluid and cursive.

R. D. SOUTHERN
President and Chief Executive Officer

Housing - Industrial

Continuing the trend established last year, fiscal 1972 produced varying results in the industrial housing market areas of Australia, Eastern Canada and Western Canada. The latter was the strongest sector of the three, with activity and prices firmer than in the preceding year. In Western Canada a major effort was made to improve customer satisfaction with the establishment of comprehensive service centres in Vancouver, Prince George, Edmonton, Calgary and Winnipeg. The ability to provide superior service at reduced cost to both purchasers of new equipment and lessees of rental units through these field operations is a major step forward. Plans are underway for similar installations in Eastern Canada and Australia.

While the Prudhoe Bay oil pipeline project continues to be stalled in legal technicalities, acceptance of the concept by the United States Department of the Interior is a significant step forward. All indications are that the companion natural gas system will utilize the Mackenzie Valley route. While the timing of the latter line is still obscure, the Canadian government's willingness to accept construction applications in 1973 confirms their desire for an early start on the project. The opportunity to learn from the experience in Alaska will undoubtedly reduce the lead time from date of application to approval to proceed. The increased exploration activity in both the Mackenzie Delta and the Arctic Islands, which has resulted in a number of orders for ATCO (Western) Ltd., tends to confirm the petroleum industry's optimism in this regard.

"At present, when people in my country and in Canada are advancing into new regions, the production you are engaged in will have great importance for these regions." So said Premier Alexei Kosygin of Russia during his visit to ATCO's Montreal facilities last fall. As a result of his visit ATCO has submitted a proposal to supply technical assistance for the establishment of similar facilities in Russia.

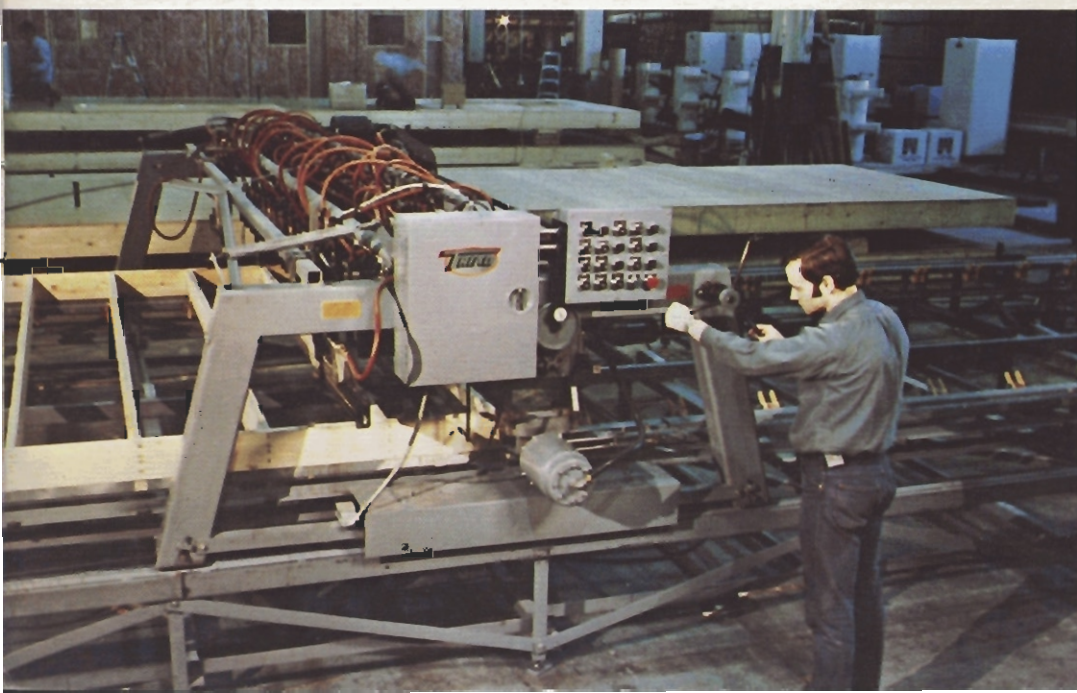
From a product point of view the development by ATCO (Quebec) Ltee. of a gymnasium complex to supplement the modular classroom "Multiplex" is most significant in that complete

WOWIC kitchen provides boulevard cafe facilities in downtown Adelaide during the 1972 Arts Festival

St. Felicien school authorities chose ATCO to fill their gymnasium requirements. The panelized structure features a 22' ceiling height to accommodate a complete range of indoor recreation activities

This fully automatic floor building machine assures ATCO clients of consistent quality at a reduced cost

Premier Alexei Kosygin tours ATCO's Montreal facilities during his official visit to Canada



educational facilities can now be provided without resorting to on-site construction techniques.

The Quebec provincial government's decision to proceed with the La Grande portion of the James Bay development is most encouraging. The development of roads, airports and harbour facilities in the current year followed by actual dam construction next year will provide many opportunities for ATCO (Quebec) Ltée. To date, this subsidiary has supplied housing for road contractors now on the James Bay project as well as support facilities at Mattagami. In addition Hydro Quebec survey crews are utilizing an ATCO helicopter camp, the first produced by the industry in Eastern Canada.

The Australian economy, already performing below par in the early part of the fiscal year, was dealt a severe blow in August when President Nixon made public the new United States economic policy. The uncertain position in which the Japanese found themselves resulted in severe cutbacks in orders for Australian ore production which in the past few years has taken over from agriculture as the cornerstone of the Australian economy.

In the face of these extremely adverse conditions WOWIC Industries Pty. Ltd., ATCO's Australian industrial housing subsidiary, achieved a satisfactory, if not outstanding, level of business. Export activity played an important role in the success achieved with equipment being supplied to New Caledonia, Indonesia, Oman and Algeria.

The most noteworthy contract undertaken in Australia was the construction of a two-storey dockers' canteen in New Caledonia. The success of this joint WOWIC/Paraweld venture is indicative of the potential the two ATCO subsidiaries possess where a flexible modular and steel fabrication approach is required.

Australian classroom demand continued very strong with indications that the market will continue to grow.

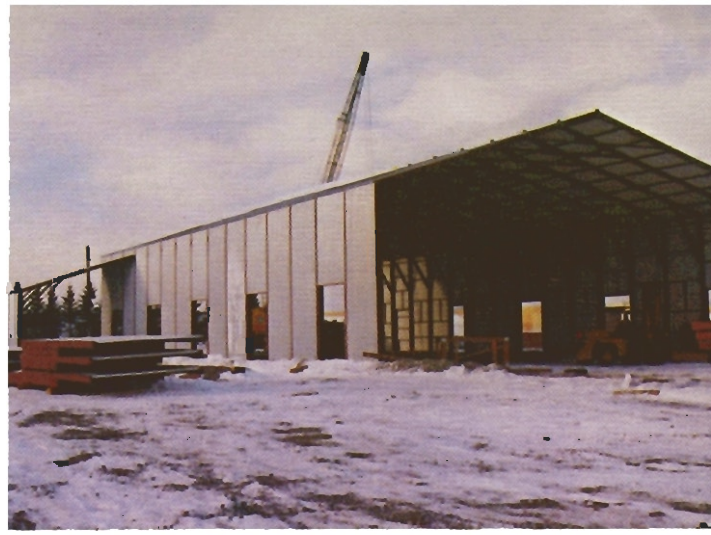
Rentals supported by substantial capital investment in prior years reached record levels in both Australia and Canada. Sales of used units also exceeded any previous year as the used unit sales program coupled with rental fleet modernization continued to yield substantial benefits in market penetration and reduced maintenance costs.

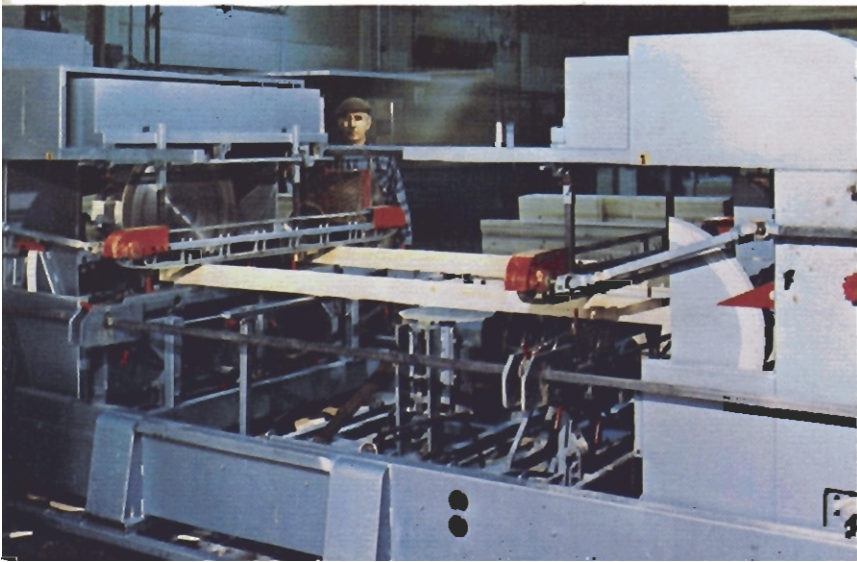
Another Fold-A-Way building is erected in a matter of hours at a remote northern location

Specially designed units leaving Calgary on the first leg of their long trip to the Arctic

A cut train heads north to Norman Wells

A custom designed Arctic drilling camp undergoing testing in Calgary prior to shipment to its remote destination

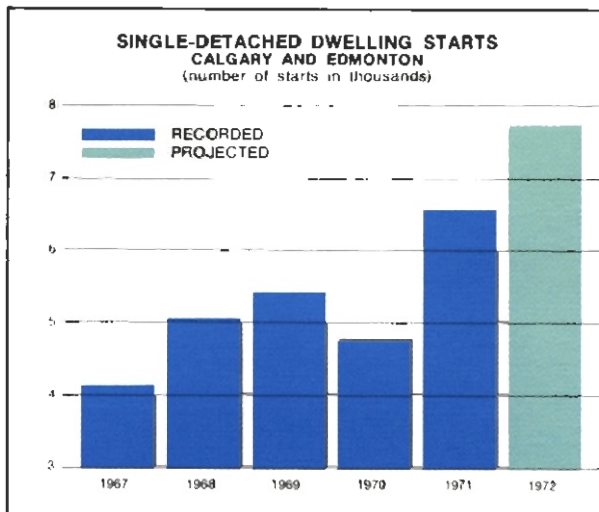




WOWIC' office facilities in use on Sydney Underground Railway project

Typical transit buses and fire engines leased to the City of Calgary

Milling machine sizes lumber components automatically resulting in precision construction with reduced material waste



Housing - Residential

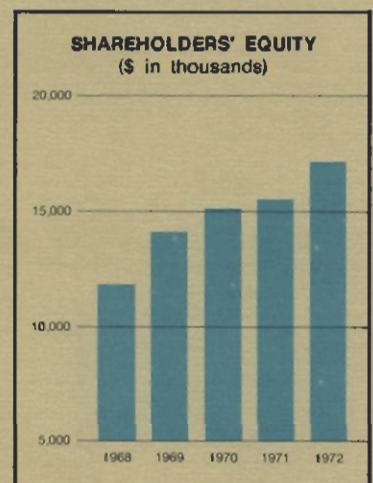
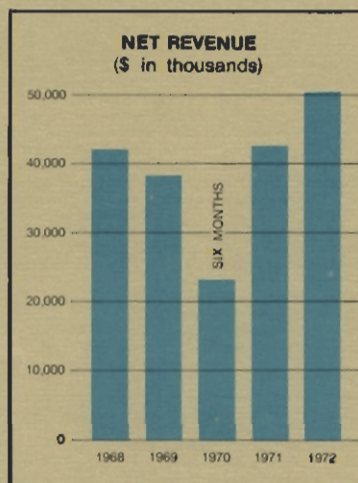
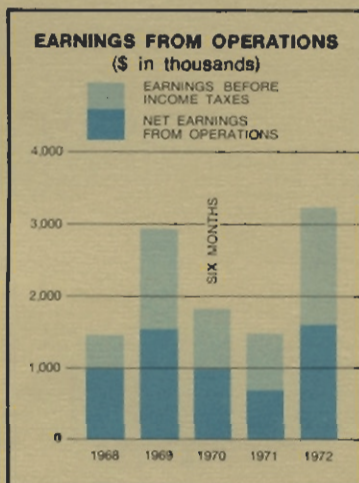
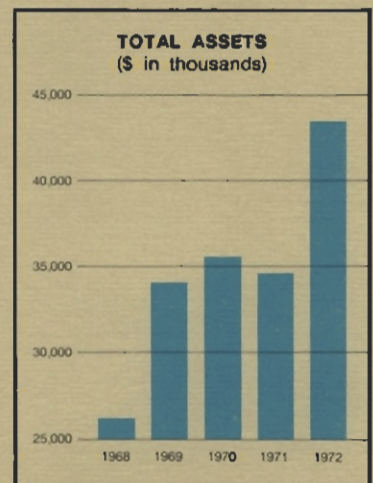
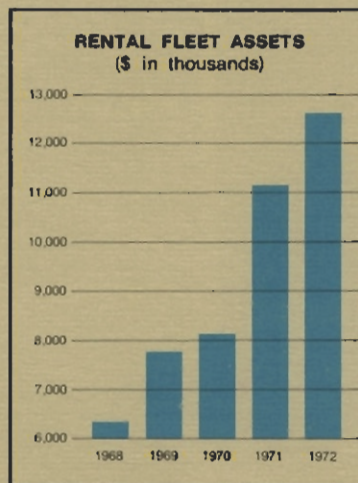
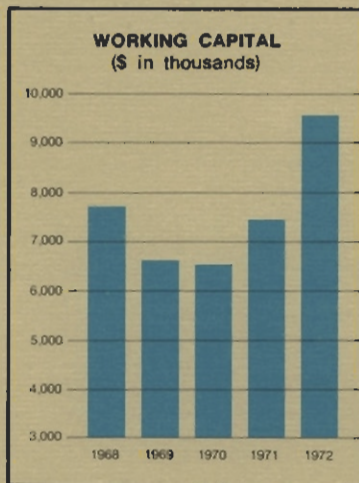
Expansion into the Edmonton market area highlighted another successful year of on-site residential building for Cedarglen Homes. The Edmonton operation was established in January 1972 with construction in the adjacent town of St. Albert. Land has been acquired in other areas and prospective purchasers will be afforded a choice of locations by the fall of 1972.

Cedarglen's area of specialization is single family dwellings and it is encouraging to note the trend away from multi-family structures, and back to the single detached residence. This factor, combined with the buoyant housing market in both Calgary and Edmonton, supported by a continuing supply of mortgage funds indicates that Cedarglen should double its volume during fiscal 1973.

Further confidence in Cedarglen's ability to increase sales stems from a bright housing picture across the country. Nationally, housing starts are projected to possibly reach 250,000, an increase of 7 percent from the 1971 total of 233,600. These projections were made prior to the Federal government's proposals regarding the formation of mortgage investment companies, and a new central mortgage bank called Residential Mortgage Market Corporation (RMMC). Even further stimulus should result from the seven-point program to amend the National Housing Act, recently introduced by Housing Minister Bastford.

Cedarglen's motto "Where extra value is a way of life" is aptly illustrated by the houses pictured. Unique exterior designs complimented by thoughtful interior planning and workmanship assure customer satisfaction. Operations in Edmonton commenced in January 1972





Consolidated Statement of Earnings

For the Four and One Half Years Ended March 31, 1972
(thousands of dollars)

	1968	1969	1970	1971	1972
			(Six Months)		
Sales, rentals and service revenue	42,112	37,889	22,762	41,804	49,610
Other income	280	418	275	744	804
Operating costs and amortization	42,392	38,307	23,037	42,548	50,414
	33,195	27,141	16,462	31,060	36,217
Selling and administrative expenses	9,197	11,166	6,575	11,488	14,197
	6,240	6,399	3,612	7,557	8,144
Interest expense	2,957	4,767	2,963	3,931	6,053
	421	556	363	855	982
Depreciation	2,536	4,211	2,600	3,076	5,071
	991	1,198	674	1,543	1,877
Income taxes	1,545	3,013	1,926	1,533	3,194
	549	1,377	907	803	1,571
Extraordinary item	996	1,636	1,019	730	1,623
	279	—	—	(266)	—
NET EARNINGS	1,275	1,636	1,019	464	1,623

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ATCO INDUSTRIES LTD. and Subsidiary Companies

Consolidated Statement of Earnings and Retained Earnings

	<u>Year ended March 31</u>	
	<u>1972</u>	<u>1971</u>
REVENUE:		
Sales, rentals and service revenue	\$49,609,680	\$41,803,759
Other operating revenue	469,911	351,941
Interest income	334,164	392,685
	<u>50,413,755</u>	<u>42,548,385</u>
COSTS AND EXPENSES:		
Operating costs	36,035,128	30,960,016
Amortization of deferred charges	181,482	100,556
Selling and administrative expenses	8,143,593	7,557,316
Interest expense—		
Long-term debt	667,988	547,411
Other	314,739	307,324
	<u>45,342,930</u>	<u>39,472,623</u>
EARNINGS BEFORE DEPRECIATION, INCOME TAXES AND EXTRAORDINARY ITEM	5,070,825	3,075,762
PROVISION FOR DEPRECIATION	1,877,105	1,542,559
	<u>3,193,720</u>	<u>1,533,203</u>
PROVISION FOR INCOME TAXES	1,570,688	803,174
EARNINGS BEFORE EXTRAORDINARY ITEM	1,623,032	730,029
EXTRAORDINARY LOSS ON FOREIGN EXCHANGE	—	266,475
NET EARNINGS FOR THE YEAR	1,623,032	463,554
RETAINED EARNINGS AT BEGINNING OF YEAR	9,697,835	9,234,281
RETAINED EARNINGS AT END OF YEAR	<u>\$11,320,867</u>	<u>\$ 9,697,835</u>
EARNINGS PER SHARE:		
Earnings before extraordinary item	64c	28c
Extraordinary item	—	10c
Net earnings	<u>64c</u>	<u>18c</u>

ATCO INDUSTRIES LTD. and Subsidiary Companies

Consolidated Statement of Source and Application of Funds

	<u>Year ended March 31</u>	
	<u>1972</u>	<u>1971</u>
SOURCE OF FUNDS:		
Net earnings for the year	\$1,623,032	\$ 463,554
Add—		
Charges to earnings not involving the disbursement of funds —		
Depreciation	1,877,105	1,542,559
Undepreciated cost of industrial rental units sold	2,652,693	2,697,962
Deferred income taxes	721,770	245,204
Amortization of deferred charges	181,482	100,556
Increase (decrease) of deferred income	766,565	(228,474)
Funds derived from operations	<u>7,822,647</u>	<u>4,821,361</u>
Proceeds of debenture	825,000	3,300,000
Proceeds of mortgage loans, finance company notes, etc.	946,560	129,500
Increase (decrease) of term bank loans	338,475	(241,693)
Issue of shares	25,290	5,060
Working capital of subsidiary acquired	—	87,868
Miscellaneous	—	13,188
	<u>9,957,972</u>	<u>8,115,284</u>
 APPLICATION OF FUNDS:		
Additions to fixed assets —		
Industrial rental units	5,002,490	6,433,837
Other — net	1,082,569	118,543
Reduction of debentures, mortgage loans, finance company notes, etc.	163,617	238,252
Increase of long-term receivables	1,115,930	—
Increase in non-current deposits	75,000	300,000
Acquisition of shares in and amounts due from subsidiaries	—	182,203
Deferred charges incurred	315,048	19,470
Miscellaneous	7,138	—
	<u>7,761,792</u>	<u>7,292,305</u>
INCREASE IN WORKING CAPITAL DURING YEAR	2,196,180	822,979
WORKING CAPITAL AT BEGINNING OF YEAR	<u>7,414,065</u>	<u>6,591,086</u>
WORKING CAPITAL AT END OF YEAR	<u>\$9,610,245</u>	<u>\$7,414,065</u>

ATCO INDUSTRIES LTD. and Subsidiary Companies

Consolidated Balance Sheet

	ASSETS	
	March 31	
	<u>1972</u>	<u>1971</u>
CURRENT ASSETS:		
Cash	\$ 357,966	\$ 1,381,578
Accounts receivable — trade	10,214,748	6,836,176
Claims receivable	472,665	—
Recoverable income taxes	161,063	447,421
Inventories, at lower of cost or estimated realizable value, and uncompleted contract costs less progress billings (Note 3)	10,484,808	7,870,958
Prepaid expenses and deposits	356,188	188,091
Instalment notes receivable within one year	1,421,892	1,184,568
	<u>23,469,330</u>	<u>17,908,792</u>
 OTHER ASSETS:		
Instalment notes receivable, less current portion included in current assets	2,286,378	1,170,448
Miscellaneous	425,521	343,383
	<u>2,711,899</u>	<u>1,513,831</u>
 FIXED ASSETS, at cost (Note 2)		
Less: Accumulated depreciation	21,844,252	19,345,210
	<u>5,724,534</u>	<u>4,780,753</u>
	16,119,718	14,564,457
 DEFERRED CHARGES:		
Unamortized development, patent, start-up and other costs deferred	762,193	628,627
Share issue costs	71,353	71,353
	<u>833,546</u>	<u>699,980</u>
 EXCESS OF COST OF SHARES OF SUBSIDIARIES OVER BOOK VALUE AT ACQUISITION		
	81,706	81,706
	<u>\$43,216,199</u>	<u>\$34,768,766</u>

LIABILITIES

March 31

	<u>1972</u>	<u>1971</u>
CURRENT LIABILITIES:		
Outstanding cheques, less related bank balances	\$ 1,907,531	\$ 742,160
Current bank loans, secured (Note 4)	4,190,000	2,447,250
Accounts payable and accrued liabilities	6,093,886	5,240,100
Income taxes	992,524	657,766
Long-term debt due within one year	675,144	1,407,451
	13,859,085	10,494,727
 DEFERRED CREDITS:		
Deferred rental and interest income	1,407,308	640,743
Deferred income tax liability	2,860,030	2,138,260
	4,267,338	2,779,003
 LONG-TERM DEBT (Note 5):		
8% debenture due March 1, 1983, secured	2,200,000	2,400,000
Debenture due November 16, 1977, secured	4,125,000	3,300,000
Term bank loans, at rates varying from 7 ¹ / ₂ % to 8 ³ / ₄ %, secured by assignment of specific rental contracts	1,118,651	1,186,353
Mortgage loans, finance company notes, etc.	1,128,906	472,093
	8,572,557	7,358,446
Less: Amounts due within one year	675,144	1,407,451
	7,897,413	5,950,995
MINORITY INTEREST IN SUBSIDIARY COMPANIES	25,145	25,145
 SHAREHOLDERS' EQUITY:		
Share capital (Note 6) –		
Common shares without nominal or par value –		
Authorized –		
3,500,000 shares		
Issued –		
2,553,100 shares	4,861,351	4,836,061
Contributed surplus	985,000	985,000
Retained earnings	11,320,867	9,697,835
	17,167,218	15,518,896
 COMMITMENTS (Note 8)		

APPROVED ON BEHALF OF THE BOARD:



Director



Director

\$43,216,199

\$34,768,766

Notes to Consolidated Financial Statements-March 31, 1972

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 two companies which are 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 provisions for depreciation and amortization which have been converted at historical rates.

2. FIXED ASSETS:

A summary of the fixed assets is given hereunder:

	<u>1972</u>	<u>1971</u>
Land and improvements	\$ 568,840	\$ 468,291
Buildings, fixtures and equipment	6,082,446	5,419,634
Leasehold improvements	1,181,263	991,346
Utility trailers	1,300,940	1,363,929
Industrial rental units	12,710,763	11,102,010
	<u>21,844,252</u>	<u>19,345,210</u>
Less: Accumulated depreciation -		
General fixed assets	3,043,930	2,596,704
Utility trailers	701,072	709,526
Industrial rental units	1,979,532	1,474,523
	<u>5,724,534</u>	<u>4,780,753</u>
Net book value	<u>\$16,119,718</u>	<u>\$14,564,457</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.

3. INVENTORIES:

Particulars of the inventories are as follows:

	<u>1972</u>	<u>1971</u>
Materials and parts	\$ 3,190,950	\$2,473,890
Work in progress	3,382,090	2,526,831
Finished units	4,172,794	2,921,688
	<u>10,745,834</u>	<u>7,922,409</u>
Less: Progress billings	261,026	51,451
	<u>\$10,484,808</u>	<u>\$7,870,958</u>

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:

Effective April 28, 1972 the debentures due March 1, 1983 and November 16, 1977 were increased to \$5,000,000 each with the following terms:

The debenture due March 1, 1983 was extended to mature on March 31, 1985 repayable in annual instalments with interest at 8% on the first \$3,000,000 and 2% over the prime rate (but not less than 8%) on the excess.

The debenture due November 16, 1977 was extended to mature on June 26, 1979 repayable in quarterly instalments with interest at 11.4% over the prime rate.

The additional funds so provided were applied in part to the reduction of current bank loans and the expansion of manufacturing facilities and the balance was added to working capital.

The debentures rank equally and 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 Company has the right to pre-pay the principal balance outstanding at any time without bonus except where the funds for prepayment of the debenture maturing in 1979 are borrowed from a commercial bank other than the lender, in which case the bonus is 1/2 of 1%.

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

The annual maturities of long-term debt over the next five years, after giving effect to the changes in debenture debt described above, are as follows:

1973—\$1,425,144	1974—\$1,372,054
1975— \$853,440	1976— \$856,553
1977— \$831,013	

6. SHARE CAPITAL:

Changes in share capital for the year ended March 31, 1972 are summarized hereunder:

	Number of shares	Share capital
Outstanding at March 31, 1971	2,549,460	\$4,836,061
Issued for cash upon exercise of options by officers, directors and key employees	3,640	25,290
Outstanding at March 31, 1972	2,553,100	\$4,861,351

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, 1972 are as follows:

	Price per share	Number of shares
Options expiring in 1973 . . .	\$6.95	38,200
Options expiring in 1976 . . .	\$6.75	20,800
Options expiring in 1976 . . .	\$7.75	17,070

Of 125,000 shares initially reserved for the stock option plan, 88,100 shares remain to be granted and/or exercised.

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, 1972 amounted to \$290,703 (\$243,603 in 1971).

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 \$445,000 for the year ended March 31, 1972; the minimum rentals to be incurred on such facilities during the five-year period ending March 31, 1977 aggregate \$1,990,000.

The future cost of past service benefits for the employees' pension plan is estimated to be \$546,000 which will be paid and charged to earnings in equal monthly instalments over the next 14 years.

Two subsidiaries were acquired in the 1971 fiscal year under terms by which the purchase price may increase by as much as \$309,000 depending upon future operating results of the subsidiaries to June 30, 1975.

Auditors' Report

To the Shareholders of Atco Industries Ltd.

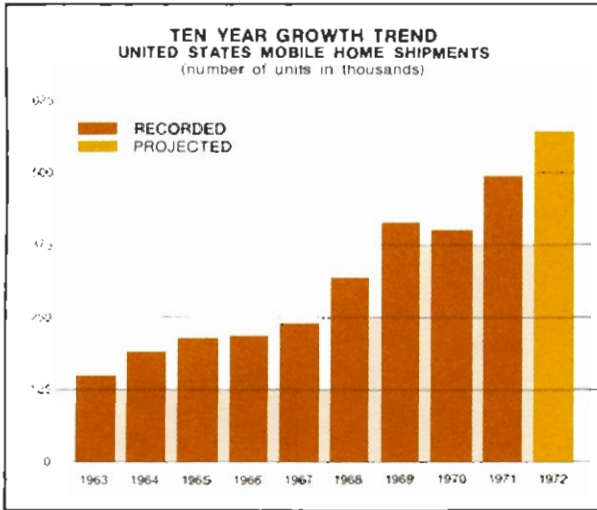
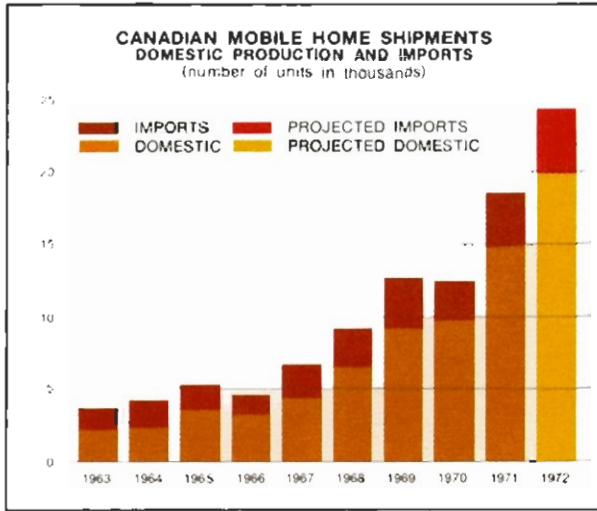
We have examined the consolidated balance sheet of Atco Industries Ltd. and its subsidiaries as at March 31, 1972 and the consolidated statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting 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, 1972 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 year.

Calgary, Alberta
June 30, 1972

PRICE WATERHOUSE & CO.
Chartered Accountants

Housing - Mobile Homes



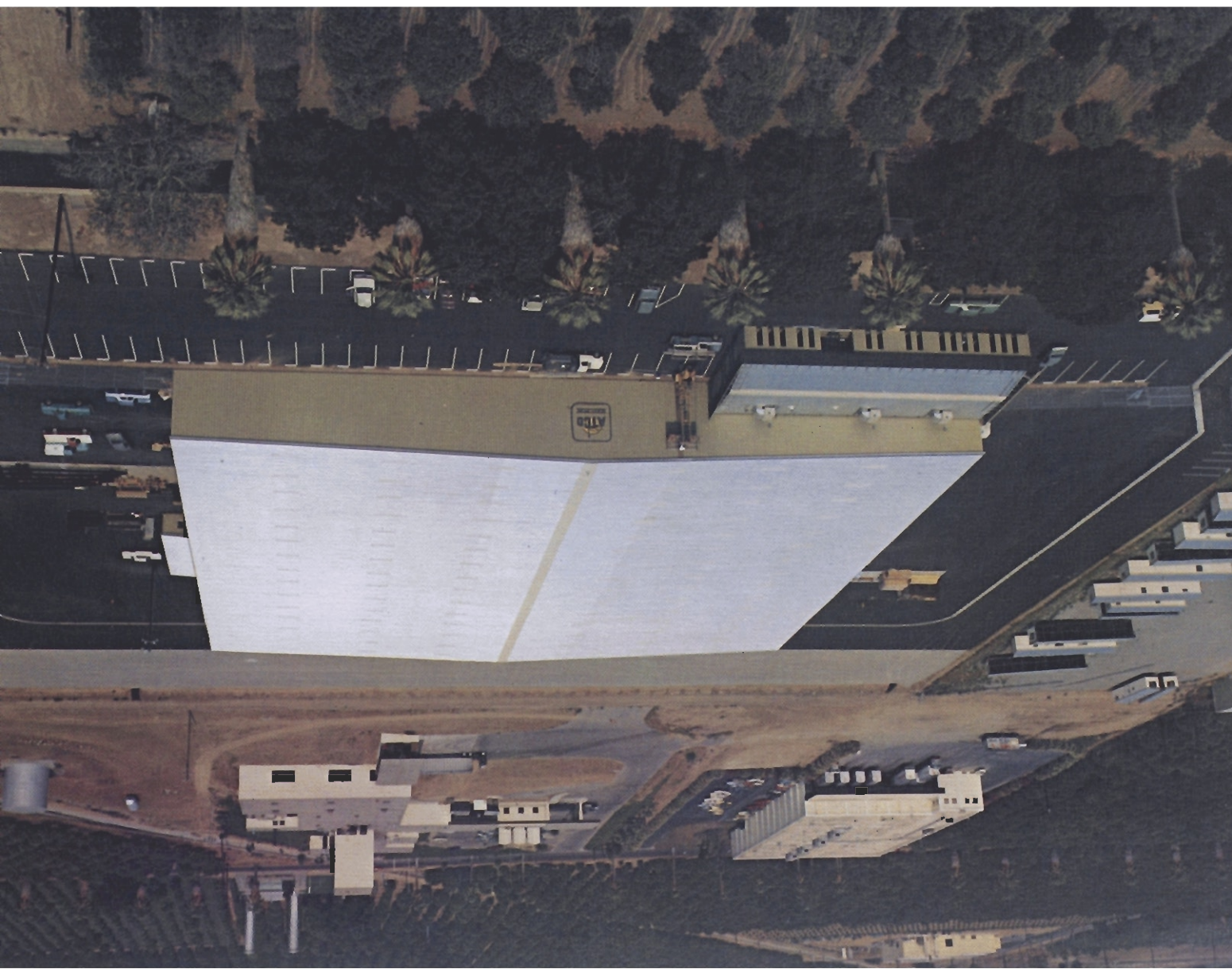
ATCO's mobile home division established records in production and sales during the past year. In both Calgary and Nampa, Idaho, extensive product improvement programs coupled with expansion of dealership organizations and the introduction of 14-foot-wide units led to a 98% increase in sales over fiscal 1971.

Backed by this success the Board of Directors approved expansion of mobile home manufacturing into Eastern Canada and California. Operations will be conducted in an 80,000 square foot facility in Montreal and a 92,000 square foot facility in Riverside, California. The addition of these plants will more than double ATCO's mobile home production capacity. As is normal with any manufacturing operation, no profit contribution is expected from either new plant during their first year of operation.

In both Canada and the United States, numerous factors indicate the mobile home industry has a bright future. Improving economies, longer and more favorable financing, government commitments to low-cost housing and increasing acceptance of mobile home communities will all contribute to this future. The introduction of the 14-foot-wide unit should further accelerate growth. Historically, the industry has expanded its share of the housing market as widths increase. Early returns indicate 1972 shipments are up some 35 percent over 1971.

This large custom built factory spearheads ATCO's entry into the California mobile home market

Quality kitchen cabinets and spacious, well-appointed bathrooms are standard in all ATCO mobile homes



Superior Components & Interiors

The Interiors Division of Superior recorded another active and successful year. At the year end the Division moved into the United States market with receipt of a contract from Hy's Dining Lounge of Chicago.

The laboratory casework contracts with the University of Calgary were successfully completed and considerable interest has been shown in the concept by other universities.

Superior recently completed licensing arrangements with Educators Manufacturing Company to manufacture and sell the INNOVATOR modular casework system, and an initial order has been received. INNOVATOR is an integrated system of storage containers, mobile space dividers, work and display surfaces adaptable to educational institutions, hospitals, libraries, laboratories and offices.

During the past year Superior's Metal Division installed a heavy duty mill providing a new dimension in production capabilities. The mill has facilitated production of industrial roofing, cladding and siding for all types of industrial, commercial and agricultural buildings. Work is presently underway to improve production efficiency with the addition of an overhead crane system and other material handling facilities.

*The Toronto Regency Hyatt House features
interiors by Superior*

*Automated Deck Mill produces six
profiles of industrial sheeting*

A typical INNOVATOR modular casework system

*University lab casework co-ordinates metal,
wooden and arborite construction*

Metfab factory with cladding by Superior



Metal Fabrication

During the latter months of fiscal 1972 metal fabrication previously carried out as part of ATCO (Western) Ltd.'s varied operations was centralized and at the same time the product line was broadened. The new company, Metfab Industries Ltd. has a 55,000 square foot factory under construction in the ATCO Industrial Park, Calgary. This plant will be available in early July and in the interim temporary facilities are in operation.

Initially, products will include ATCO's patented Fold-A-Way steel building system, frames for industrial units, mobile homes and recreational vehicles as well as the "Flagliner" series of gooseneck and flatdeck trailers. These latter units will be marketed through a dealer organization now being developed, and the initial response has exceeded expectations.

The emphasis in Paraweld Pty. Ltd., the Australian metal fabricating arm of the ATCO Group, continued on product diversification and plant improvements. In the latter case the fabrication area was enlarged and material handling facilities upgraded substantially. In the product area Paraweld participated in a number of building projects of unique design in the Northern Territories. In addition a marketing office was opened in Darwin to support the increased activity in this area.

Australian Northern Territory High School features steelwork by Paraweld

ATCO Directors inspect Paraweld structural steelwork on Australia's largest wool processing plant

Versatility is an outstanding feature of the "Flagliner" series of gooseneck trailers



Trans-Canada

During the past year market orientation has been the focal point of Trans-Canada's efforts. At present, special emphasis is being placed on reaching all segments of the market, including recreation enthusiasts, movers, commercial accounts, students, etc. To help achieve this goal, computerized financial and operational data is now available on a weekly basis to improve the efficiency of fleet distribution.

In support of these marketing programs, the brand name ATCOMobile has been adopted as illustrated. Coincidentally the entire ATCO Group of Companies will benefit significantly from the exposure provided by some 3,000 units circulating across Canada.

Because of Trans-Canada's consumer orientation it has been chosen as the operator of ATCO's first retail mobile home sales lot located in Montreal. This lot is in the nature of an experiment, and if successful would be the forerunner of similar outlets in selected areas; however, there is no intention to discontinue retailing of mobile homes through competent, well-financed, independent dealers.

Trans-Canada vans assist snowmobilers to reach their favorite trails

Toronto staff in front of City Hall

Head Office personnel review new advertising and merchandising layouts



Atco mobile

Research & Development

During fiscal 1972, the Research and Development Center continued development of lightweight shelter systems, advanced concepts in containerization and the engineering of special projects utilizing standard ATCO construction techniques. The major program undertaken during the year was the engineering and fabrication of the South Pole Station erected at the South Pole for use by the United States National Science Foundation.

During the latter part of fiscal 1972 the R and D Center was awarded two major contracts for the fabrication of military shelters. One contract was awarded by U.S. Army Electronics Command for the production of 191 S-250 shelters, while a production contract for the first U.S. Navy Tactical Support Center (TSC) was received in January 1972. The initial TSC complex is scheduled for installation in Alaska this summer. With the emphasis on the production of shelter concepts developed by the R and D Center, a re-orientation of the Center's organization has been initiated to facilitate production of advanced military-type structures.

At the close of fiscal 1972, ITT - Gilfillan contracted with the R and D Center for the fabrication of 9 AN/TPS-32 system shelters. These units are scheduled for delivery in about 12 months. At the same time Northrop Corporation awarded a contract for the development of a system of small shelters to be used by the U.S. Marine Corps in field operations. Construction techniques used in these programs will vary from lightweight aluminum paper honeycomb to the more conventional wood frame construction. Major programs undertaken during the 1972 fiscal year include:

Portable Aircraft Hangar

To minimize costs associated with temporary facilities, a portable aircraft hangar was developed for the U.S. Marine Corps. This facility, using the ATCO Fold-A-Way building concept, provides a hangar area 60' wide x 120' long. Workshop areas are attached to each side of the hangar providing a total hangar/shop area of 12,000 sq. ft. The structure is configured to allow aircraft direct access without removing critical sections such as wing tips or vertical stabilizers. The prototype was delivered to the U.S. Marine Corps in March, 1972 and is now undergoing field testing.

S-250 Shelters

Production of the shelters is scheduled to start in early 1973 and extend for about eighteen months. Prior to initiating production the

fabrication and testing of one pre-production article is required to evaluate production concepts and strength characteristics.

The S-250 shelter employs a foam-beam sandwich panel and has necessitated modernizing the R and D facilities to allow for component production and shelter assembly.

Shelter Development

During fiscal 1972, the R and D Center undertook the development of two specialized shelter concepts for Litton Industries. The AN/TSQ 73 shelter supports field operations associated with missile control systems. The shelter is a rigid box type structure fabricated from aluminum-paper honeycomb sandwich panels. Three prototypes are now undergoing field evaluation. A Direct Air Support Central (DASC) was developed to provide a multi-expandable capability housing air traffic control equipment. The DASC system represents the state of the art in lightweight expandable structures and qualification testing is now in progress.

South Pole Station

As prime contractor to the U.S. Navy, the R and D Center developed and fabricated offices, laboratories, living quarters, recreation areas and auxiliary facilities to house personnel and equipment supporting United States National Science Foundation research work at the South Pole.

Construction was completed in November, 1971 and the entire facility was packaged and shipped to Davisville, Rhode Island, for forwarding to McMurdo in the Antarctic. From McMurdo each container was individually air freighted to the South Pole for erection. Consulting services during the erection sequence were provided by R and D personnel.

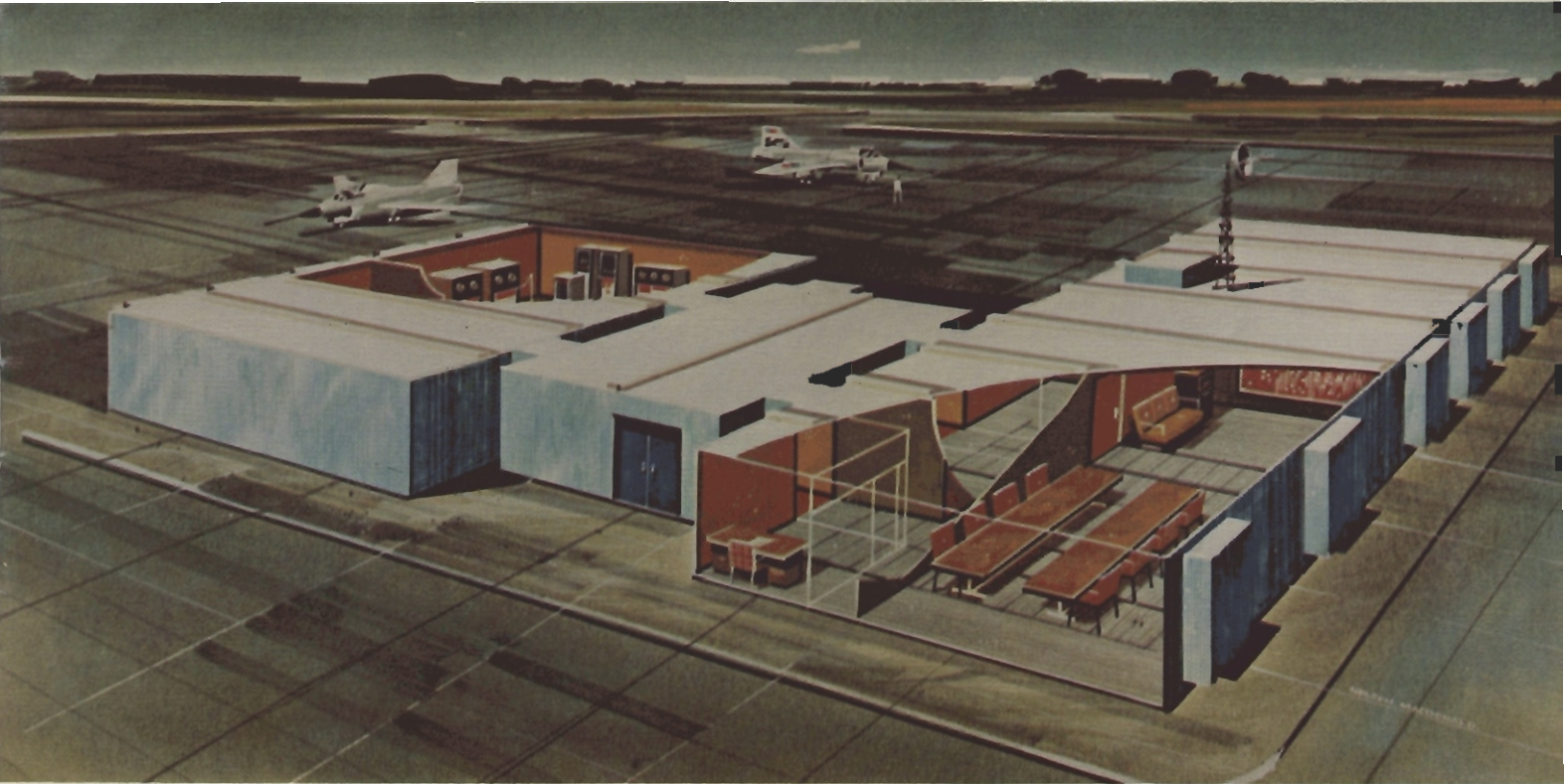
Airmobile Maintenance Shelter

The AMS Development Program was successfully concluded in fiscal 1972 when the shelter completed field testing and was type classified "Standard A" by the U.S. Army. This shelter system is now a standard procurement item for the U.S. Department of Defense.

United States Navy Tactical Support Center houses computerized command facilities

Direct Air Support Centre (DASC) in erected mode

United States Marine Corps Hangar utilizes ATCO patented Fold-A-Way building concept





Directors

- * B. P. DRUMMOND
President, Greenshields Inc., Montreal
- E. N. FARCH
Sr. Vice-President, International Operations, ATCO
- G. A. FREEMAN
Secretary, ATCO
- G. P. KIEFFER
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
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. KIEFFER
Sr. Vice-President, Western Region
- C. S. RICHARDSON
Sr. Vice-President, Finance
- DR. J. D. WOOD
Sr. Vice-President, Eastern Region

The ATCO Group of Companies

Parent Company

ATCO INDUSTRIES LTD., Calgary, Alberta

Branch:

Ottawa, Ontario

Industrial Housing

ATCO (WESTERN) LTD., Calgary, Alberta

Branches:

Vancouver, British Columbia

Edmonton, Alberta

Winnipeg, Manitoba

ATCO STRUCTURES INC., Anchorage, Alaska

WOWIC INDUSTRIES PTY. LTD., Elizabeth, South Australia

Branches:

Sydney, New South Wales

Perth, West Australia

Port Hedland, West Australia

ATCO (QUEBEC) LTEE., Ville La Salle, Quebec

Branches:

Mattagami, Quebec

Quebec City, Quebec

ATCO (EASTERN) LTD., Thornhill, Ontario

Branch:

Dartmouth, Nova Scotia

Mobile Homes

ATCO HOMES INC., Nampa, Idaho

ATCO HOMES (CALIFORNIA) INC., Riverside, California

ATCO HOMES DIVISION, Calgary, Alberta

LES MAISONS ATCO, Ville La Salle, Quebec

Residential Housing

CEDARGLEN HOMES, Calgary, Alberta

Branch:

Edmonton, Alberta

Metal Fabrication

PARAWELD PTY. LTD., Salisbury, South Australia

METFAB INDUSTRIES LTD., Calgary, Alberta

Branch:

Montreal, Quebec

Components & Interiors

SUPERIOR COMPONENTS LTD., Calgary, Alberta

Utility Trailer Rentals

TRANS-CANADA RENT-A-TRAILER (1964) LTD., Montreal, Quebec

Branches:

Calgary, Alberta

Toronto, Ontario

Winnipeg, Manitoba

Vancouver, British Columbia

Finance

ACCEPTANCE CORPORATION OF AMERICA LTD., Calgary, Alberta

Research & Development

ATCO RESEARCH & DEVELOPMENT CENTER, Calgary, Alberta

Branch:

Washington, D.C.

