

ATCO INDUSTRIES LTD.
1973 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

Contents

Financial Highlights	1
Report to the Shareholders	2
Industrial Housing	4
Housing - Mobile Homes	8
Financial History	10
Financial Report - 1973	11
Housing - Residential	18
Superior Components & Interiors	20
Metal Fabrication	22
Special Products	24
Trans-Canada	26
A Year of Growth	26
Directors and Officers	IBC

Financial Highlights

	<u>1973</u>	<u>1972</u>	Change
TOTAL REVENUE	\$76,637,000	\$50,414,000	+ 52%
EARNINGS:			
Before income taxes.	\$ 4,414,000	\$ 3,194,000	+ 38%
Income taxes	<u>1,954,000</u>	<u>1,571,000</u>	+ 24%
Net earnings.	<u>\$ 2,460,000</u>	<u>\$ 1,623,000</u>	+ 52%
AVERAGE SHARES OUTSTANDING			
During Year.	2,566,000	2,551,000	
EARNINGS PER SHARE			
Before income taxes.	\$1.72	\$1.25	+ 38%
Income taxes	<u>0.76</u>	<u>0.61</u>	+ 25%
Net earnings.	<u>\$0.96</u>	<u>\$0.64</u>	+ 50%
FINANCIAL POSITION			
Working Capital.	\$14,521,000	\$ 9,610,000	+ 51%
Fixed assets.	17,809,000	16,120,000	+ 11%
Other assets	<u>3,228,000</u>	<u>3,627,000</u>	— 11%
	35,558,000	29,357,000	
Less —			
Long term debt	<u>10,627,000</u>	<u>7,923,000</u>	+ 34%
	24,931,000	21,434,000	
Deferred items	<u>5,005,000</u>	<u>4,267,000</u>	+ 17%
Shareholders' equity	<u>\$19,926,000</u>	<u>\$17,167,000</u>	+ 16%



Report to the Shareholders



R. D. Southern

In fiscal 1973, the ATCO Group of Companies achieved record revenue and profits. 1973 revenue was \$76,637,467 a 52% increase over 1972 revenues of \$50,413,755 while profits increased to \$2,459,610 a 52% increase over the \$1,623,032 achieved in 1972. The per share earnings were \$0.96 per share in 1973 as against \$0.64 in 1972. Our quarterly shareholder reports included an extraordinary item. Relative to the annual results the amount is not considered significant and has been included in the operating figures. The Group's financial position continued to improve, with working capital increasing to \$14,521,203 at the end of the year, a 51% increase over the end of the previous year.

The achievements reflected in these figures are not only an indication of the strong demand that existed for ATCO's products and services during the past year, but also the success of the diversification program which was undertaken three years ago. While ATCO is still subject to the vagaries of the economies in which it operates, as is any other industrial concern, the Group's dependence on industrial housing sales to resource industries has been greatly reduced. The increased consumer orientation will provide a more regular growth pattern without sacrificing ATCO's ability to capitalize on major spending programs related to resource development.

Capital expenditures on other than industrial rental fleet equipment totalled \$4,545,657 a significant increase over the amount spent annually in past years. In addition to growth in our historical endeavours, new factories were opened; 1 in California, 2 in Quebec and 2 in Alberta this year. One of the Alberta factories is a replacement for the factory destroyed by fire in March of 1972 and will increase ATCO's capacity in the production of industrial units and mobile homes. The timing of the construction of this plant is most appropriate in view of the potential market for the Company's products in relation to the impending development of Western Canadian and Alaskan energy sources. In all, approximately 500,000 sq. ft. of manufacturing space was added in fiscal 1973. While these operations did not record profits as a group during this start-up year, we anticipate increased revenues and profits during our 1974 fiscal year.

During the past year, ATCO was successful in extending its lease with the City of Calgary on the ATCO Industrial Park property to the year 2000. Extension of this lease was considered mandatory in view of the large capital expenditures necessary at the Park to place the Group in a position to capitalize on the opportunities for increased business which lie ahead. In conjunction with this lease extension, ATCO is embarking on a \$250,000 landscaping program at the Park which will

make it one of the most attractive industrial locations in the country.

A significant development late in the year was the re-entry of the Middle East countries into ATCO's marketing picture after an absence of two years. Undoubtedly, the increased cash flow being generated by the Oil Producing and Exporting Countries (OPEC) is a major factor in this development. The receipt of contracts for the supply of housing in Saudi Arabia and Libya in competition with European and United States firms is most encouraging and we are optimistic regarding further work in this area.

The Company participated in its first oil discovery in 1973 and further exploration is planned for this fiscal year. If and when our results become meaningful, we will report to you in detail.

During the past year, the cost of raw materials spiralled with a rapidity and magnitude far greater than at any time in ATCO's history. While wood products and steel were well advertised culprits, many other raw materials were also involved in this situation. Just as alarming is the fact that late in the year shortages began to crop up in many of these same materials as demand exceeded productive capacity. Despite a determined effort to have selling prices reflect these increased costs, the time cycle from start of construction to sale is such that this is not always possible.

In last year's report, I labelled the Federal Government's proposal for lower taxation rates on manufacturing and processing industries "a most encouraging development". It is indeed, and while the measures have just been introduced in Parliament, there is every reason to believe that they will become law in the next 30 days. We believe these lower taxation rates and accelerated depreciation rates to be of fundamental importance in improving ATCO's international competitiveness for the years ahead.

Coupled with our modernization program involving machinery and facilities, these reduced tax rates should improve our profit picture and cash flow. Re-investment of these additional funds will lead to an even larger participation by ATCO in the Canadian economy in the years ahead.

In an effort to more clearly identify ATCO's many products and services, an expanded corporate identification program has been undertaken. In its simplest form, all subsidiaries will now identify their company and products by means of two interchangeable symbols. One is our previous logo somewhat refined, and the other is a standardized Helvetica bold italic namestyle. Both symbols are used throughout this report.

In summary, we are very proud of the last three years in particular, and I would like to

list our principal undertakings during that period:

1. While ATCO remains the undoubted leader in industrial housing, diversification efforts have resulted in consumer type products accounting for approximately 50% of revenue.
2. Modernization and expansion in both facilities and machinery makes the Company extremely competitive and efficient. In addition, reserve capacity is poised to take maximum advantage of the forthcoming resource development boom that will take place not only in Canada, the United States and Australia during the '70's and '80's, but throughout the world.
3. We have consciously and diligently worked to build a sound financial structure for ATCO. Our working capital of \$14,521,203 and unused credit lines of \$9,469,783 mean that not only can the Company withstand economic slumps, but it can truly take advantage of substantial opportunities as they arise. It is hoped that we will be able to make further announcements in this regard during the coming year.
4. Finally, but probably most important, is the development of our people. ATCO is managed today on a decentralized basis. Our fourteen subsidiaries have provided the environment for the development of "a whole new generation of executives". As a group they are quite young, but they average over 12 years of ATCO experience each. They have done a magnificent job and ensure ATCO's continued viability and success in the years ahead.

The building of a company like ATCO is not an easy task and is the result of assistance and efforts of many, many people and organizations. I would especially like to commend the Board of Directors for their untiring efforts and leadership in the fields of policy and strategy. The Directors of the Company join with me as well in voicing appreciation to all in ATCO for a job well done, and in noting that without the valued assistance of Government agencies, bankers and suppliers, our job would be immeasurably harder.

To our Shareholders, thank you for your continued interest and support. Given a reasonable economy, we expect our growth in revenues and earnings to continue.

For the Board of Directors,



R. D. SOUTHERN
President and Chief Executive Officer

Housing - Industrial

Throughout fiscal 1973, there was a continuing upward trend in demand for the products and services of ATCO's industrial housing companies which are located in Montreal, Calgary and Adelaide, Australia. Concurrent with this increased demand, prices firmed reflecting increased costs and improved margins.

Undoubtedly, the greatest improvement occurred in Montreal based ATCO (Quebec) Ltee., where after a weak first quarter, record sales were achieved for the year. Sales directly related to the James Bay hydro project exceeded three million dollars and were a major contributor to the high volume. Also for the fourth consecutive year, the Canadian National Railway chose to augment their work crew accommodation fleet by purchasing flat car mounted units from ATCO (Quebec) Ltee. The company has now supplied in excess of 1,000 such units valued at several million dollars. On a more general note, the market for facilities utilizing the multiplex concept remained strong, particularly in commercial office applications.

Of particular note is the receipt in May of 1973 of a 3.6 million dollar contract for the supply to Libya of 500 classrooms and 100 teacherages. This contract, the largest single order in ATCO's history, is scheduled for completion during July of 1973 and calls for the production of one unit every 45 minutes of each working day. The contract was obtained in co-operation with the Canadian Commercial Corporation.

As was the case in Eastern Canada, the pace of Western Canadian industrial housing quickened as the year progressed, culminating with the receipt by ATCO Structures Ltd., (formerly ATCO (Western) Ltd.) of several large orders from Manitoba Hydro for housing and related facilities at their Jenpeg, South Bay, Missi Falls and Kiskitto projects. In addition, ATCO supplied a number of commercial complexes at Leaf Rapids, the Manitoba Crown Corporation townsite being developed in conjunction with mining activities in the area.

Cominco's zinc-lead mining installation, the largest industrial project in Greenland's history utilized ATCO designed and constructed facilities, including two-storey housing complexes, kitchen-dining, laundry, recreation and first-aid quarters. In addition, twelve two-storey, three bedroom townhouses were supplied for management and supervisory staff. Production was handled by both the Calgary and Montreal plants.

While Alaskan activity remained at a low level because of continuing delays in pipeline construction, the United States Postal Service

contracted with ATCO Structures Inc. for postal facilities at twenty remote Alaskan sites. This turn-key project required transportation of the custom designed structures via truck, barge and aircraft.

Through the combined efforts of the Bureau of Indian Affairs, the U.S. Army and ATCO, classrooms were provided to service the isolated Alaskan communities of Chevak, Napakiak and Alakunuk. Each of the locations, which are accessible only by aircraft and helicopter, was supplied with classrooms, teachers' residences and a specially designed kitchen to accommodate the student hot lunch program.

The Australian economy as it relates to industrial housing showed definite signs of improvement during the last quarter in spite of the fact that the recovery of the mining sector from the effects of Japanese cutbacks in orders for iron ore suffered a further set-back with the re-evaluation of the Australian dollar in December, and the subsequent U.S. dollar devaluation during February. In addition, the first half of the year was marked by uncertainty pending the November federal elections, which saw a Labour Government returned to power for the first time in twenty-three years.

Despite these conditions, ATCO's Australian subsidiary participated in all significant mining developments and achieved major success in servicing Federal Government housing requirements.

Classroom demand was particularly strong in the early part of the year, with units being supplied in South Australia, New South Wales, Canberra and New Caledonia. The ability to react quickly continues to be a major factor in this market, as illustrated by the Elizabeth Downs Primary School contract.

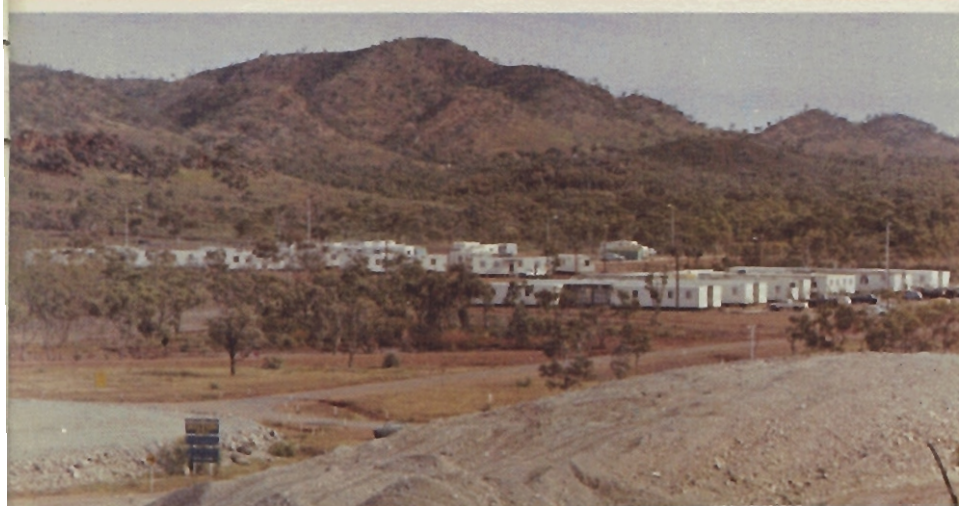
The joint participation of Paraweld Pty. Ltd. and ATCO Structures Pty. Ltd. on two major contracts during the year again proved the potential of these two subsidiaries working together where semi-permanent buildings are required. A new "Permapanel" building system was developed for utilization during construction of this type of structure. Both contracts were undertaken in the arid North of

Moomba housing complex swimming pool, a joint venture of Paraweld and ATCO Structures for Delhi-Santos of Australia

Aerial view of Moomba housing facilities

ATCO supplied camp for new Hilton Mine of Mt. Isa Mines - Queensland, Australia

Office units find growing use on urban construction projects



South Australia, the first to provide a community centre for Delhi-Santos at Moomba, while the second called for a police station, including cells, in the opal mining town of Coober Pedy.

During the latter part of the year, considerable export success was achieved with contracts being obtained for New Caledonia, Tanzania, Singapore, Indonesia, New Guinea and Saudi Arabia. While there appears to be significant demand in these markets, the extremely high value of the Australian dollar on foreign exchange markets poses a problem.

Industrial rental activity presented a mixed picture with improvement in Eastern Canada, a status quo situation in Australia and a softening of the market in Western Canada. Increased market penetration was achieved in Eastern Canada, particularly in the urban office field where units designed for city use are enjoying excellent customer acceptance. Similar programs are now underway in other ATCO market areas. The Western Canadian rental operations suffered from a lack of projects requiring large living complexes, although single unit rentals held up very well and guaranteed rentals contracts on hand have risen substantially in the past few months. This latter figure is considered a reliable lead indicator of rental activity. Australian demand for industrial rental units was modest, in line with the economy, however, a program for development of smaller, low cost site offices, tool cribs, storerooms, etc. has met with considerable success. As a result, a decentralized service, administration and maintenance facility has been established in Sydney.



Postal facilities for isolated Alaskan settlements

Gillam Manitoba hotel utilizes 30 ATCO modules to provide sleeping, dining and lounge facilities

Manitoba Hydro Jenpeg office complex features dormers to increase natural lighting

Attractive modular motel is a typical result of aggressive product development programs





Oct 24, 1972
Napakak Alaska

Dear Otis,

(We) How are you
doing here at Otis? I am doing fine
here at Napakak Alaska. Thank you
for the new trailer's and I am
happy to that we started school. The
table's are working. Yesterday the men
fixed the table.

I thank - you
Thomas Andrew
Grade 5th.

ELIZABETH DOWNS PRIMARY AND
INFANT SCHOOLS

HEARD STREET,
ELIZABETH DOWNS 5113

18th July, 1972.

General Sales Manager,
Mr. I. B. Gemmel,
World Wide Camas,
P.O. Box 105,
SITKA, ALASKA 99761

Dear Sir,

On behalf of the Education Department, Parent Organization and Staff at this school I would like to convey our sincere appreciation for the prompt delivery and siting of the 10 transportable units, after the disastrous fire on June 28th.

The School Council who inspected them during the week-end were most impressed with the general layout and design of the units.

Please accept our thanks for your valuable contribution in enabling the children of this school to resume work with the minimum of disruption.

Yours Sincerely,
W. H. Burner
W. H. Burner
HEADMASTER

C.S.R. Chamby selected ATCO for the last two years to supply multiplex classrooms. Interior of library from latest complex is pictured here

Letters - We get letters - from native children and grateful Head Masters

Spacious, well-lit interior of multiplex office complex being utilized by consulting engineering firm

Difficult mountain terrain dictated the use by ATCO of a two storey housing concept for Cominco's Greenland mining project



Housing - Mobile Homes

ATCO's mobile home subsidiaries were a major factor in the growth of consolidated revenue and profit during fiscal 1973. As a group, these companies recorded a 115% increase in revenue and with the opening of plants in Riverside, California and Montreal, Quebec, ATCO is well placed to participate in the continuing growth forecast for this dynamic industry.

The Riverside plant markets its products in California and Arizona, while the Montreal plant serves Ontario, Quebec and the Maritimes. These new plants performed to expectations during the past year, however, improved performance is expected during the upcoming year as their distribution organizations are strengthened and fixed costs are amortized over a greater volume of units.

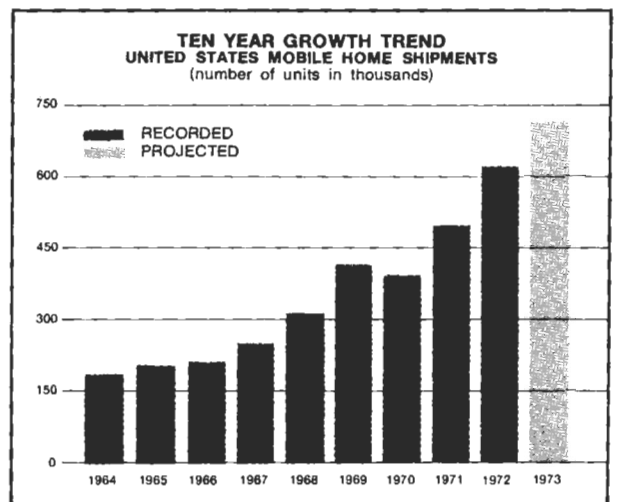
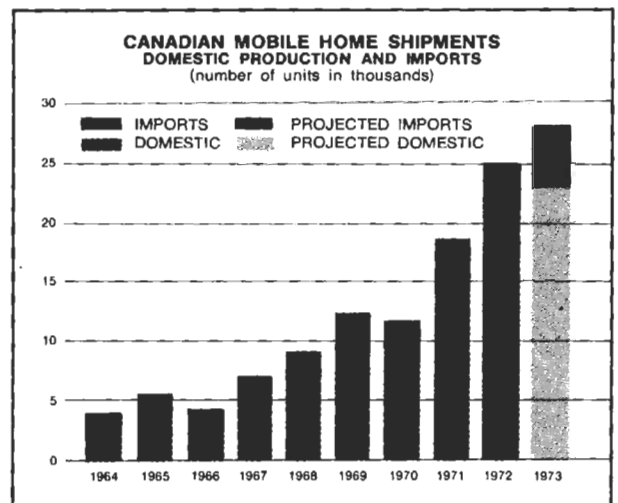
The established plants in Nampa, Idaho and Calgary continued to increase their market penetration, with both shipping a record number of units. The Nampa plant was enlarged with the addition of a 12,500 sq. ft. frame fabricating shop, along with other equipment and jigs. This frame capability not only alleviates a supply problem, but also provides substantial unit cost savings. The Calgary operation will be relocating to a new 80,000 sq. ft. facility in ATCO Industrial Park about the time this report is published. This move will double productive capacity. In both cases, increased productivity from the improved facilities will reflect in increased sales and lower production costs.

All of ATCO's mobile home subsidiaries conduct continuing product improvement programs. These programs encompass the areas of interior and exterior design, material research, engineering standards and colour co-ordination. During fiscal 1973, a good deal of this effort focused on double-wide units which are becoming increasingly popular in all areas of North America.

As is dramatically illustrated in the accompanying charts, and despite predictions to the contrary, the mobile home industry in both Canada and the United States continued to set sales records in the past year. Initial figures for the 1973 calendar year indicate a continuance of this trend, although some regional weaknesses are becoming evident in the United States. Canadian shipments are up 19% in the first quarter of 1973 over last year, while in the United States the increase is 17%.

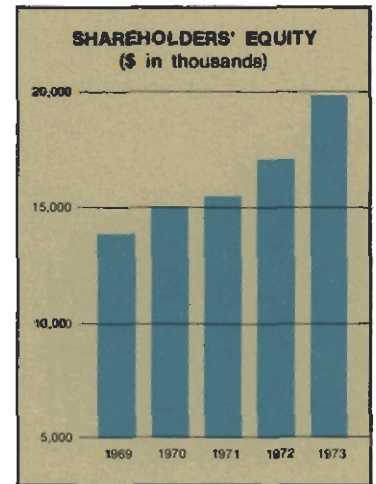
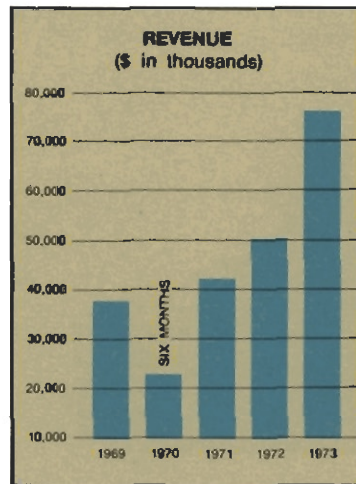
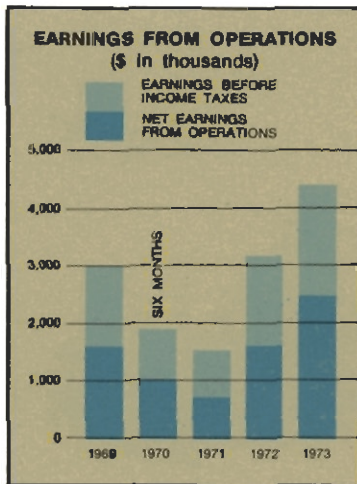
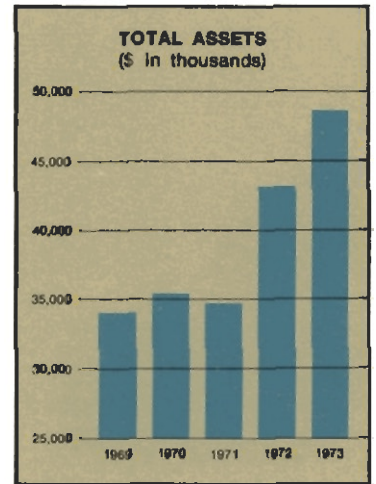
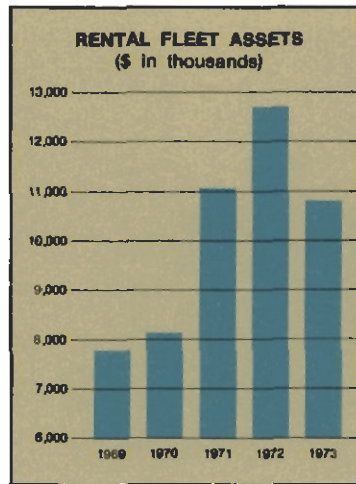
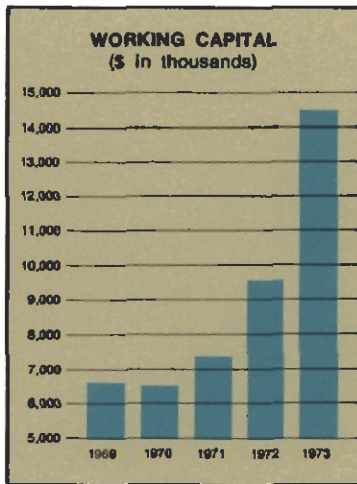
The mobile home continues to play an ever increasing role in the housing of North Americans. In the past year, Canadian mobile home shipments constituted 9% of all Canadian housing starts, including single detached, duplex, row and apartment units. Of

even greater significance is the fact that mobile home shipments increased 32% over the previous year, while conventional housing starts were up by only 7%. The United States picture is even more dramatic, with mobile home shipments constituting 75% of all single family housing starts under \$20,000. With the demand for housing in North America certain to remain high in the foreseeable future, long term prospects for the mobile home industry remain favourable. Escalating costs for conventional housing, especially land, coupled with the increasing recognition of mobile homes as the only successful low cost housing concept yet developed tend to reinforce this outlook.



ATCO mobile home purchasers benefit from the latest industry advances through continuing product improvement programs. The attractive units pictured here are manufactured to provincial, state and federal building regulations





Consolidated Statement of Earnings

For the Four and One Half Years Ended March 31, 1973
(thousands of dollars)

	1969	1970	1971	1972	1973
		(Six Months)			
Sales, rentals and service revenue	37,889	22,762	41,804	49,610	74,751
Other revenue	418	275	744	804	1,886
	38,307	23,037	42,548	50,414	76,637
Operating costs and amortization	27,141	16,462	31,060	36,217	59,178
	11,166	6,575	11,488	14,197	17,459
Selling and administrative expenses	6,399	3,612	7,557	8,144	9,838
	4,767	2,963	3,931	6,053	7,621
Interest expense	556	363	855	982	1,094
	4,211	2,600	3,076	5,071	6,527
Depreciation	1,198	674	1,543	1,877	2,113
	3,013	1,926	1,533	3,194	4,414
Income taxes	1,377	907	803	1,571	1,954
	1,636	1,019	730	1,623	2,460
Extraordinary item	—	—	(266)	—	—
NET EARNINGS	1,638	1,019	464	1,623	2,460

Financial Report 1973

Consolidated Statement of Earnings and Retained Earnings

	<u>Year ended March 31</u>	
	<u>1973</u>	<u>1972</u>
REVENUE:		
Sales, rentals and service revenue	\$74,751,497	\$49,609,680
Other operating revenue	964,374	469,911
Investment income	418,776	334,164
Gross profit recovery from business interruption insurance	502,820	—
	<u>76,637,467</u>	<u>50,413,755</u>
COSTS AND EXPENSES:		
Operating costs	58,944,978	36,035,128
Amortization of deferred charges	233,447	181,482
Selling and administrative expenses	9,838,311	8,143,593
Provision for depreciation	2,113,166	1,877,105
Interest expense -		
Long-term debt	887,729	667,988
Other	205,924	314,739
	<u>72,223,555</u>	<u>47,220,035</u>
EARNINGS BEFORE INCOME TAXES	4,413,912	3,193,720
PROVISION FOR INCOME TAXES (Note 7)	1,954,302	1,570,688
NET EARNINGS FOR THE YEAR	2,459,610	1,623,032
RETAINED EARNINGS AT BEGINNING OF YEAR	11,320,867	9,697,835
RETAINED EARNINGS AT END OF YEAR	<u>\$13,780,477</u>	<u>\$11,320,867</u>
EARNINGS PER SHARE	<u>96¢</u>	<u>64¢</u>

Consolidated Statement of Source and Application of Funds

	<u>Year ended March 31</u>	
	<u>1973</u>	<u>1972</u>
SOURCE OF FUNDS:		
Net earnings for the year	\$ 2,459,610	\$1,623,032
Add —		
Charges to earnings not involving the disbursement of funds —		
Depreciation	2,113,166	1,877,105
Undepreciated cost of industrial rental units sold . . .	4,081,570	2,652,693
Deferred income taxes	403,724	721,770
Amortization of deferred charges	233,447	181,482
Increase in deferred income	<u>334,209</u>	<u>766,565</u>
Funds derived from operations	9,625,726	7,822,647
Proceeds of debentures	3,675,000	825,000
Proceeds of term bank loans, notes and mortgages . . .	708,220	1,321,418
Issue of shares	299,440	25,290
Reduction of non-current deposits	375,000	—
Reduction of long-term receivables	<u>199,657</u>	<u>—</u>
	<u>14,883,043</u>	<u>9,994,355</u>
APPLICATION OF FUNDS:		
Additions to fixed assets -		
Industrial rental units	3,338,251	5,002,490
Other - net	4,545,657	1,082,569
Payment of debentures	750,000	200,000
Reduction of term bank loans, notes and mortgages . . .	928,924	—
Increase in long-term receivables	—	1,115,930
Increase in non-current deposits	—	75,000
Deferred charges incurred	398,326	315,048
Miscellaneous	<u>10,927</u>	<u>7,138</u>
	<u>9,972,085</u>	<u>7,798,175</u>
INCREASE IN WORKING CAPITAL DURING YEAR	4,910,958	2,196,180
WORKING CAPITAL AT BEGINNING OF YEAR	<u>9,610,245</u>	<u>7,414,065</u>
WORKING CAPITAL AT END OF YEAR	<u>\$14,521,203</u>	<u>\$9,610,245</u>


Consolidated Balance Sheet


	ASSETS	
	March 31	
	<u>1973</u>	<u>1972</u>
CURRENT ASSETS:		
Cash	\$ 725,605	\$ 357,966
Accounts receivable - trade	11,847,877	10,214,748
Claims receivable	—	472,665
Recoverable income taxes	394,337	161,063
Inventories, at lower of cost or estimated realizable value, and uncompleted contract costs less progress billings (Note 3)	12,593,154	10,484,808
Prepaid expenses and deposits	563,587	356,188
Instalment notes receivable within one year	<u>1,440,383</u>	<u>1,421,892</u>
	27,564,943	23,469,330
OTHER ASSETS:		
Instalment notes receivable, less current portion included in current assets	2,086,721	2,286,378
Miscellaneous	<u>49,217</u>	<u>425,521</u>
	2,135,938	2,711,899
FIXED ASSETS, at cost (Note 2)	24,300,262	21,844,252
Less: Accumulated depreciation	<u>6,491,372</u>	<u>5,724,534</u>
	17,808,890	16,119,718
DEFERRED CHARGES:		
Unamortized development, patent, start-up and other costs deferred	927,072	762,193
Share issue costs	<u>71,353</u>	<u>71,353</u>
	998,425	833,546
EXCESS OF COST OF SHARES OF SUBSIDIARIES OVER BOOK VALUE AT ACQUISITION	93,937	81,706
	<u>\$48,602,133</u>	<u>\$43,216,199</u>

LIABILITIES

	March 31	
	1973	1972
CURRENT LIABILITIES:		
Outstanding cheques, less related bank balances	\$ 1,514,424	\$ 1,907,531
Current bank loans, secured (Note 4)	343,274	4,190,000
Accounts payable and accrued liabilities	8,801,513	6,093,886
Income taxes	1,317,269	992,524
Long-term debt due within one year	1,067,260	675,144
	13,043,740	13,859,085
 DEFERRED CREDITS:		
Deferred rental and interest income	1,741,517	1,407,308
Deferred income taxes	3,263,754	2,860,030
	5,005,271	4,267,338
 LONG-TERM DEBT (Note 5):		
Debenture due March 1, 1985, secured	4,750,000	2,200,000
Debenture due June 26, 1979, secured	4,500,000	4,125,000
Term bank loans, at rates varying from 7½% to 9½% secured by assignment of specific rental contracts . . .	804,994	1,118,651
Mortgage loans, finance company notes, etc.	1,613,975	1,128,906
	11,668,969	8,572,557
Less: Amounts due within one year	1,067,260	675,144
	10,601,709	7,897,413
 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 —		
2,596,140 shares	5,160,791	4,861,351
Contributed surplus	985,000	985,000
Retained earnings	13,780,477	11,320,867
	19,926,268	17,167,218
 COMMITMENTS (Note 9)		

APPROVED ON BEHALF OF THE BOARD:





Director

Director

\$48,602,133

\$43,216,199

Notes to Consolidated Financial Statements - March 31, 1973**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:

	1973	1972
Land and improvements . . .	\$ 689,174	\$ 568,840
Buildings, fixtures and equipment	10,122,339	6,082,446
Leasehold improvements . . .	1,295,164	1,181,263
Utility trailers	1,355,956	1,300,940
Industrial rental units	10,837,629	12,710,763
	<u>24,300,262</u>	<u>21,844,252</u>
Less:		
Accumulated depreciation - General fixed assets	3,636,801	3,043,930
Utility trailers	730,585	701,072
Industrial rental units	2,123,986	1,979,532
	<u>6,491,372</u>	<u>5,724,534</u>
Net book value	<u>\$17,808,890</u>	<u>\$16,119,718</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:

	1973	1972
Materials and parts	\$ 4,049,224	\$ 3,190,950
Work in progress	5,485,175	3,382,090
Finished units	3,166,996	4,172,794
	<u>12,701,395</u>	<u>10,745,834</u>
Less:		
Progress billings	108,241	261,026
	<u>\$12,593,154</u>	<u>\$10,484,808</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:

The debenture due March 31, 1985 is 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 June 26, 1979 is repayable in quarterly instalments with interest at 1¼% over the prime rate.

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 prepay 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 ½ 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 are as follows:

1974 - \$1,067,260	1975 - \$1,004,435
1976 - \$ 970,639	1977 - \$ 935,935
1978 - \$ 847,128	

6. SHARE CAPITAL:

Changes in share capital for the year ended March 31, 1973 are summarized hereunder:

	Number of shares	Share capital
Outstanding at March 31, 1972	2,553,100	\$4,861,351
Issued for cash upon exercise of options by officers, directors and key employees	43,040	299,440
Outstanding at March 31, 1973	2,596,140	\$5,160,791

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, 1973 are as follows:

	Price per share	Number of shares
Options expiring in 1976	\$ 6.75	13,600
Options expiring in 1976	\$ 7.75	15,330
Options expiring in 1977	\$11.03	4,000
Options expiring in 1978	\$ 8.78	12,100

Of 125,000 shares initially reserved for the stock option plan, 45,060 shares remain to be granted and/or exercised.

7. PROVISION FOR INCOME TAXES:

The provision for income taxes has been calculated on rates presently in effect and no

allowance has been made for the proposed reduction in taxation rates for Canadian manufacturing and processing firms.

8. REMUNERATION OF DIRECTORS AND OFFICERS:

The aggregate direct remuneration paid by the Company and its subsidiaries to directors and senior officers of the Company for the year ended March 31, 1973 amounted to \$331,129 (\$290,703 in 1972).

9. 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 \$565,000 for the year ended March 31, 1973; the minimum rentals to be incurred on such facilities during the five-year period ending March 31, 1978 aggregate \$1,864,000.

The future cost of past service benefits for the employees' pension plan is estimated to be \$505,000 which will be paid and charged to earnings in equal monthly instalments over the next 13 years.

Two subsidiaries were acquired in the 1971 fiscal year under terms by which the purchase price may increase by as much as \$297,000 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, 1973 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, 1973 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
May 28, 1973

PRICE WATERHOUSE & CO.
Chartered Accountants

Housing - Residential

The past year saw Cedarglen Homes achieve record volume as a result of increased market penetration in both the Calgary and Edmonton areas. Unit sales more than doubled during the year, despite increasing costs and some shortages of serviced land.

Cedarglen's concentration in single family homes continued to pay dividends, with single family starts in Calgary and Edmonton reaching 8,300 in 1972, an increase of 26% over 1971. These figures are in sharp contrast to the 17% drop in total starts in both cities in 1972 over 1971. The emerging energy crisis, combined with the strategic location of Calgary and Edmonton relative to the development of Western and Northern Canadian resources, solidifies the long term outlook of the housing industry in these two major Alberta cities.

Nationally, residential construction reached new records in 1972 in terms of starts, completions, investment and mortgage lending, thereby continuing the strong growth of 1971. Rising personal incomes, an ample supply of mortgage funds and viable mortgage interest rates permitted both housing supplies and demand to move to record levels. Starts reached 250,000 - an increase of 7% over the previous year. Even more significant from Cedarglen's point of view, is the fact that single family starts rose to 115,500 in 1972, an increase of 15% over 1971.

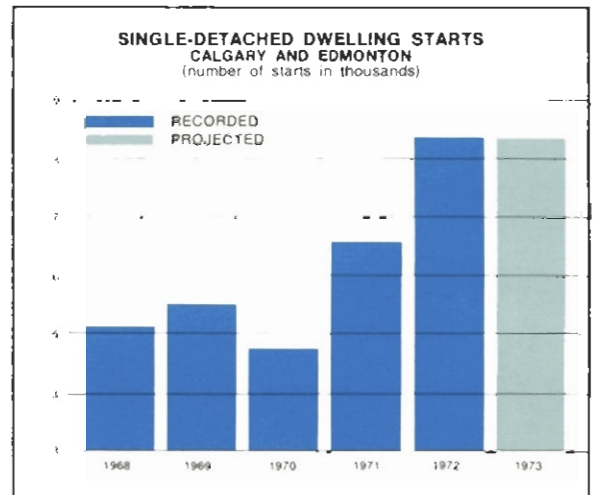
While the premise in some quarters is that housing starts will decline in calendar 1973, recent figures indicate that on an annualized basis, starts are in excess of 10% higher than during the same period of 1972. On this basis, a reduction in the rate of starts in the latter part of the year, which seems likely, will result in an equivalent number of starts in 1973, even in the face of increasing costs. In addition, the possibility exists that the housing industry will lose some mortgage funds to business capital spending in the latter half of the year.

The continuing strong demand for housing and particularly single family units, reflects rising personal incomes and increasing population in the 24 - 35 age group. This is largely the age group in the process of starting families and requiring the amenities provided by single family dwellings. Also, home ownership is attractive as a real estate investment and inflation hedge, especially since the principal residence is not subject to capital gains tax. Long range prospects for the industry are excellent.

Australia

In line with recent successful diversification programs in Canada, ATCO Structures Pty. Ltd. has entered the on-site and Country

Home markets in South Australia. ATCO's Australian version of Cedarglen Homes is in the early stages of a modest building program, which will shortly bring to Australians quality housing, in keeping with ATCO's motto, "Where Extra Value is a Way of Life". The Country Homes division which utilizes production line techniques while building the homes on platforms in the factory yard, is meeting with a good reception in marketing to rural communities within a 300 mile radius of Adelaide. Expansion of this division to New South Wales is now underway, with land leased at Bathurst.



Cedarglen's formula for success - eye catching exteriors complimenting elegant, spacious interiors, all at reasonable cost

Australian Country homes combine the North American concept of mobile homes and conventional housing through utilization of sub-contract tradesmen in a factory environment



Superior Components & Interiors

Activity reached new highs in all divisions of Superior as product lines were expanded and facilities enlarged to meet the strong demand for the Company's products and services.

The major contracts undertaken by the Interiors division covered completion of all public areas in Hyatt's Royal Centre Hotel and Marina Inn in Vancouver. In addition, the latest Hy's Steakhouse in Yorkville, (Toronto), is nearing completion. At the year end, a significant contract was received for interior finishing of the Calgary Convention Centre and the adjacent Glenbow Museum. Because of the size of the overall project, this work will be completed in phases over a two year period.

The Woodwork division greatly expanded its capabilities with the development and standardization of a line of hotel-motel furniture. Included in this package are headboards, night tables, dressers, mirrors, desks and luggage benches. To date, such furnishings have been supplied for the aforementioned Hyatt hotels in Vancouver and two smaller motor hotels in Calgary. In addition to the INNOVATOR licensing agreement, described in last year's report, Superior has now received exclusive rights from the University of Calgary for the manufacture and sale of laboratory casework as developed by the University in conjunction with Superior for use in the University's own labs. These new developments which supplement established product lines point to continued growth for this facet of Superior's operations.

Superior's Metal division concentrated on increasing utilization of the heavy duty production machines installed the previous year. Facilities were expanded to improve material handling methods, resulting in considerable cost savings. Of particular interest was the supply of 724 stable stalls for a horse barn erected by the Calgary Exhibition and Stampede as part of their facility modernization program. The stalls are of a unique design utilizing galvanized foam-core panels. This prefabrication technique allowed for completion of the project on an expedited basis with no sacrifice in quality or appearance.

Excellent growth has also been achieved in the marketing of roofs, heat ducts, and siding to the mobile home and recreational vehicle industry. Superior is fast emerging as the leader in this "service center" concept in Western Canada.

A world-wide shortage of steel is beginning to emerge as capital spending accelerates and appropriate steps are being taken to ensure continuity of supply in Superior.



Photo courtesy of South Park Industries Ltd., Calgary

Superior metal division products include siding, one-piece roofs, heat ducts and flashings for mobile homes, rec vehicles and industrial housing as well as horse stalls, roofing and cladding for agricultural buildings

Dine and dance lounge - Toronto Hyatt House

Study carrels - Mount Royal College, Calgary

Superiors' new line of hotel/motel furnishings

The beautiful SRO Bar, Toronto Hyatt House

Deluxe cabinets for residences and mobile homes



Metal Fabrication

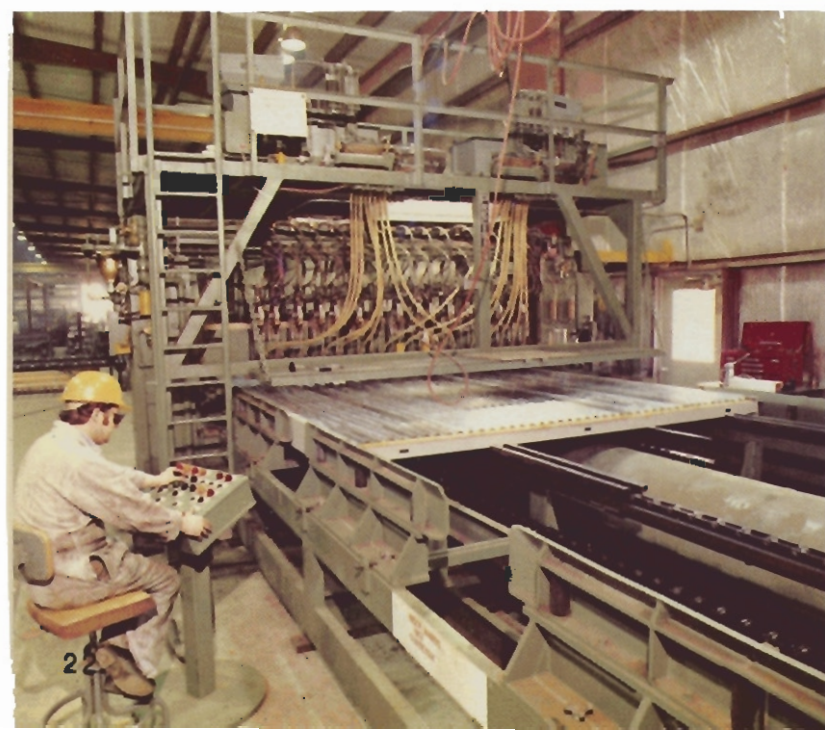
Satisfactory progress was recorded in metal fabricating operations as production facilities were expanded, product lines diversified and market coverage broadened.

To date in Australia, Paraweld Pty. Ltd., has emphasized the supply and fabrication of structural steel for large factories, processing plants, etc. Because of the cyclical nature of such capital spending, a program has been launched to develop a basic line of standard products.

In the structural field, Paraweld is in the process of completing a large order for facilities to be erected in Saudi Arabia for Westinghouse, while a number of contracts were received for Northern Territory classroom buildings.

In Calgary, ATCO Metal Ltd., (formerly Metfab Industries Ltd.), occupied their new 60,000 sq. ft. facility in July of 1972. At present, their product line includes frames, Fold-A-Way steel buildings, Flagliner trailers and horse trailers. The frames are marketed directly to the mobile home, recreation vehicle and industrial housing industries, while the other products are distributed through dealer organizations. To complement the Flagliner units, a line of 5th wheel vans was added in addition to the aforementioned horse trailers.

Late in the year, the Eastern Canadian Metal division became fully operational in facilities located in Ville St. Pierre, Quebec. Besides the patented Fold-A-Way building, this division is now marketing a complete line of light metal components, including one-piece roofs, siding and flashings. Steel frames are also fabricated and plans are now complete for the manufacture and distribution of Flagliner trailers and vans.





Custom designed Bridge Machine precision drills and screws metal building panels

The Flagliner Van - a new concept in moving

High quality two- and four-horse trailers

Redesigned Flagliners increase versatility

Fold-A-Way building at drilling site on Sable Island off Canadian East Coast

Fold-A-Way versatility — heavy equipment storage — remote area supermarket

Darwin Parts Authority 18,000 sq. ft. container store building by Paraweld

Special Products Division

Formerly known as the Research and Development Center, this division was renamed the Special Products Division in February 1973 to reflect the change in emphasis from development of military products to the manufacture of commercial products. New facilities and significant additional capital are being added to establish a viable manufacturing operation in the field of light-weight shelters, air cargo containers and related commercial products. The division will, however, maintain its long standing capability and expertise in development of new and improved products to supplement the establishment of commercial markets in such areas as metal processing, sandwich panels and precision lightweight metal products.

Most noteworthy of the new machinery and equipment are spot welders for multiple precision aluminum welding, a chem-film processing line for alodining extrusions and sheets to 20 ft. lengths, a heat press for fabricating sandwich panels with lightweight cores, fusion welders for welding aluminum frames to MIL specs, and a cadmium plating line for plating hardware. In addition, numerically controlled punches, brakes and shears are available for precision metal fabricating. The capability of this equipment will allow ATCO to provide a sophisticated level of contractor support not previously available in Western Canada.

During fiscal 1973, several major programs were finalized. The first U.S. Navy Tactical Support Center consisting of 15 shelters and a power plant structure was completed, outfitted with operational equipment and installed in Alaska, while final units for the Direct Air Support Central (DASC) and AN/TSQ-73 Missile Control System were delivered to Litton Industries, Data Systems Division. A system of rigid and knock-down shelters to be used by the U.S. Marine Corps were designed and built for the Northrop Corporation, Electronics Division and are now undergoing structural and environmental testing in California. In addition, nine shelters for the AN/TPS 32 Radar System were designed, built and shipped to ITT Gilfillan Corp.

Subsequent to the award to ATCO of a contract for the fabrication of 191 S-250 Army Truck Transportable Shelters by the U.S. Army Electronics Command, a follow-on order for 95 additional S-250 Shelters was received. With the total quantity now 286 units, production will commence in September 1973, with final deliveries scheduled for early 1975. The pre-production model which employs foam-beam sandwich panel construction has been completed and qualification testing is underway.

A program to design, fabricate and test 30

Type CNU-213/E Collapsible, Shipping and Storage Containers was received from the U.S. Air Force. These Containers will be used for shipping and storage of articles during deployment phases of the Bare Base concept and are compatible with the Bare Base General Purpose Packaging System. The first unit recently passed qualification testing while the remaining units are currently in production.

A contract to develop a Non-Collapsible Cargo Cage for the U.S. Air Force was received during fiscal 1973. Design requirements for this container included weather-proofing, two-high stacking, and compatibility with rail systems on a variety of military aircraft, including the C5-A, C-141 and C-130. The concept has been finalized and fabrication of a prototype is underway.

U.S. Army Natick Laboratories awarded the Special Products Division, a contract for development of a MUST Ward Expandable Container, utilizing a foam-beam sandwich panel construction technique. The design has been completed and a prototype unit is nearing completion in preparation for extensive structural and environmental testing to evaluate and compare costs against techniques employed by other manufacturers utilizing alternate construction methods.

The initial commercial contract finalized was the chemical protection of aluminum highway signs and it is expected that the market for this type of processing will be expanded in the future. All clients are assured of continuing high quality workmanship from the Special Products Division since it is the only facility of its kind in Canada which is certified to DND 1015 quality assurance specifications.

Cadmium Plating Line

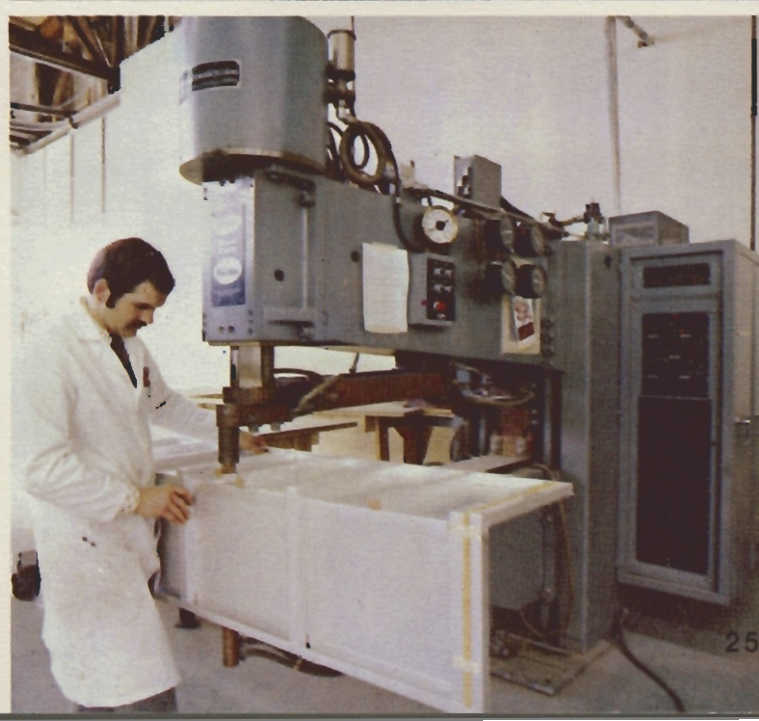
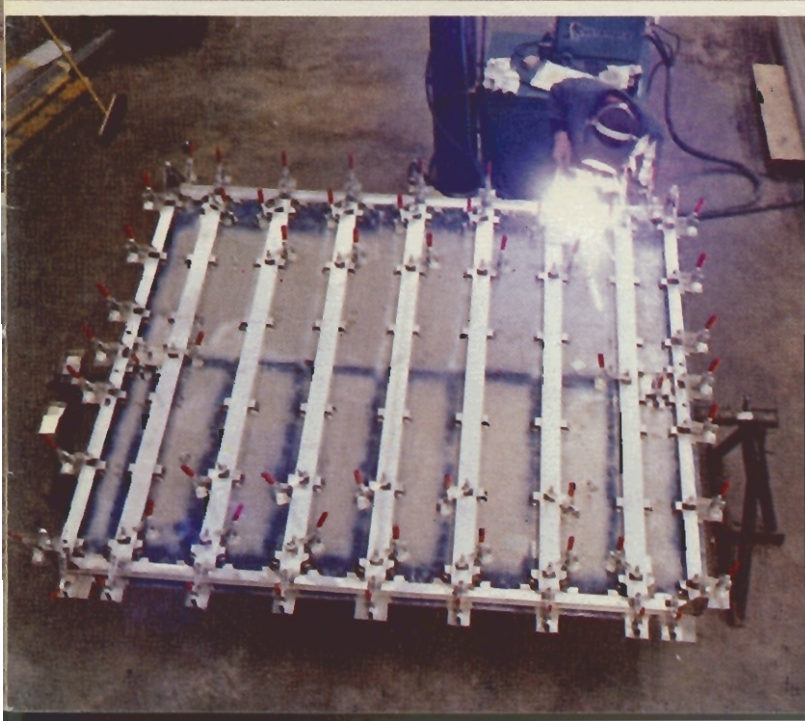
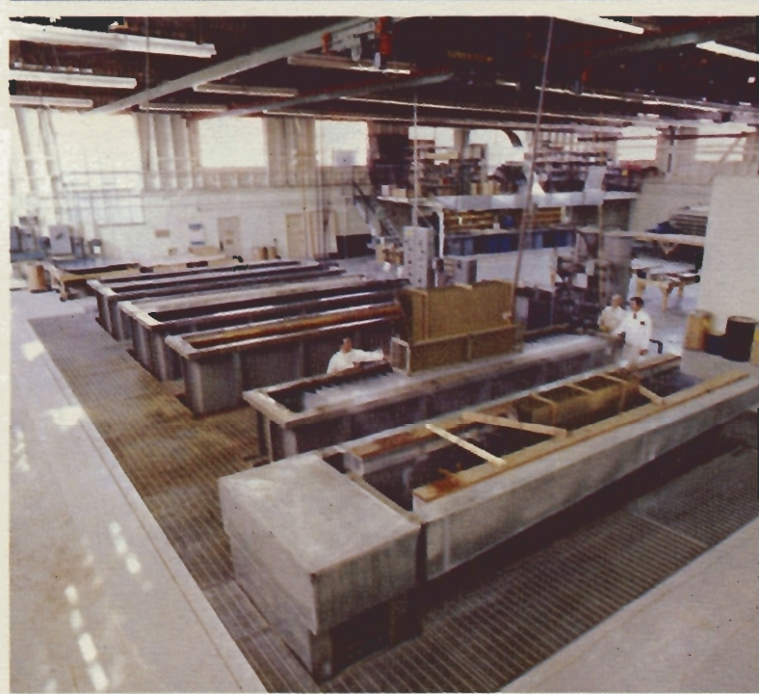
Sophisticated paint spray facility

S-250 Shelter for mounting on military vehicle

Chem Film Line provides alodining capability

Fusion Aluminum MIG welding utilizing ATCO designed and fabricated tooling

Spot welding S-250 component



Trans-Canada

This subsidiary is in the final phase of a reorganization implemented some 18 months ago.

The program focused on the major areas of staff development, fleet distribution and metropolitan centre marketing. As a result, the company is adequately staffed with competent personnel at all levels, and rental revenue is being maximized through 400 dealers across the country serving more than 150,000 Canadians yearly.

In line with ATCO Group policy for all leasing activities, a sales program has been implemented for used units in order to facilitate fleet up-grading in line with accepted Canadian transport standards.

Customer service and dealer support are the principal areas of concentration being undertaken by our dedicated and enthusiastic Trans Canada staff in this coming year.

Convenient dealer locations mean Trans-Canada customers are on their way without delay



A YEAR OF GROWTH

ATCO's 1973 fiscal year was one of outstanding growth in production facilities — machinery and equipment — people — products and markets. In following this growth as it took place month by month, photographers recorded its many facets. The montage of photographs on the following two pages mirrors that growth.





Directors

- *B. P. DRUMMOND
President, Greenshields Inc., Montreal
- E. N. FARCH
President - ATCO Structures Pty. Ltd.
- G. A. FREEMAN
Secretary, ATCO
- G. F. JOHNSON
Sr. Vice-President - Controller, ATCO
- G. P. KIEFER
Sr. Vice-President, Western Region, ATCO
- *R. RICE
Vice-President, First National City Bank, 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
- G. A. FREEMAN
Secretary
- G. F. JOHNSON
Sr. Vice-President - Controller
- G. P. KIEFER
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 Structures Ltd., Calgary, Alberta

Branches:

Prince George, British Columbia

Vancouver, British Columbia

Edmonton, Alberta

Winnipeg, Manitoba

ATCO STRUCTURES INC. Anchorage, Alaska

ATCO STRUCTURES PTY. LTD., Elizabeth, South Australia

Branches:

Bathurst, New South Wales

Sydney, New South Wales

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 (CALIF.) 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

ATCO METAL LTD., Calgary, Alberta

Branch:

Montreal, Quebec

Components and Interiors

SUPERIOR COMPONENTS LTD., Calgary, Alberta

Branch:

Edmonton, 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 and Development

ATCO SPECIAL PRODUCTS DIVISION, Calgary, Alberta

