ATCO

1975 ANNUAL REPORT

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President — ATCO Structures Pty. Ltd

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Secretary, ATCO

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Sr. Vice-President — Controller, ATCO

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

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

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Sr. Vice-President, Finance, ATCO

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President — ATCO Structures Ltd.

J. G. SCOTT
President — ATCO (Quebec) Ltee

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C. Norman Simpson Consultants Limited, Toronto

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President and Chief Executive Officer, ATCO

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

* DR. J. D. WOOD
  Sr. Vice-President, Planning, ATCO

*Member — Audit Committee

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Assistant Secretary

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Financial Highlights

(Thousands of Dollars)

	1975	1974	Change
TOTAL REVENUE	$180,055	$106,830	+ 69%
EARNINGS:			
Before income taxes	$ 28,668	$ 9,500	+202%
Income taxes	14,301	4,276	+234%
Net earnings	$ 14,367	$ 5,224	+175%
AVERAGE SHARES OUTSTANDING			
during year	2,611	2,601	—
EARNINGS PER SHARE			
Before income taxes	$ 10.98	$ 3.65	+201%
Income taxes	5.48	1.64	+234%
Net earnings	$ 5.50	$ 2.01	+174%
FINANCIAL POSITION			
Working capital	$ 23,148	$ 14,530	+ 59%
Fixed assets	27,020	21,673	+ 25%
Other assets	2,880	3,431	− 16%
	$ 53,048	$ 39,634	+ 34%
Less —			
Long term debt	9,071	9,967	− 9%
	43,977	29,667	+ 48%
Deferred items	5,673	4,799	+ 18%
Shareholders' equity	$ 38,304	$ 24,868	+ 54%

Report to the Shareholders

R. D. Southern

In fiscal 1975, the ATCO Group of Companies achieved record levels of both revenue and profit. 1975 revenue totalled $180,055,000 a 69% increase over 1974 revenues which were $106,830,000. Profits reached $14,367,000, or $5.50 per share, a 175% increase over the $5,224,000 or $2.01 per share recorded in 1974. A most significant improvement took place in the Group's working capital which totalled $23,148,000 at year end, an increase of $8,618,000 during the year. Of importance, is the fact that this improved working capital position was achieved without the assumption of additional long term debt.

Capital expenditures amounted to $14,060,000 during the year, including $11,294,000 invested in the industrial rental fleet. Because of this relatively large investment in the rental fleet, more detailed information on its operation is included in the narrative section of this report.

For you, our Shareholders, and for all of us who work at ATCO, fiscal '75 has been a year in which many of the corporate goals established in the 1970-71 period were achieved. All of our subsidiaries operated at very efficient production levels with both "Consumer" and "Industrial" products in demand from customers at home, as well as abroad.

It would be a mistake to think that ATCO's results were pre-ordained or automatic. As you know, many companies achieved record sales volumes during this past year, but recorded lower profits, however, at ATCO, both volumes and profits were up substantially. Many problems faced the Group during the year, some of which are still with us today. Spiralling inflation, critical supply shortages and as the year progressed, the danger of an explosive inventory devaluation as well as a slowdown in domestic business activity were all factors encountered in the last 12 months. In my opinion, our managers were among the very first in the United States, Canada and Australia to identify and analyze these problems. The corrective action subsequently taken was generally most effective.

The decade of the Seventies is indeed a period where the magnitude and frequency of change is becoming more marked. Management's only alternative is to develop well thought out, prompt responses. At ATCO we are striving to identify these changes and hence, our solutions, very early in the changing scene and preferably even before they occur. We like to call this early identification "pre-emptive management."

While our managers are not perfect in this sense, I believe their skills have been refined far beyond what a shareholder would find in most companies of comparable size.

I have mentioned to you before that we utilize a timely management information system that reports the previous month's financial results on the 10th working day of the month following. We have now supplemented this information with a monthly performance review of each subsidiary by the Parent Company Executive Committee held no later than the 20th day of the following month.

In order to make this review more effective and to provide for more informed planning and control of our operations, we have divided the Group's operations into four geographical regions and are presently in the process of staffing these regional offices with the skills necessary to in effect decentralize many of our current head office functions. The regions have, as their presidents, some of ATCO's most highly skilled executives.

Without doubt, ATCO has operated at close to maximum practical capacity in this last fiscal year, both in terms of people and facilities. ATCO's annual compound growth rate in the last 5 years is over 30% in revenue and in excess of 40% in profits. That we have accomplished this without incurring heavy debt loads or losing control is a credit to our senior personnel, however, we now consider it mandatory to pause for 12 to 24 months in this volume and profits growth.

While it was only in 1970 that we embarked on our last "planning for the future" cycle, we must now begin again, and maximum emphasis is being given to these critical planning issues: —

(1) Manpower Planning

(2) Market Planning

(3) Facilities Planning

(4) Financial Planning

We cannot hold out to our shareholders the hopes of much higher profits in the next two years, but we do want to build, in this period of time, a much stronger and potentially more profitable Group of Companies for the latter part of the 70's and early 80's.

We have already commenced work on all of the aforementioned critical planning issues and are recording excellent progress. For example:

(1) Our regional head offices are all in place and most of the staffing completed. We are now using this new "modus operandi".

(2) We are beginning to obtain more data on our various markets from which we will make future product and facilities decisions.

(3) We have approved larger, more modern office facilities in Montreal, Adelaide and Calgary. In addition, a major expansion of our Australian production facilities is well underway and a new 100,000 sq. ft. factory has been purchased in Calgary.

(4) Negotiations to provide a very large increase in our long term credit lines are well advanced.

At their most recent meeting, your Board of Directors increased the regular semi-annual dividend to twenty cents per share from seven and one half cents per share. In view of the continuing need for funds to finance ATCO's expansion, shareholders can look upon this increase in the regular dividend as a positive development.

On behalf of the Board of Directors, I want to most sincerely thank all of our people of ATCO who performed so superbly this last year. In addition, we want to thank each and every one of our clients, large and small, for their past and continuing support. Finally, to you our shareholder, thank you for your interest and support. I am confident that the forthcoming year will again be one of solid progress for the ATCO Group of Companies.

For the Board of Directors,

R. D. Southern
President and Chief Executive Officer

Industrial Housing – Domestic

ATCO's North American and Australian Industrial housing operations again increased production in response to the growing market demand. Because of the importance of the Community Structures and Export segments of the market these endeavors are described in more detail elsewhere in this report as is ATCO's participation in the giant Alyeska Pipeline Project. It should be noted that the industrial housing plants in Adelaide, Montreal, Riverside and Calgary produce equipment for the domestic and export markets in addition to community structures and units for the leasing fleet.

In Australia, ATCO Structures Pty. Ltd. enjoyed record production levels during fiscal 1975 primarily based on continued public sector spending. While resource development remained depressed, ATCO participated in expansion programs at the Mt. Newman iron ore and Groote Eylandt manganese projects. In addition, substantial workforce accommodation and family housing was supplied to the Thomson-Yarra Tunnel water conservation project. Significant service contracts were obtained for the refurbishing of existing equipment at several Western Australian iron ore mine and camp sites along with further contracts for the relocation of camps and classrooms.

Spacious sleeping quarters and well equipped kitchen and dining facilities are features of all ATCO industrial housing complexes.

Great Canadian Oil Sands (top) and Syncrude (bottom) chose ATCO as housing contractor for their Tar Sands development projects.

The Christmas Day devastation of Darwin by Cyclone Tracy was a tragic day for all Australians, however, the rebuilding program is now underway and ATCO is playing a major role. ATCO has to date received contracts for some four million dollars of reconstruction workforce housing and residences. A second shift was initiated in the plant to meet the urgent nature of the program.

During the past year ATCO (Quebec) Ltee. received a multi-million dollar order from Societe D'Energie De La Baie James for the supply of 64-20 man complexes, 17-23 women dormitories, 16-24 man dormitories and a 6,000 sq. ft. recreation complex. All of the units were shipped to Matagami for reshipment to LG-2, LG-3 and Lac Helene, the airport location.

In Calgary, ATCO Structures Ltd. operating out of two factories worked in excess of one-half million hours in producing approximately 3,000 units. At its peak, production reached 19 units per day. This subsidiary supplied facilities for 500 men to accommodate the Great Canadian Oil Sands workforce expansion at Ft. McMurray. Additional facilities were also supplied for Manitoba Hydro at Gillam, Manitoba as well as kitchen-diner, recreation and office units for 1,000 men at B.C. Hydro's Hudson Hope site.

The National Harbours Board chose ATCO Structures Ltd. to provide single quarters for 60 men to accommodate both permanent staff and the annual influx of workmen during the shipping season. Kitchen, dining and recreation units were also provided to make the facility self-supporting.

A complete delivery and installation service operates in support of all ATCO's industrial housing activities. In most instances air-ride dollies are used to insure safe delivery to even the most remote locations. Installation is accomplished through either ATCO providing supervision only or assuming complete responsibility for all aspects of the job.

Atkinson — Holland construction camp at Upper-Thomson, servicing the Thomson-Yarra Tunnel water conservation scheme.

250 man ATCO rental camp housing Transfield construction workers building offshore oil rigs at Barrys Beach in the State of Victoria.

17,000 sq. ft. office-lunchroom-washroom complex for Canatom-Monmax La Prade Heavy Water Plant, Beaucour, Quebec.

Industrial Housing Leasing

During fiscal 1975, ATCO's industrial leasing fleet experienced substantial expansion coupled with continued high utilization. Approximately 1,900 units were added bringing the cost of the combined Canadian, Australian and American fleets to over $17 Million.

The fleet is composed of two main components, industrial camps and site offices. More specialized units such as classrooms are also available to fill specific client requirements. The industrial camps include complete sleeping, washing, dining and food preparation facilities while the office portion of the fleet contains 1,500 units varying in size from 100 to 500 sq. ft. These offices are also designed for complexing where larger facilities are necessary.

In support of the leasing activities all North American marketing offices are now staffed with specialist leasing personnel while in Australia, Wreckair the Australia-wide equipment leasing company markets ATCO's urban offices through a franchise agreement. Further support is provided by integrated service centres equipped with service vehicles, storage facilities, transportation trucks and experienced service personnel. These centres also market replacement parts and provide repair services to ATCO clients in their area. With the increasing demand from customers for an integrated service capability these service centres are the focal point of our response to that demand.

The most significant leasing project involving ATCO is the Syncrude Tar Sands project at Ft. McMurray, Alberta where some 4,500 men will be housed in $7 Million of ATCO housing when the workforce peaks in 1976.

From a one man site office to a 5,000 man camp, ATCO's lease fleets have the equipment to do the job. All units are backed by ATCO's modern, well equipped service centres.

Community Structures

Over the past few years ATCO's relocatable structures have been achieving an ever increasing share of the building market. This penetration has been achieved at the expense of conventional construction through the provision of facilities of comparable quality at lower cost in shorter periods of time. The following is a summary of some of the more interesting community structures projects undertaken last year.

In Western Canada, ATCO Structures Ltd. provided some 50 classrooms in the 'Multiplex' concept to the Federal Department of Indian Affairs for various locations in Saskatchewan. They also shipped seven 3-bedroom houses to Strathcona Sound on Baffin Island for use as family housing by Mineral Resources International Limited in development of their lead/zinc deposit at that remote location. Two Fold-A-Way buildings also accompanied these houses.

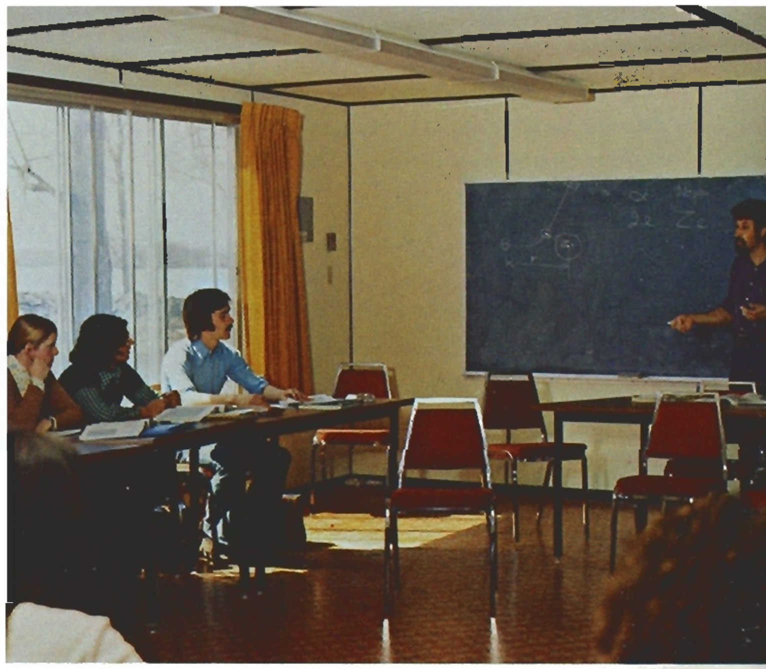
During fiscal 1975 classrooms became a mainstay of the product line in Australia with approximately six million dollars in sales to various states including Victoria, Northern Territory, South Australia and the Australian Capital Territory. In addition, medical health centres were erected in the remote areas of Coober Pedy, famous for its opal mines, and Ceduna while nursing accommodation and other types of housing was provided to many aboriginal settlements.

ATCO (Eastern) Ltd. was successful in obtaining a contract to provide a 16,000 sq. ft. CMHC financed senior citizens residence in St. Anthony's, Newfoundland. Because of the use of the building, special design considerations had to be given to such items as the railings, windows and plumbing.

Societe D'Energie De La Baie James selected ATCO to supply 36,000 sq. ft. of classroom space and a 4,500 sq. ft. gymnasium for their new town site of Radisson.

Other community structures supplied by ATCO in the past year include an annex to the hospital at Canadian Forces Base Shearwater in Halifax, Ft. McMurray air terminal facilities, Provincial Government administrative quarters in Lac La Ronge, Saskatchewan and training facilities in Vancouver for municipal police forces.

We view with a great deal of optimism and enthusiasm the potential for ATCO's products in meeting the varied requirements of our clients for both permanent and temporary community structures.



ATCO primary school classroom located in Canberra, Australia Capital Territory.

Typical classroom in 23 room school complex supplied to CEGEP Montmorency in Laval a suburb of Montreal.

Medical Health Centre at Coober Pedy in South Australia — using Permapanel, ATCO's recent product development for permanent remote area buildings.

One of two identical 17,000 sq. ft. classroom complexes provided in the City of Bois Joli near Quebec City.

A portion of ATCO's $350,000 extension to the Geelong, Victoria Teachers Training College.

ATCO Commercial Complex answered the need for increased arrival lounge facilities at Ft. McMurray.

Initial order of 22 homes being installed in Ft. McMurray sub-division for Syncrude.





Exports

The increasing affluence of the Middle East oil producing nations has resulted in a greatly increased demand for modular structures especially schools, offices, motels and housing of all types.

The Government of Kuwait through the United Building Company chose ATCO's Montreal based subsidiary, ATCO (Eastern) Ltd., to design and produce two motel/hotel complexes to accommodate visiting businessmen in Novakchott and Noudnibou, Mauritania. When erection is completed these complexes will provide sleeping, dining and conference facilities for in excess of 200 people.

During the year the Libyan Government awarded ATCO (Eastern) Ltd. two industrial housing contracts totalling in excess of $6 Million. Later in the year against strong international competition, ATCO (Eastern) Ltd. also received a contract for the supply of five Primary and two Intermediate schools in Saudi Arabia. These schools, costing approximately $6 Million, will be installed on a turnkey basis in Jeddah and will provide educational facilities for 4,000 students.

In Australia, ATCO Structures Pty. Ltd. concentrated their export marketing efforts on the very active Indonesian oil, gas and mining industries with outstanding success. They received the contract to provide a multi-million dollar housing complex to support construction and operation of the Arun LNG plant in North Sumatra as well as the Inco nickel project at Soroako, Sulawesi and smaller contracts for East Kalimantan and Battam Island.

Mobile homes being loaded for shipment to Algeria.

Stacking towers and waterproof metal packaging insure safe arrival of ATCO knockdown units at their overseas destination.

Truck transport across the desert of Algeria.

Double-wide ATCO mobile home on Foundation Co. site, Oran, Algeria.

ATCO units withstand the rigors of all environments from the Arctic slopes to the deserts of the Middle East.

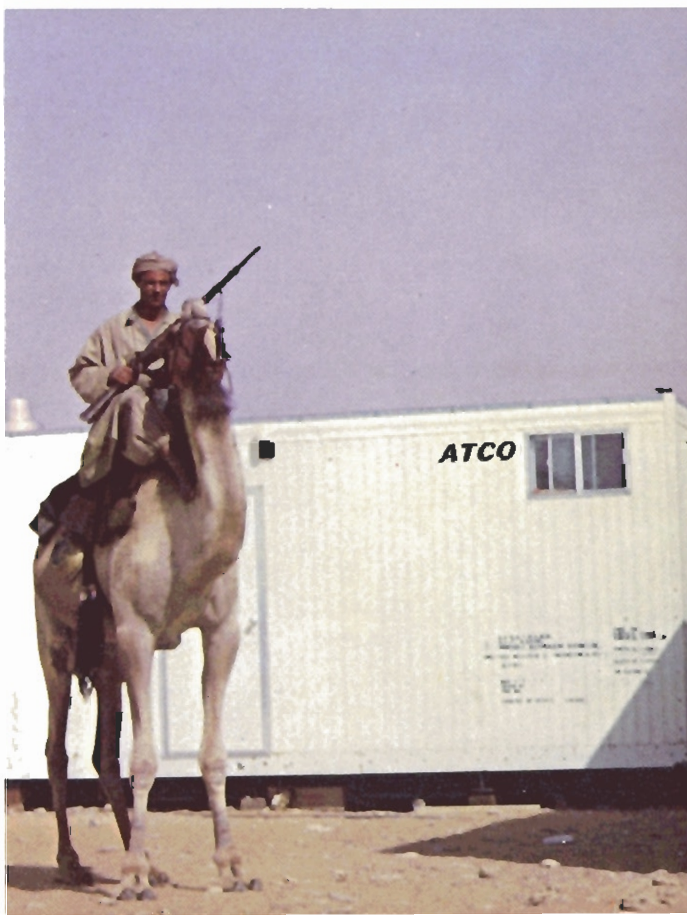
In the Middle East the Company supplied work-force housing for the Das Island LNG plant with the initial 100-man expatriate accommodation being manufactured, shipped, erected and occupied in slightly more than 100 days.

The future for ATCO's export markets is most encouraging. Escalating resource development fostered by an improving world economy and coupled with upgraded housing and educational facilities in the heretofore less developed countries portends an accelerating demand for factory produced modular buildings. ATCO's years of experience in these export markets plus its proven product line and ability to handle the complex logistic problems of overseas shipments will combine to provide the Company with an increasing number of export opportunities in the decade ahead.

Exterior and interior views of motel units shipped to Mauritania

Typical desert security guard

Centre mall view of 270 man facility Rumaila, Iraq



Alaska

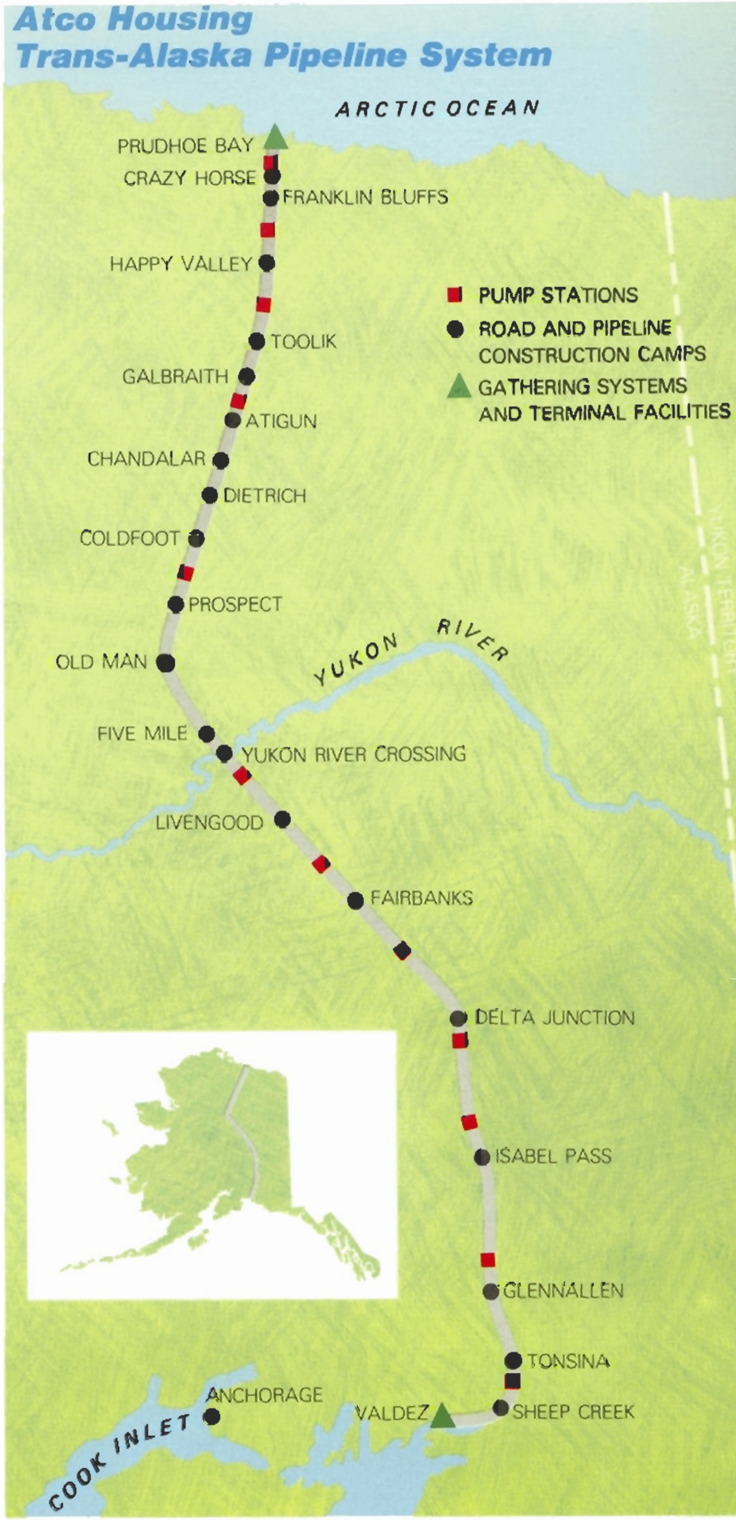
As was mentioned in last year's Report the long awaited Alyeska Pipeline Project became a reality in the final months of fiscal 1974. ATCO's monitoring of this program from its inception in 1968 paved the way for the Group to provide the majority of the workforce housing as well as offices, recreational facilities and the patented Fold-A-Way building.

In recognition of the number of men to be housed, production from the Riverside, California mobile home facility was fully dedicated to the project and senior staff was transferred to Riverside to handle contract proposals as well as the follow-on administration.

With this staff ably supported by a competent plant force available from the slumping California mobile home industry, the first modular units come off the line in April. Production reached nine units per day by June, 1974. Co-ordination of site activities was carried out by personnel based in ATCO's Anchorage office.

In order to meet the critical delivery schedules established by the Alyeska Pipeline Service Company production from Riverside was augmented with production from ATCO plants in Nampa, Idaho; Montreal and Calgary. Fold-A-Way buildings were produced by ATCO Metal Ltd., fabrication plants in both Montreal and Calgary.

The transportation logistics surrounding 135,000 sq. ft. of custom designed Fold-A-Way buildings urgently required for the start of the Alyeska project are of interest. Built in Montreal, the 250 building sections filled 75 bulk head flat cars that were processed through four railroads from Montreal to Seattle. Barge shipment to Valdez, Alaska followed, and the buildings reach their final destination by truck.



ATCO supplied housing along the Alyeska Pipeline for road building, pipeline and pump station construction and terminal facilities at the locations shown.

It entailed the supply of kitchens, diners, dormitories, recreation complexes, post offices, hospitals and maintenance and storage buildings.

In total, 2 million square feet of buildings were manufactured, delivered and installed in twelve months to completely house 15 thousand people.

As can be seen from the accompanying map ATCO supplied housing and related structures for not only the pipeline crews but also the work-force engaged in construction of pumping stations along the right-of-way and the port facilities at Valdez, the southern terminal of the line.

In all, ATCO has supplied some 75% of the relocatable structures purchased for the line to date. As the housing requirements for Alyeska near completion ATCO's Alaska operation is staffing to meet the service requirements of the project in addition to the general market which is beginning to accelerate as the economic impact of the spending on the pipeline begins to spread. In line with this program, service centre facilities are being established in Fairbanks while those in Anchorage have been upgraded.

Modular dormitory units leaving Riverside plant for Port of Long Beach

North to Alaska — by road

Loading barge at Port of Long Beach

Cantilevered superstructure increases barge capacity

Camp erection at remote Alaskan location

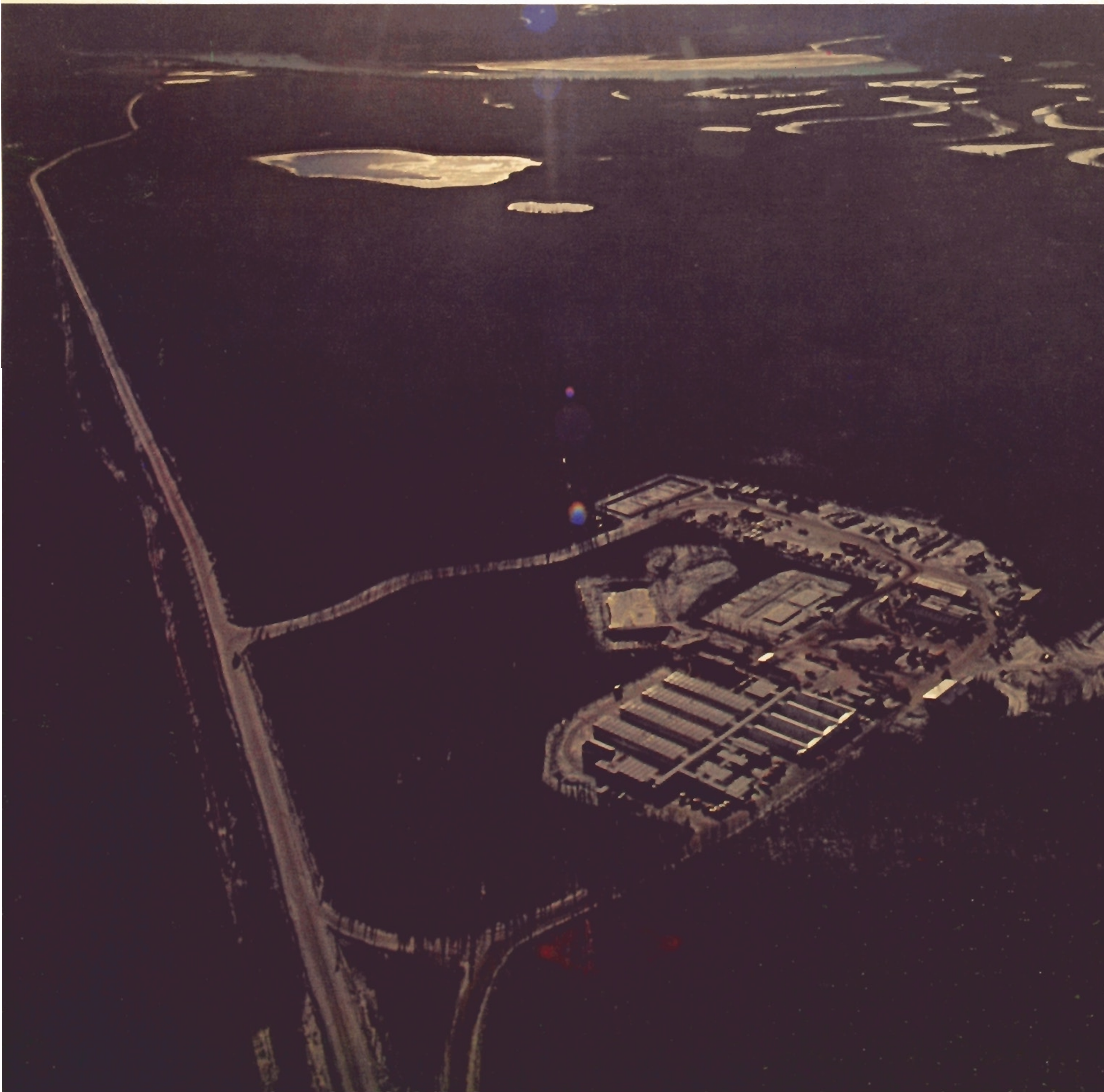
Dormitory complexes at Valdez, site of pipeline terminal

Registration desk and post office at Valdez camp

Units being readied for occupancy

Yukon River crossing





Auditors' Report

To the Shareholders of ATCO Industries Ltd.

We have examined the consolidated statement of financial position of ATCO Industries Ltd. and its subsidiaries as at March 31, 1975 and the consolidated statements of earnings and retained earnings and changes in financial position 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,.1975 and the results of their operations and the changes in their financial position 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 20, 1975.

PRICE WATERHOUSE & CO.
Chartered Accountants

ATCO INDUSTRIES LTD. and Subsidiary Companies

Consolidated Statement of Earnings and Retained Earnings

(Thousands of dollars)

	Year ended March 31	
	1975	1974
REVENUE:		
Sales, rentals and service revenue	$177,456	$105,726
Other income	2,599	1,104
	180,055	106,830
COSTS AND EXPENSES:		
Operating costs	127,192	80,295
Amortization of deferred charges	119	546
Selling and administrative expenses	19,144	12,931
Provision for depreciation	3,058	2,320
Interest expense —		
Long-term debt	1,039	977
Other	537	229
Minority interests	298	32
	151,387	97,330
EARNINGS BEFORE INCOME TAXES	28,668	9,500
PROVISION FOR INCOME TAXES	14,301	4,276
NET EARNINGS FOR THE YEAR	14,367	5,224
RETAINED EARNINGS AT BEGINNING OF YEAR	18,614	13,780
	32,981	19,004
DIVIDENDS PAID (Per Share: 1975 — 37½¢; 1974 — 15¢)	979	390
RETAINED EARNINGS AT END OF YEAR	$ 32,002	$ 18,614
EARNINGS PER SHARE	$5.50	$2.01

ATCO INDUSTRIES LTD. and Subsidiary Companies

Consolidated Statement of Changes in Financial Position

(Thousands of dollars)

	Year ended March 31	
	1975	**1974**
WORKING CAPITAL WAS PROVIDED BY:		
Operations —		
Net earnings for the year	$14,367	$ 5,224
Charges (or credits) not involving a change in working capital —		
Depreciation	3,058	2,320
Undepreciated cost of industrial rental units sold	4,786	4,239
Deferred income taxes	904	655
Amortization of deferred charges	119	546
Minority interests	298	32
Decrease in deferred income	(30)	(861)
Gain on disposal of assets	(229)	—
Working capital provided by operations	23,273	12,155
Proceeds on disposal of investments	1,159	—
Proceeds on disposal of fixed assets	851	—
Issue of shares	48	108
Proceeds of term bank loans, notes and mortgages	—	176
Reduction of long-term receivables	—	354
	25,331	12,793
WORKING CAPITAL WAS USED FOR:		
Additions to fixed assets —		
Industrial rental units	11,294	6,646
Other	2,766	3,777
Payment of debentures	750	750
Reduction of term bank loans, notes and mortgages	444	118
Dividends paid	979	390
Increase in long-term receivables	320	—
Miscellaneous	160	205
Increase in investments	—	898
	16,713	12,784
INCREASE IN WORKING CAPITAL DURING YEAR	8,618	9
WORKING CAPITAL AT BEGINNING OF YEAR	14,530	14,521
WORKING CAPITAL AT END OF YEAR	$23,148	$14,530

ATCO INDUSTRIES LTD. and Subsidiary Companies

Consolidated Statement of Financial Position
(Thousands of dollars)

ASSETS

	March 31 1975	March 31 1974
CURRENT ASSETS:		
Cash	$11,497	$ 448
Accounts receivable	18,419	17,200
Claims receivable	2,563	—
Inventories, at lower of cost or estimated net realizable value, and uncompleted contract costs less progress billings (Note 2)	24,754	20,932
Prepaid expenses and deposits	1,336	982
Instalment notes receivable within one year	805	1,140
	59,374	40,702
OTHER ASSETS:		
Instalment notes receivable, less current portion included in current assets	2,053	1,733
Investments, at cost	27	947
	2,080	2,680
FIXED ASSETS, at cost (Note 3)	35,739	28,913
Less: Accumulated depreciation	8,719	7,240
	27,020	21,673
DEFERRED CHARGES:		
Unamortized patent, start-up and other costs	386	489
Share issue costs	71	71
	457	560
EXCESS OF COST OF SHARES OF SUBSIDIARIES OVER BOOK VALUE AT ACQUISITION	343	191
	$89,274	$65,806

LIABILITIES

	March 31 1975	March 31 1974
CURRENT LIABILITIES:		
Outstanding cheques, less related bank balances	$ 2,195	$ 4,947
Current bank loans, secured (Note 4)	1,418	4,384
Accounts payable and accrued liabilities	20,423	12,890
Income taxes	11,173	2,697
Long-term debt due within one year	1,017	1,254
	36,226	26,172
DEFERRED CREDITS:		
Deferred rental and other income	850	880
Deferred income taxes	4,823	3,919
	5,673	4,799
LONG-TERM DEBT (Note 5):		
Debenture due March 1, 1985, secured	4,250	4,500
Debenture due June 26, 1979, secured	3,500	4,000
Term bank loans, at rates averaging 11%, secured by assignment of specific rental contracts	551	595
Mortgage loans, finance company notes, etc.	1,432	2,069
	9,733	11,164
Less: Amounts due within one year	1,017	1,254
	8,716	9,910
MINORITY INTERESTS IN SUBSIDIARY COMPANIES	355	57
SHAREHOLDERS' EQUITY:		
Share capital (Note 6) —		
Convertible shares without nominal or par value —		
Authorized —		
3,500,000 Class A shares		
3,500,000 Class B shares		
Issued —		
1,909,438 Class A shares		
707,402 Class B shares		
2,616,840 shares	5,317	5,269
Contributed surplus	985	985
Retained earnings	32,002	18,614
	38,304	24,868
COMMITMENTS (Note 7)		
	$89,274	$65,806

APPROVED ON BEHALF OF THE BOARD:

Director

Director

Notes to Consolidated Financial Statements — March 31, 1975

1. SUMMARY OF ACCOUNTING POLICIES:

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 70% owned.

The excess cost of shares of subsidiaries over book value at acquisition includes additional consideration for the purchase price of subsidiaries acquired in 1971 based on subsequent operating results.

During the 1975 fiscal year the President of the principal Australian affiliate (a wholly-owned subsidiary of Atco Industries Ltd.) was granted an option, exercisable in the 1980 fiscal year or earlier in certain events, to acquire 10% of the outstanding shares of the subsidiary for a consideration based on net book value at March 31, 1973. If the option is exercised the effect will be to remove from consolidated earnings an amount equivalent to 10% of the net income of the subsidiary since 1973. In anticipation that the option will be exercised (having regard to certain buy-back arrangements included in the option agreement), provision for the potential charge accumulated to March 31, 1975 has been made in the accompanying financial statements, being accounted for as if it represented a 10% minority interest.

FOREIGN EXCHANGE —

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.

Gains or losses on exchange translation are deferred and amortized over a ten year period.

REVENUE —

Revenues are recognized in the accounts as follows —

- Industrial housing and on site installation sales are recorded by the percentage of completion method.
- Mobile homes sales are recorded when units are shipped.
- Residential home sales are recorded on the date of possession.
- Rental contracts with purchase option are recorded either as sales or rentals depending upon the amount of guaranteed rentals. Where guaranteed rentals exceed the selling price, a sale is recorded. If the guaranteed rentals are less than the selling price, the transaction is recorded as a rental contract and a portion of the monthly rental is deferred and applied against the purchase price upon exercise of the option.
- Other sales are generally recorded as goods are shipped or services performed.

INCOME TAXES —

The companies follow the tax allocation method of accounting for income taxes whereby tax provisions are based on the income shown in the accounts and taxes relating to timing differences between accounting income and taxable income are deferred.

The earnings of foreign subsidiaries are subject to foreign withholding taxes if repatriated to Canada in the form of dividends. Provision has been made for such potential taxes only to the extent that dividends are anticipated.

DEPRECIATION —

Industrial rental units and utility trailers are depreciated by the straight line method at 10% of cost per annum. Leasehold improvements and structures located on leased property are depreciated by the straight line method over the term of the lease. Other buildings, fixtures and equipment are depreciated by the declining balance method at various rates based upon estimated useful life.

AMORTIZATION —

Plant start-up costs, representing the major portion of deferred charges, are amortized by the straight line method over a five year period.

WARRANTY —

Provision is made for anticipated warranty obligations.

EARNINGS PER SHARE —

Earnings per share are calculated on the weighted average number of shares outstanding during the year. Fully-diluted earnings per share would not be significantly different.

THE COMPANIES ACT OF BRITISH COLUMBIA —

These statements do not comply with every provision of the Companies Act of the Province of British Columbia.

2. INVENTORIES:

Particulars of the inventories are as follows:

	(Thousands of dollars) 1975	1974
Materials and parts	$10,461	$ 8,820
Work in progress	9,798	8,986
Finished units	4,919	3,606
	25,178	21,412
Less: Progress billings	424	480
	$24,754	$20,932

3. FIXED ASSETS:

A summary of the fixed assets is given hereunder:

	(Thousands of dollars) 1975	1974
Land and improvements	$ 1,515	$ 1,185
Buildings, fixtures and equipment	12,933	12,589
Leasehold improvements	2,559	1,683
Utility trailers	1,265	1,311
Industrial rental units	17,467	12,145
	35,739	28,913
Less:		
Accumulated depreciation —		
General fixed assets	5,415	4,314
Utility trailers	761	750
Industrial rental units	2,543	2,176
	8,719	7,240
Net book value	$27,020	$21,673

4. CURRENT BANK LOANS:

The current bank loans at March 31, 1975 are secured by the assignment of book debts and/or inventories. In certain cases, lines of credit for which loans are not presently outstanding 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%.

Under the terms of the debentures, dividends can not exceed 50% of the preceding year's net earnings nor can they reduce consolidated retained earnings to less than $7,587,000.

The annual maturities of long-term debt over the next five years are as follows:

1976 — $1,017,000	1977 — $ 893,000
1978 — $ 891,000	1979 — $ 898,000
1980 — $1,864,000	

6. SHARE CAPITAL:

The Company has two classes of shares each of which is convertible into an equal number of shares of the other class at the option of the holder and each class of shares ranks equally in all respects, including dividends, except that cash dividends declared on the Class B Convertible shares shall be paid out of tax-paid surpluses in an amount equivalent to that paid on the Class A Convertible shares.

Changes in the issued share capital during the year ended March 31, 1975 are summarized hereunder:

	Number of shares	Share capital
Outstanding at March 31, 1974	2,610,590	$5,269,000
Issued for cash upon exercise of options by officers, directors and key employees	6,250	48,000
Outstanding at March 31, 1975	2,616,840	$5,317,000

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, 1975 are as follows:

	Price per share	Number of shares
Options expiring in 1976	$ 6.75	5,200
Options expiring in 1976	$ 7.75	6,270
Options expiring in 1977	$11.03	3,600
Options expiring in 1978	$ 8.78	8,260
		23,330

Of 125,000 shares initially reserved for the stock option plan, 1,030 remain to be granted.

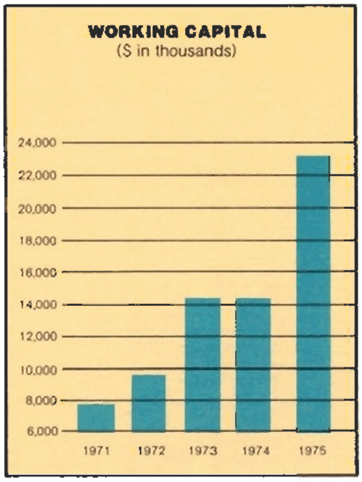
7. COMMITMENTS:

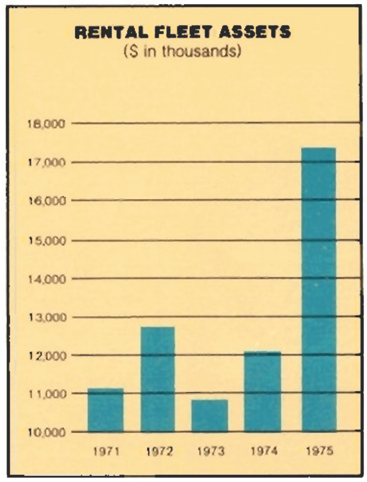
The Company and its subsidiaries have material contractual obligations in respect of long-term leases of manufacturing facilities, office premises, and equipment. The rentals incurred by the companies amounted to $687,000 for the year ended March 31, 1975; the minimum rentals to be incurred on such facilities during the five-year period ending March 31, 1980 aggregate $1,425,000.

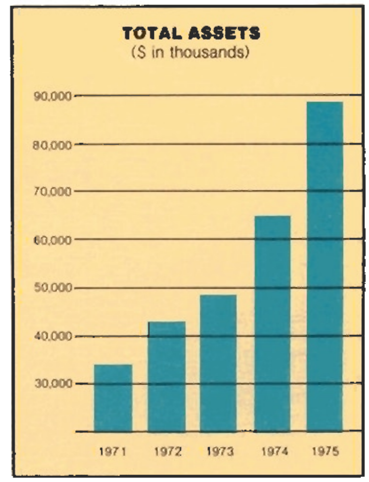
The future cost of past service benefits for the employees' pension plan is estimated to be $344,000 which will be paid and charged to earnings in equal monthly instalments over the next 11 years.

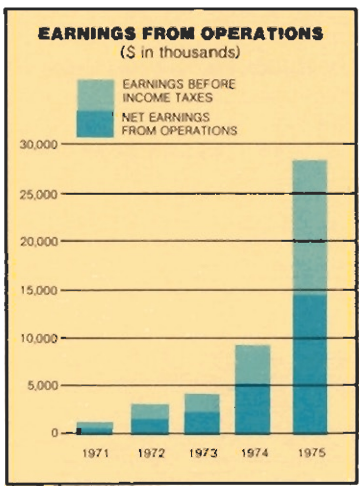
8. REMUNERATION OF DIRECTORS AND OFFICERS:

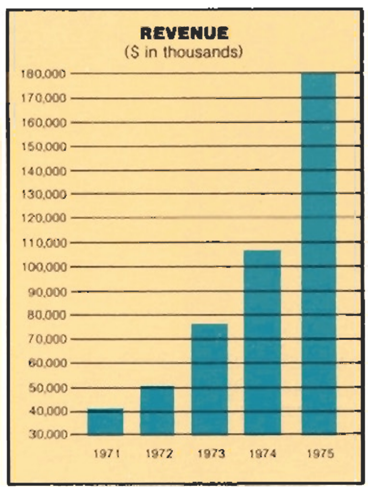
The aggregate direct remuneration paid by the Company and its subsidiaries to directors and senior officers of the Company in the year ended March 31, 1975 amounted to $894,000 ($556,000 in 1974). The 1975 remuneration includes incentive bonuses provided for in the 1974 accounts of $275,000 together with $123,000 with respect to the first six months of the 1975 fiscal year. The 1975 accounts include an additional provision for incentive bonuses of $486,000 to be paid in the 1976 fiscal year.

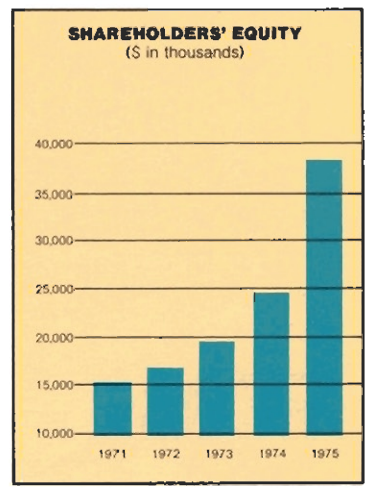












Consolidated Summary of Earnings

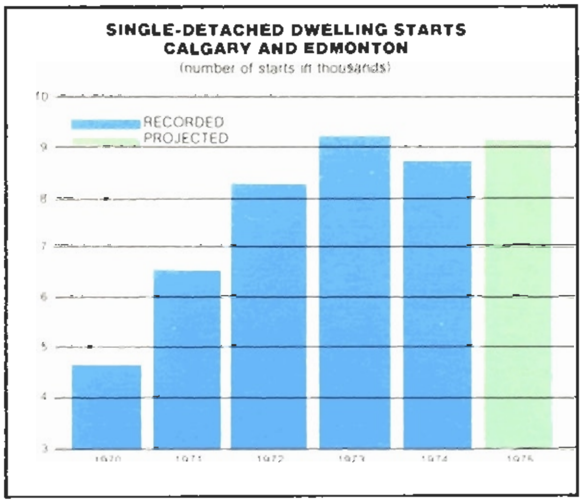
For the Five Years Ended March 31, 1975 (thousands of dollars)	1971	1972	1973	1974	1975
Sales, rentals and service revenue	41,804	49,610	74,751	105,726	177,456
Other revenue	744	804	1,886	1,104	2,599
	42,548	50,414	76,637	106,830	180,055
Operating costs and amortization	31,060	36,217	59,178	80,841	127,311
	11,488	14,197	17,459	25,989	52,744
Selling and administrative expenses	7,557	8,144	9,838	12,963	19,442
	3,931	6,053	7,621	13,026	33,302
Interest expense	855	982	1,094	1,206	1,576
	3,076	5,071	6,527	11,820	31,726
Depreciation	1,543	1,877	2,113	2,320	3,058
	1,533	3,194	4,414	9,500	28,668
Income taxes	803	1,571	1,954	4,276	14,301
	730	1,623	2,460	5,224	14,367
Extraordinary item	(266)	—	—	—	—
NET EARNINGS	464	1,623	2,460	5,224	14,367

Housing — Residential
Cedarglen

Canadian housing starts in 1974 declined approximately 17% to 222,000 from the record 1973 total of 268,500, however, the most significant decline took place in the multi-family and apartment segment. Single family dwellings again increased their share of the market and now account for approximately 55% of all Canadian starts.

Cedarglen's market area of Calgary and Edmonton experienced declines in total housing starts in 1974 of 7% and 27% respectively, however, again the major portion of the decline took place in the multi-family and apartment segment. This decline was caused by rapid increases in the cost of materials, labor and serviced land coupled with mortgage rates which exceeded 12% in mid-year.

Cedarglen recently expanded its operations to the City of Red Deer where significant industrial expansion will dramatically increase housing requirements.



During the coming year Cedarglen expects to enter the multi-family housing market. Property in Calgary is currently in the re-zoning process while a concept proposal has been submitted to the City of Edmonton for semi-detached housing in the Millwoods area.

The Alberta Council of the Housing and Urban Development Association of Canada has instituted a New Home Certification Program which is a first for Canada. Now in operation it protects the new home buyer against loss of deposits and down payments through builder bankruptcy or failure to perform and insures against major structural defects for five years. Cedarglen is a member of the Program and all their housing units are covered by this warranty.

Unfavorable economic conditions which seriously disrupted the market for higher priced homes in Adelaide, Australia led to the decision to terminate Cedarglen building activities in that area. No losses were incurred on the disposal of the inventory of land and finished homes. Re-entry into the industry is a definite possibility when more normal market conditions prevail.

Cedarglen offers a wide variety of housing styles designed to appeal to the broadest possible range of buyers. Their homes are available in the majority of the major subdivisions in Calgary, Edmonton and Red Deer.

Housing — Mobile Homes

Fiscal 1975 continued the trend set last year with the Canadian market and more specifically Western Canada remaining buoyant while United States shipments dropped dramatically.

Canadian shipments totalled 33,100 units during calendar 1974, an increase of 13% over the 1973 shipments of 29,400 units. This performance was compiled in the face of a slumping economy and a severe shortage of mobile homes subdivisions. Comparison of this performance with the 17% decline in conventional housing starts again demonstrates the long term viability of the industry. In fact, mobile home manufacturers are the only segment of the housing industry successfully producing modular housing at a cost within reach of the majority of North Americans. Early indications are that shipments in the 1975 calendar year will exceed 1974 by at least 10% with the majority of this growth taking place in Western Canada.

In Calgary the strength of the agricultural and resource sectors of the market area resulted in the ATCO Homes Division maintaining full production in two factories for almost the entire year. With the growing demand for doublewide units some 40% of these facilities were devoted to this product line.

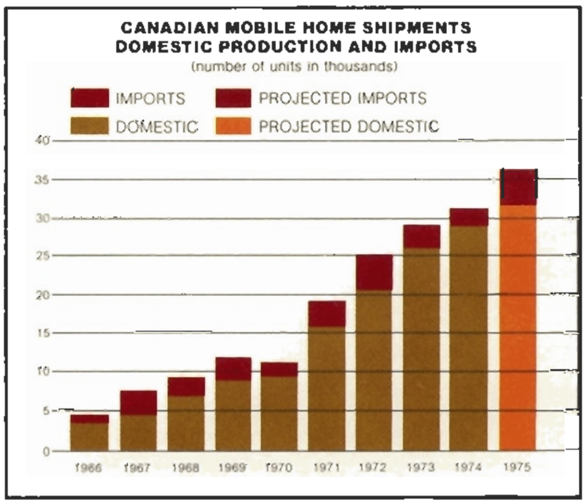
Working in conjunction with ATCO Structures Ltd., ATCO Homes supplied over 100 units to the Syncrude Tar Sands project in Ft. McMurray, Alberta as well as 25 units to Eldorado Nuclear's uranium development in Uranium City, Saskatchewan.

Under the combined pressures of high interest rates and tight money the Eastern Canadian mobile home market deteriorated rapidly beginning in June of 1974. To offset this reduced demand the Les Maisons ATCO plant in Montreal commenced industrial housing production in support of expanded domestic and export sales. Late in the year Les Maisons received an order from Iron Ore Co. for 250 mobile homes which will be shipped to Labrador this summer. Present plans call for the Les Maisons facility to once again spend most of its time in the production of industrial housing with the production of mobile homes being limited to firm orders from dealers.

Some Canadian manufacturers have in the past supported artificial levels of production with high finished unit inventories and programs of consigning units to dealers. These approaches generate unwarranted risks and ATCO's policy continues to emphasize minimum finished goods inventories and the delivery of units to dealers on a cash basis only. In addition, all of ATCO's dealers are required to meet stringent financial requirements including the availability of adequate inventory financing.

Severely depressed market conditions in fiscal 1975 continued to hamper the operations of ATCO Homes Inc. in Nampa, Idaho. As was the case in Eastern Canada, excess plant capacity was utilized for the production of industrial units enabling this subsidiary to maintain its record of never having incurred a loss since its entry into the mobile home industry. Market conditions are expected to improve in the latter part of the current year and in preparation for this, ATCO Homes Inc. is introducing several new doublewide models closely resembling conventional homes in appearance and ranging up to 1,900 sq. ft.

ATCO's Riverside, California plant continues to produce industrial housing units for both the domestic and export markets. The long range plan is to produce mobile homes but this will only take place when there are clear indications of a return to viability for the United States industry.



An ATCO double-wide located in an attractive mobile home development.

Quality furnishings and fixtures highlight the spacious interiors of ATCO mobile homes.





Country Homes

After an encouraging beginning in fiscal 1975 the Country Homes Division of ATCO Structures Pty. Ltd. operated in an economic environment which featured high unemployment, rising costs and record interest rates. Mortgage loan limits did not keep pace with the very rapid inflation experienced in Australia and this severely limited the ability of potential purchasers to obtain financing. In addition the wettest winter on record hampered sales in Western Victoria and South Australia which together comprised about 50% of the Division's market area. However, the year ended on a brighter note with improving sales and increasing backlogs as Federal Government fiscal and monetary initiatives lifted consumer confidence noticeably. Accompanying this improvement was a broadening of the market area to include New South Wales and the Northern Territory.

In a departure from traditional operations some 30 homes were built on-site in the Adelaide area where sufficient sub-trade support was available to make this approach viable.

The expansion feasibility studies mentioned in last year's report have led to the acquisition of further property on which new production facilities are being established. These new facilities which will double production capability to 36 homes per month, should be in use early in the first quarter of the new fiscal year.

With the Federal Government actively promoting system built housing for decentralized areas and labor becoming more difficult to obtain in rural Australia, the potential for the Country Homes concept of housebuilding is greater than ever before.

Interior and exterior views of typical ATCO Country homes located in various regions of South Australia.

Superior Components Ltd.

Superior enjoyed an excellent year in fiscal 1975 highlighted by the receipt of several major contracts.

Among projects completed by the Interiors Division were the Epicurean Gourmet House and the Glenbow Museum in Calgary as well as Hy's at Sheppard Street in Toronto. The Division also supplied furnishings for the Four Seasons Hotel and Blackfoot Motor Inn in Calgary in addition to The Place at the Pier Restaurant in Vancouver and several motels and Dairy Queen outlets across Western Canada.

Superior's Component Division was very active in the past year. Its line of low cost modular kitchen cabinets received an enthusiastic reception from both housing contractors and homeowners, and dealerships have been established in Calgary, Saskatoon and Edmonton to facilitate distribution. Two Versalab casework systems on which Superior holds exclusive manufacturing rights, were completed for the University of Calgary while a substantial amount of Innovator furnishing was supplied to the Alberta Children's Hospital.

Another very important program in which Superior participated during the year was the supply of components for the use of other ATCO Companies in their production of housing and related facilities for the massive Alyeska project. Without a component supplier of Superior's calibre, the crucial Alyeska delivery dates would not have been met.

A major step forward for Superior was their selection as the general contractor for the Don Vale Medical Clinic and the Hy's at Sheppard Street projects in Toronto. The successful completion of these contracts has resulted in an expanded real estate development capability which combines with an expanding component product line to provide ample scope for the Company's future growth.

'Versalab' and 'Innovator' — modular equipment and furnishing systems produced exclusively by Superior Components Ltd.

Attractive wall panelling is featured in the Calgary Convention Centre complex.

Attractive dining facilities in the Capri Motor Hotel, Red Deer, Alberta.

Hy's of Yorkville, Toronto — both general contracting and custom interior design by Superior.


PARK
HY'S

Metal Fabrication

Both the fabricating and forming divisions of ATCO Metal Ltd. achieved record sales during fiscal 1975.

The major fabricating activity involved the Fold-A-Way building. This patented relocatable metal building was in great demand for such varied uses as warehouses, garages, maintenance shops, fire stations and water treatment buildings. Large volume orders necessitated double shifting in Calgary for a number of months and 24-hour per day operations in Montreal for some weeks. Fold-A-Way buildings are now available in widths up to 70 feet meeting design criteria of 90 pound snow loads and 120 miles per hour wind loads.

In Western Canada sales of metal siding and roofing increased significantly, primarily in the agricultural market. In support of this activity a warehouse was established in Edmonton to service Northern Alberta.

The major capital expansion program undertaken last year in the Special Products Division was completed early in fiscal 1975. The sale of airport ground handling equipment including

Another 'Superspan' goes up.

ATCO roll formed siding combines industrial durability with the decorative qualities necessary for commercial installations.

ATCO supplied both interior and exterior cladding for the Zilke dairy barn, the largest in Canada.

Interior of Montreal metal fabrication facility.

Fold-A-Way buildings ready for rail shipment.

Fold-A-Way buildings erected on site.

Flagliner van.

Flagliner flatdeck.


Woolco
DEPARTMENT
Woolco
Woolco

dollies, baggage carts and pallet carriers continued along with the sale of spare parts and assemblies in support of similar equipment delivered earlier.

In Australia, Paraweld Pty. Ltd. continued its improved performance of the previous year. Accent was placed on the development and introduction of standard steel buildings with the "Superspan" series receiving broad market acceptance.

The increasing emphasis on standard products has been reflected in the restructuring of company operations. In addition, ancillary equipment has been added to the rolling line to streamline production and provide the flexibility necessary to produce a wider range of standard products.

Soft drink case dollies and airport ground handling equipment are two of the promising new standard product lines produced by ATCO's metal fabricating subsidiaries.

Trans-Canada

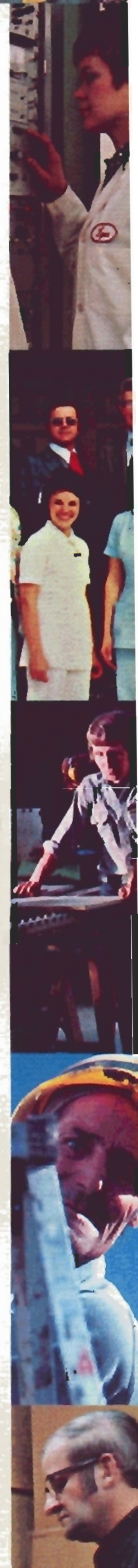
During fiscal 1974 Trans-Canada upgraded its in-house computer system and increased the emphasis on trailer utilization to maximize the use of the fleet and dealer organization. An intensive program of market research is underway with the results being applied to improve market planning and segmentation.

The sale of used units is continuing as the fleet is rationalized and concentration is placed on those units best suited to the requirements of today's customers.

CENTENARY PARK · A CALGARY CENTENNIAL PROJECT BY ATCO

Centenary Park

ATCO was founded in Calgary some 29 years ago and in recognition of the City's 100th Birthday, ATCO is in co-operation with the Calgary Zoological Society and the City of Calgary, undertaking a comprehensive beautification and development program on St. Patrick's Island. This 17 acre site located close to the city centre has been named Centenary Park. The project was chosen as a composite of employee suggestions for a centennial project and is ATCO's way of showing its appreciation to the people of Calgary for their contribution to the Company's success.



Oil & Gas

ATCO invested approximately $350,000 in oil and gas exploration during fiscal 1975 with the majority of these expenditures being incurred on low to medium risk prospects to expedite cash flow. During the latter part of the year emphasis was placed on the development of and participation in shallow to medium depth gas prospects in Alberta to capitalize on rapidly increasing prices.

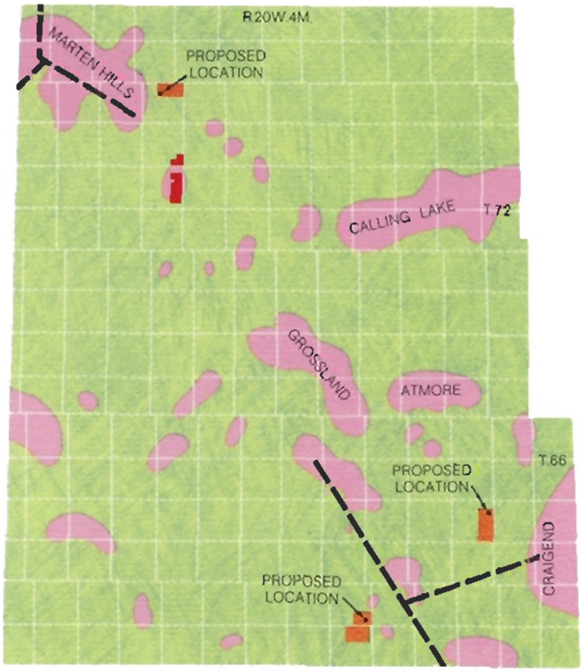
The Company participated in the drilling of eight wells this year, all in Alberta. Two were completed as oil wells, one is a shut-in gas well and the remaining five were abandoned. ATCO's share of the recoverable reserves from these wells is estimated at 100,000 bbls. of oil and 0.5 Bcf. of natural gas.

At the end of fiscal 1975, ATCO held varying interests in five oil wells and three shut-in gas wells in Alberta, 49,127 acres of P & NG rights in Alberta and 125,000 acres of permit acreage in Turkey. Initial proven recoverable reserves are estimated at 250,000 bbls. of oil and 1 Bcf. of gas.

Plans for the remainder of fiscal 1976 include installation of pipeline and production facilities at the two Gambling Lake gas wells. A gas purchase contract has been signed with Northwestern Utilities Limited and the wells are expected to go on stream in July 1975. ATCO's share of the net income should be $40,000 to $50,000 per year. ATCO will also participate in the drilling of three 2,500 foot prospective gas wells in east central Alberta. Two of these are wildcat tests and will qualify for drilling incentive credits with production from the wells not subject to Crown royalty for two years. The third test is a stepout to an existing gas field. Each well will earn ATCO a 15% working interest (before payout) in 7 to 10 sections. In addition, several development oil and/or gas tests are planned for ATCO's extensive Medicine River land holdings in central Alberta.

Near the end of the year ATCO's joint venture partner, Cayuga Oil & Gas Ltd. decided to transfer the majority of its activities to the United States. In the belief that the political climate for the Canadian petroleum industry will improve significantly in the next few years, ATCO's Board has approved the establishment of a wholly-owned oil and gas subsidiary. With the major companies focusing their attention on other parts of the world and the recent corporate tax reductions in Alberta, the present time seems most appropriate for a full scale entry into the oil and gas industry by ATCO. No immediate major change in philosophy is envisioned with the majority of the expenditures devoted to low to medium risk prospects.

East Central Alberta



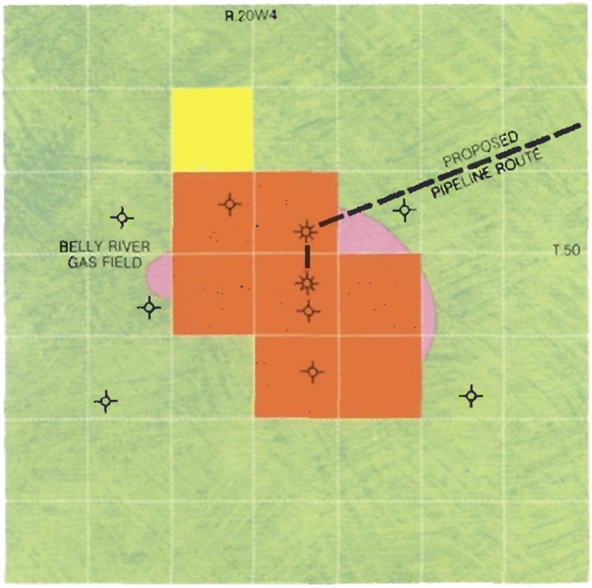
Farmin and Option Lands — ATCO 15% Working Interest Before Payout

ATCO Lands — 7% Working Interest

Gas Field

Pipelines

Gambling Lake Area, Alberta



ATCO 16-2/3% Interest Leases

ATCO 8-1/3% Interest Lease

Gas Field

Gas Well

Dry Hole

New Facilities

Exterior view — ATCO Structures Ltd. office — Calgary — under construction.

100,000 sq. ft. plant — 14 acre site — Calgary.

Interior view — ATCO Structures Pty. Ltd. office — Adelaide — under construction.

Enlarged plant facilities — Adelaide — under construction.

ALCRAFT - CALGARY
LITHOGRAPHED IN CANADA


CYPRUS
SYRIA
LEBANON
IRAN
Mediterranean Sea
IRAQ
ISRAEL
JORDAN
KUWAIT
Persian Gulf
EGYPT
SAUDI ARABIA
Red Sea
ADELAIDE

ATCD