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ATCO

1977 Annual Report

HOWARD ROSS LIBRARY
DE MANAGEMENT
AUG 1 1977
MCGILL UNIVERSITY

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Corporate Office

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Transfer Agents

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Calgary — 315 - 8th Avenue S.W., Calgary, Alberta
Montreal — 600 Dorchester Blvd. W., Montreal, Quebec
Toronto — 320 Bay Street, Toronto, Ontario

Cover

ATCO's new orange trademark, shown on the cover of this report, is the key element in the Company's new program to communicate more effectively. Refer to page 40 for more details.

Directors

W. L. BRITTON
Partner, Jones, Black & Company, Calgary

*B. P. DRUMMOND
President, Greenshields Inc., Montreal

E. N. FARCH
President, ATCO Industries (Aust.) Pty. Ltd.

G. A. FREEMAN
Secretary, ATCO

G. F. JOHNSON
Sr. Vice President, Controller, ATCO

*G. P. KIEFER
Sr. Vice President, Manufacturing, ATCO

*R. RICE
Sr. Vice President, Citibank, N.A., New York

C. S. RICHARDSON
Sr. Vice President, Finance, ATCO

N. W. ROBERTSON
Senior Vice President & Chief Operating Officer, ATCO

J. G. SCOTT
President, International Division, ATCO

C. N. SIMPSON
President
C. Norman Simpson Consultants Limited, Vancouver

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

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

DR. J. D. WOOD
President, North American Division, ATCO
*Member — Audit Committee

Officers

S. D. SOUTHERN,
Chairman of the Board

R. D. SOUTHERN,
President and Chief Executive Officer

M. DURDLE,
Assistant Secretary

G. A. FREEMAN,
Secretary

G. F. JOHNSON,
Senior Vice President, Controller

G. P. KIEFER,
Senior Vice President, Manufacturing

C. S. RICHARDSON,
Senior Vice President, Finance

N. W. ROBERTSON,
Senior Vice President & Chief Operating Officer

J. G. SCOTT,
President, International Division

DR. J. D. WOOD,
President, North American Division

Financial Highlights

(Thousands of dollars)

	1977	1976	Change
TOTAL REVENUE	<u>\$261,156</u>	<u>\$208,799</u>	+ 25%
EARNINGS:			
Before income taxes	\$ 31,869	\$ 27,970	+ 14%
Income taxes	14,166	13,180	+ 7%
Net earnings	<u>\$ 17,703</u>	<u>\$ 14,790</u>	+ 20%
EARNINGS PER SHARE:			
Before income taxes	\$ 6.05	\$ 5.34	+ 13%
Income taxes	2.69	2.52	+ 7%
Net earnings	<u>\$ 3.36</u>	<u>\$ 2.82</u>	+ 19%
FINANCIAL POSITION:			
Working capital	\$ 35,352	\$ 26,602	+ 33%
Rental assets	28,587	22,625	+ 26%
Property, plant and equipment	30,748	17,641	+ 74%
Other assets	2,647	2,587	+ 2%
	<u>97,334</u>	<u>69,455</u>	+ 40%
Less —			
Long term debt	19,986	10,438	+ 91%
	<u>77,348</u>	<u>59,017</u>	+ 31%
Deferred items	10,131	7,401	+ 37%
Shareholders' equity	<u>\$ 67,217</u>	<u>\$ 51,616</u>	+ 30%



Report to the Shareholders



The 1977 fiscal year results for the ATCO Group of Companies show revenue totalling \$261,156,000. compared to \$208,799,000. in the previous year. The current year's earnings were \$17,703,000. or \$3.36 per share, compared to \$14,790,000. or \$2.82 per share last year. Working capital increased approximately 33% and totalled \$35,352,000. at year end. Capital expenditures amounted to \$36,930,000.

Despite a modest first quarter and many difficulties in ATCO's domestic markets, the Group's latest fiscal year was one of substantial growth and for the sixth year in a row, a record accomplishment. While the volume and profit speak for themselves, they were only achieved by an extraordinary effort in the international marketplace backed by an outstanding production performance in our North American factories.

ATCO's international activities were many and varied this year and not only have we had a substantial increase in staff, but their skills have been considerably expanded. Of particular significance was the establishment of a Saudi Arabian construction division responsible for the engineering and construction of foundations, utilities, roads and related amenities for the various projects ATCO is undertaking in the Kingdom of Saudi Arabia. These projects are described in more detail in the body of this report. This new capability bodes well for future company activities in the Middle East market.

Our historical North American markets in industrial housing, metal fabrication, mobile homes, residential housing, and components were faced with low demand and this factor combined with rising costs resulted in very minimal profit contribution. We did, however, use this period to expand our assets, especially in those areas of diversification identified in the early 70's as attractive to ATCO.

Substantial investments were made in land in Alberta for development of single and multi-family dwellings as well as for commercial buildings, while new factories were established in Waco, Texas and Penticton, British Columbia. The multi-million dollar acquisition of Neonex Shelter Ltd. assets resulted in approximately 800 units being added to the Canadian industrial rental fleet.

Continued investment in ATCO Gas & Oil Ltd. has resulted in good firm growth in that Company's cash flow and reserves. We believe that this particular diversification will continue to grow and will become a significant contributor to Group earnings and stability in the future.

Our Australian operations experienced only a modestly profitable year but there has been a sure, if slow, improvement in the economy and we expect improved earnings in our 1978 fiscal year.

As the year progressed, it became apparent that there was a good deal to be gained from reorganizing ATCO to provide increased concentration on the Group's two main areas of activity, namely North America/Australia and International. The North American/Australian Division handles all domestic activity on those two continents while the International Division encompasses those activities conducted offshore North America and Australia or where our products are destined for clients offshore North America or Australia. Previously, Regional offices in the United States, Australia, and Canada were each responsible for certain export markets. The growth in those markets and the need to provide better service to our clients made it imperative that we make some basic changes in how ATCO was organized.

I repeat to you, our shareholders, my statement to your Board of Directors when proposing this change, namely, "that in addition to the estimated one million dollars of direct costs associated with the reorganization, I fully expect that some millions of dollars of potential profits will not be realized due to the loss of continuity and productivity associated with a transition of such major magnitude". However, I also stated to your Directors and I repeat to you, "after a year or so, I am confident that ATCO will be properly staffed and organized to achieve our 1981 target of over a half-billion dollars of profitable sales". We expect to derive these sales equally from our North American/Australian Division and our International Division.

Obviously the Executives required to guide the Company through this reorganization and manage its growth in the years ahead are of prime importance. While they were accepting a very difficult challenge, it was with

a great deal of confidence and with your Board of Directors' approval that I announced in February the appointment of Mr. Norman W. Robertson as Senior Vice President and Chief Operating Officer, with overall responsibility for all of ATCO's operating units, Dr. John D. Wood as President of our North American/Australian Division, and Mr. Jay G. Scott as President of our International Division. These three Executives will join with me in reporting to you on their areas of responsibility and, of course, their progress, in our next annual report.

I would like to emphasize that we fully expect our earnings will not be as buoyant in this fiscal year as in the past year due to slow growth in our North American/Australian Division's basic economies and because of our own reorganization difficulties in the International Division. I expect our efficiency to improve constantly, however, and by 1978 we should be well positioned for future growth.

In view of the Group's continued strong earnings and excellent financial position, your Board of Directors recently agreed to increase dividends to an annual rate of 44 cents per share.

On behalf of our shareholders, I would like to thank all the people of ATCO who have again achieved record results. It has been a superb effort in spite of very difficult conditions. May I personally say a special thank you to our Board of Directors whose counsel, involvement, and encouragement is a constant source of strength to the Company, and finally to our customers and shareholders, without whose confidence none of this would be possible.

On Behalf of the Board of Directors



R. D. Southern
President and Chief Executive Officer

International Division Industrial Housing

Fiscal 1977 was an outstanding success for the International Division not only in terms of sales and production, but also in the uniqueness of projects undertaken. Major shipments to Algeria, Saudi Arabia, and Italy were the highlights of a very busy year.

Early in the year Sonatrach, the Algerian state-owned petroleum company, awarded ATCO a multi-million dollar contract for mobile exploration camps including bakeries, laundries, and ablution units. These fully mobile, self-contained units were equipped with special running gear and tires for desert travel. The order also included knock-down sleepers, mobile electric generators and water tankers, as well as several million dollars worth of Fold-A-Way buildings.

Later in the year Sonatrach awarded ATCO a series of large contracts. These orders included drilling camps with generators, a training centre, a 50 man camp, additional Fold-A-Way buildings and a 50 room and 100 room motel.

Bechtel International Inc., acting as agents for Sonatrach, placed an order for houses, dormitories, and recreational facilities for their crew working on the massive L.N.G.-1 project at Arzew, Algeria.

Saudi Arabia continued to be an excellent market with orders being received from Page Communications Engineers Inc., and Aramco Services Company. In all, accommodation for some 20,000 workmen was shipped to Saudi Arabia in the past year.

ATCO Structures Ltd. of Calgary supplied a self-contained drilling camp to the Russian Oil Ministry. The complex was accompanied

by a sewage treatment unit, a power generation facility and a Fold-A-Way building for storage purposes.

The housing travelled north of the Arctic Circle to the Komi Region of the U.S.S.R., by rail to Montreal, ship to Murmansk, Russian Railway to Pechora, and finally by truck to the site.

The drilling camp, which was part of a program undertaken by the Canadian Drilling Research Association in conjunction with Global Trading Company Ltd., was erected under the supervision of ATCO technicians. The erection, which took place in temperatures in the minus 40° to 50° Celsius range, was accomplished within a week.

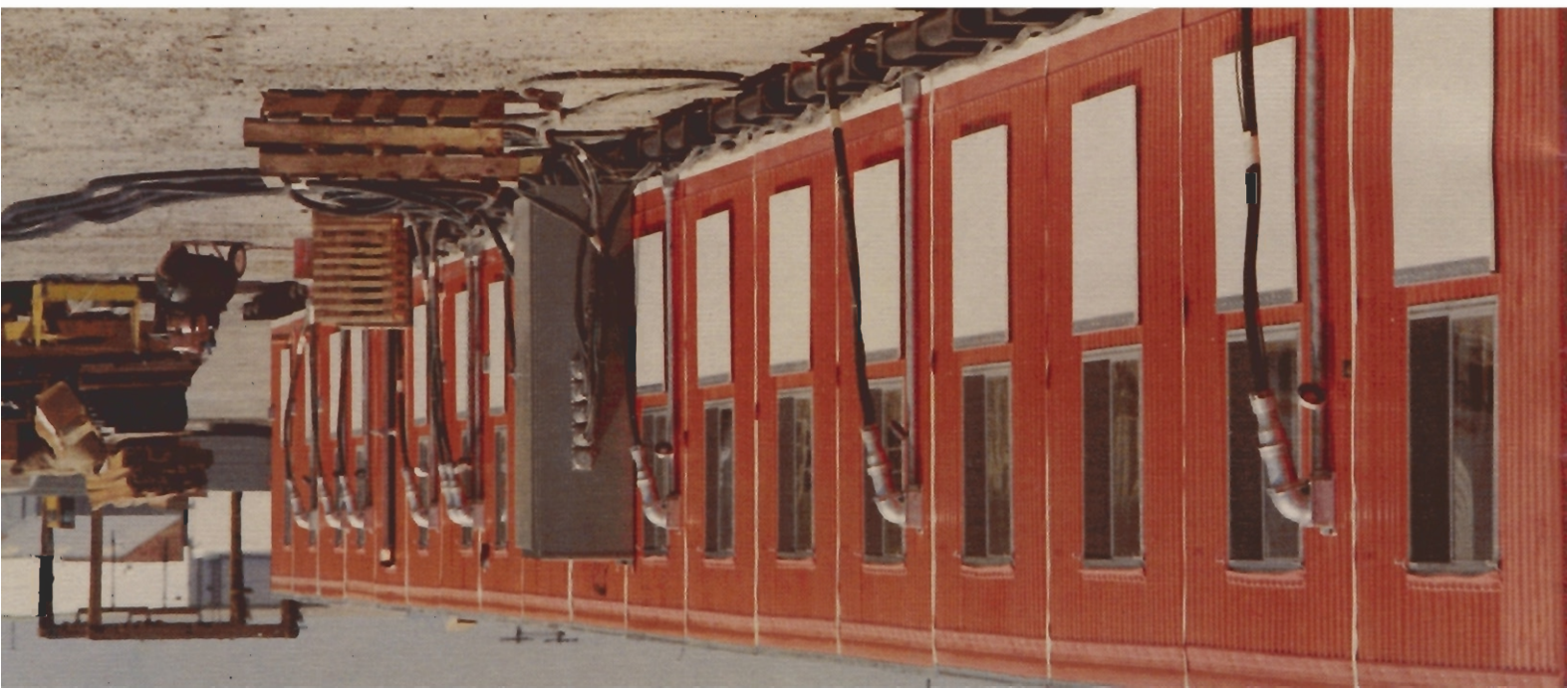
Heavy duty running gear and high suspension are a must for Algerian bound geophysical camps.

Russian drilling camp mechanical system undergoing testing at Calgary plant.

The last step - the drilling site in the Russian Arctic.

Installation is almost complete despite the cold and snow.





Early in fiscal 1977 it became evident that a greater ATCO presence was necessary in the Southern United States in order to adequately service not only ATCO's Middle East customers, but also provide access to the developing markets of Central and South America. In May 1976 a regional office was opened in Houston, Texas and sales offices were opened in New York, Los Angeles, San Francisco and Houston. July 1976 saw the commencement of production in a modern 80,000 sq. ft. factory located in Waco, Texas. The opening of this facility provided direct access to the Central and South American markets and ATCO's success in these areas was demonstrated with the receipt of large orders from Industria Venezolana de Aluminio C.A. (Venalum) and C.V.G. — Siderurgica del Orinoca C.A. (Sidor).

The Venalum order for a camp accommodating 700 men and the Sidor requirement for a 2,000 man camp included complete kitchen-dining facilities, dormitories and recreation areas to house crews working on the large aluminum and steel developments in Eastern Venezuela.

ATCO's Australian industrial housing operations participated only modestly in the export market. They supplied a 1,200 man camp to Towell Construction Co. Ltd. to house their workforce engaged in the construction of staff quarters at the University of Riyadh. In addition, Saipem, the Australian based Italian pipeline builder, purchased a large number of new and used housing units for use on their Nigerian pipeline project.

In view of the continued expansion of ATCO's export markets, planning is underway to open a number of international sales offices. Consideration is also being given to the addition of production facilities in appropriate locations for the markets to be served.



ATCO kitchens facilitate efficient operations through use of quality equipment and professional design

Housing and office compounds in Saudi Arabia

Administration office and recreation centre at ATCO Jeddah location

Interior of ATCO's Jeddah office



Community Structures

Last year's annual report mentioned that a major Saudi Arabian school contract had been received following the close of the fiscal year. Since this was the largest individual contract in ATCO's history — 19 schools — ready to occupy — a turnkey project — \$45,000,000 — a unique approach was devised to handle the job. A project task force was formed and key resources were recruited both from within the Company and from outside.

Because of logistics and time constraints — the completed schools were turned over at the end of February 1977 — the panel concept was adopted for the school buildings themselves. The design work was completed in less than five weeks and was based on further refinement of ATCO's "knock-down" technology.

A Saudi Arabia based construction group was formed and world-wide recruiting began. This group's task was to handle not only the installation, but also the surveying, site preparation, installation of water, sewer and power services, the laying of foundations, and final landscaping including basketball and volleyball courts as well as fencing. At the peak of the project over 550 ATCO personnel were on staff in Saudi Arabia with the majority of the work force being recruited in the United Kingdom. Other workmen came from such diverse countries as Jordan, Ethiopia, Syria, Bangladesh, Pakistan, Somaliland, Korea, Turkey, Saudi Arabia, the United States and, of course, Canada.

An advance party installed a complete 550 man camp in Jeddah to accommodate the construction personnel. In addition to the camp, the first shipload included vehicles, material handling and earth moving equipment, and civil work construction material.

Medina was the other site for erection of the schools and, since this is a major holy city in the Islamic world, a Moslem workforce was recruited in Turkey to handle this work and a separate camp and marshalling area was established.



The Dammam Express, the largest roll-on, roll-off vessel afloat, loads in Montreal.

Sturdy foundations support ATCO schools in Saudi Arabia

The roof goes on an ATCO school in Saudi Arabia

Saudi Arabian schools are equipped with language labs, chemistry labs, and fully developed outdoor recreation areas.



In all, five shiploads of material and equipment were involved. The Dammam Express, the largest roll-on, roll-off vessel afloat, made two voyages with an average port turnaround time of four days.

By the time the schools were completed over 1,000 ATCO people had worked directly on the project and the logistic problems of supply and installation contracts located thousands of miles from ATCO's factories had been mastered.

In early October a major earthquake struck the region of Friuli in Northern Italy killing over 1,500 people and destroying nearly two-thirds of the villages in the area. The International Division of ATCO responded to an urgent call for emergency housing by supplying the Commissariato Straordinario Governo nel Friuli Udine with 1,000 housing units. Each unit contained a bedroom, bathroom, kitchen, dining and living area. A prototype was flown to Trieste via Hercules aircraft to facilitate customer approval. Production of the panellized 10'X40' houses began on October 25th and was completed November 18th. In conjunction with the production run, 16 members of the Italian Army visited Montreal to receive instruction on the installation and erection process. The units were transported to Italy in two shiploads and despite losing 33 units overboard in a severe storm, the entire order was delivered on schedule. The lost units were replaced in January 1977. An ATCO technical team supervised the installation by the Italian Army and the Civil Defence Organization with all 1,000 units erected and occupied by the end of March.

It was most gratifying to receive the following telegram from the Canadian Government representative on-site "ATCO housing in Friuli can only be described as triumphant success . . . We could not buy reputation for quality and efficiency project is earning for ATCO and Canada . . ." Commendations such as this go a long way toward making the extraordinary effort required from a great many ATCO personnel in a situation such as this, most worthwhile.



Panel construction facilitated quick delivery to Italian earthquake victims

The Italian military learn installation techniques in ATCO's plant.

The aftermath of the Friuli earthquake

ATCO housing dots the Italian landscape



North American/Australian Division Industrial Housing

The industrial housing market in Western Canada remained soft in fiscal 1977 because of a lack of significant new resource developments outside the Province of Alberta.

As a result of having received a long term contract to supply coal to Ontario Hydro, Luscar Ltd. purchased a 300 man camp for the construction phase of their mining development at Coal Valley, Alberta. In addition to the usual sleeping, kitchen, dining and washing facilities, the camp included an office complex, a recreation complex, first aid unit, several field offices, and a Fold-A-Way building.

ATCO was selected to provide Alberta Gas Ethylene with workforce housing during construction of their ethylene plant at Joffre, Alberta. This housing is of the most advanced design on the market today, and features color co-ordinated, carpeted, single occupancy bedrooms equipped with humidity control. The recreation area contains saunas, reading, television, and exercise rooms. All site installation, including landscaping, is being completed under the supervision of ATCO's construction department.

Another contract completed during the past year called for the supply of a rest house at Wynyard, Saskatchewan for the Canadian Pacific Railway. This home away from home concept maximizes crew scheduling flexibility, while at the same time, the relocatability of the structure is important in the event that the railway divisional point is moved at some future date.

The slack that developed in the Eastern Canadian market for industrial housing in the previous year, continued through fiscal 1977. There were, however, some indicators in the last quarter that activity was picking up in the mining, forestry, and industrial sectors of the economy. Despite continuing Provincial Government austerity measures, ATCO Eastern Ltd. received a contract for the supply of 292 bunkhouse units to the James Bay hydro electric project.

The industrial housing market in Australia continued weak as it generally reflected the



*Office and washroom facilities on urban power station project
300 man camp at Luscar Ltd. coal mine site, Coal Valley, Alberta*

*Installation of initial housing complex at the Alberta gas ethylene
plant construction site near Joffre, Alberta*

*Housing and accommodation at ballast crushing plant on Tarcoola Alice
Springs Railway project in Australia*

*State Department of Highways camp near Port Keeney, South
Australia*

troubled Australian economy. The fourth quarter of the fiscal year did, however, provide a welcome improvement in volume and it is hoped this is a forerunner of things to come. In January 1977 ATCO was awarded a contract by the Metropolitan Board of Works in Victoria for the supply of housing for 600 men. This camp represents the continuation of the Board's Thomson River dam project designed to provide improved water storage facilities for the Melbourne metropolitan area.

In February 1977 ATCO was awarded a contract for the supply of additional camp facilities plus the retrofit of existing facilities for Hamersley Iron. This housing is being used for workforce accommodation at the Hamersley iron ore mine at Mount Tom Price in West Australia and the related port development at Dampier, West Australia.

During the year the Company penetrated a number of new markets including the supply of crib, shower, and change room units to mining collieries in New South Wales and the supply of permanent accommodation to the South Australia State Highways Department. With these promising new markets and the year ending on a positive note, it is anticipated that the coming year will prove to be much more rewarding than the year just completed.



Community Structures

During the past year ATCO's factory built commercial structures continued to gain increased recognition as an affordable alternative to on-site construction. Competitively priced, the buildings are available for almost instant delivery from any of the Company's plants. Because of their relocatable design, the buildings are suited for use in either urban or remote areas.

Examples of such structures are the library building supplied to the Calgary Public Library Board and the dining room - cocktail lounge purchased by the Royal Canadian Air Force Association in Calgary to alleviate crowding in their existing facilities. This latter building was completed in less than 60 days from the date it was ordered. Another unique ATCO structure filling a need in an isolated location is the transportable observation tower purchased by Husky Oil for use at their Lonely, Alaska airport terminal.

In fiscal 1977, as has been the case for several years, ATCO classrooms answered the problem of education facilities in both isolated areas and new urban communities. During the year the Company supplied the Calgary Public and Separate School Boards with over 100 free standing and core classrooms. The imaginative design of these units met the detailed specifications of both school boards.

In Eastern Canada the Virginia Park School produced for the Avalon Consolidated School Board was complexed in four wings. An elementary school, it consisted of 18 classrooms, a library, a music room, staff lounge, as well as a complete administration area and gymnasium. The gymnasium featured change rooms and showers, equipment storage areas, stage, canteen, and a separate office and shower for the instructor.

The 14 classroom school complex ordered by the Terra Nova Integrated School Board of Newfoundland was unique in that a 4,224 sq. ft. gymnasium was incorporated in the complex. The complex also included a nurse's office, administration area, staff lounge, maintenance room, kitchen and lunch rooms, showers and instructor's quarters.

In Alaska the Bureau of Indian Affairs contracted with ATCO for the supply and instal-



Exterior and interior views of community structures by ATCO - a health centre, a school classroom, an office and a school gymnasium

lation of classroom and teachers' quarters in Alakanuk, while a second contract called for the relocation of six ATCO classrooms from Chevak to Shaktoolik. Additional teachers' quarters were also supplied at Shaktoolik.

ATCO maintains an inventory of standard classrooms at most of its manufacturing locations, thus allowing school boards to order additional classroom space from stock with delivery being made within a matter of days. This flexibility is of great importance when last minute population shifts place unexpected strains on existing facilities.





Financial Report 1977

Auditors' Report

To the Shareholders of ATCO Industries Ltd.

We have examined the consolidated statement of financial position of ATCO Industries Ltd. as at March 31, 1977 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at March 31, 1977 and the results of its operations and the changes in its 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
May 20, 1977

PRICE WATERHOUSE & CO.
Chartered Accountants

Consolidated Statement of Earnings and Retained Earnings

(Thousands of dollars)

	<u>Year ended March 31</u>	
	1977	1976
REVENUE:		
Sales, rentals and service	\$258,432	\$205,602
Other	2,724	3,197
	<u>261,156</u>	<u>208,799</u>
COSTS AND EXPENSES:		
Operating	188,110	150,131
Selling and administrative	30,037	24,974
Depreciation and amortization	8,938	4,191
Interest — long term debt	1,668	1,118
— other	318	216
	<u>229,071</u>	<u>180,630</u>
	32,085	28,169
Provision for income taxes	14,166	13,180
	17,919	14,989
Minority interests	216	199
NET EARNINGS FOR THE YEAR	17,703	14,790
Retained earnings at beginning of year	46,205	32,987
	63,908	47,777
Dividends paid (per share: 1977 — 41¢; 1976 — 30¢)	2,158	1,572
RETAINED EARNINGS AT END OF YEAR	<u>\$ 61,750</u>	<u>\$ 46,205</u>
EARNINGS PER SHARE	\$ 3.36	<u>\$ 2.82</u>

Consolidated Statement of Changes in Financial Position

(Thousands of dollars)

	<u>Year ended March 31</u>	
	1977	1976
SOURCE OF WORKING CAPITAL:		
Operations —		
Net earnings for the year	\$ 17,703	\$ 14,790
Add (deduct) items which do not currently affect working capital —		
Depreciation and amortization	8,938	4,191
Undepreciated cost of rental assets sold	7,562	4,431
Deferred income taxes	2,527	1,745
Minority interests	216	199
Gain on disposal of assets	(418)	—
Decrease in unearned revenue	(13)	(571)
Working capital provided by operations	36,515	24,785
Proceeds of long term debt	12,185	3,868
Proceeds on disposal of property, plant and equipment	2,017	—
Reduction in instalment notes receivable	229	455
Issue of shares	56	94
	<u>51,002</u>	<u>29,202</u>
APPLICATION OF WORKING CAPITAL:		
Additions to rental assets	16,521	13,823
Additions to property, plant and equipment	20,409	7,886
Reduction in long term debt	2,637	2,146
Dividends paid	2,158	1,572
Other	527	321
	<u>42,252</u>	<u>25,748</u>
INCREASE IN WORKING CAPITAL	8,750	3,454
WORKING CAPITAL AT BEGINNING OF YEAR	26,602	23,148
WORKING CAPITAL AT END OF YEAR	\$ 35,352	\$ 26,602

Consolidated Statement of Financial Position

(Thousands of dollars)

ASSETS

	<u>March 31</u>	
	1977	<u>1976</u>
CURRENT ASSETS:		
Cash	\$ 4,375	\$ 11,128
Accounts receivable	51,956	15,959
Claims receivable	4,045	2,286
Inventories (Note 2)	37,691	27,311
Prepaid expenses and deposits	844	1,126
Instalment notes receivable due within one year	475	<u>883</u>
	99,386	58,693
 INSTALMENT NOTES RECEIVABLE, less amounts		
due within one year	1,369	1,598
 RENTAL ASSETS, at cost less accumulated		
depreciation of \$5,630 (1976 — \$4,233)	28,587	22,625
 PROPERTY, PLANT AND EQUIPMENT, at cost less		
accumulated depreciation (Note 3)	30,748	17,641
 OTHER	1,278	989
 Approved by the Board:		
 	Director	
 	Director	
	\$161,368	<u><u>\$101,546</u></u>

LIABILITIES

	March 31	
	1977	1976
CURRENT LIABILITIES:		
Outstanding cheques, less related bank balances	\$ 3,030	\$ 3,571
Current bank loans (Note 4)	10,377	2,819
Accounts payable and accrued	40,236	18,204
Income taxes	8,263	5,445
Long term debt due within one year	2,128	<u>2,052</u>
	64,034	32,091
 UNEARNED REVENUE	 266	 279
 LONG TERM DEBT , less amounts due within one year (Note 5)	 19,986	 10,438
 DEFERRED INCOME TAXES	 9,095	 6,568
 MINORITY INTERESTS	 770	 554
 SHAREHOLDERS' EQUITY:		
Share capital (Note 6) —		
Convertible shares without nominal or par value —		
Authorized —		
7,000,000 Class A Shares		
7,000,000 Class B Shares		
Issued —		
3,800,426 Class A Shares		
<u>1,469,254 Class B Shares</u>		
<u>5,269,680 Shares</u>	5,467	5,411
Retained earnings	61,750	<u>46,205</u>
	67,217	51,616
	 \$161,368	 <u>\$101,546</u>

Notes to Consolidated Financial Statements – March 31, 1977

1. SUMMARY OF ACCOUNTING POLICIES:

CONSOLIDATION:

The consolidated financial statements comprise the accounts of ATCO Industries Ltd. and all of its subsidiary companies. The subsidiaries are wholly-owned with the exception of two which are 70% owned.

The President of the principal Australian subsidiary has been granted an option, exercisable in the 1980 fiscal year or earlier in certain events, to acquire 10% of the outstanding shares of that subsidiary for a consideration based upon its net book value at March 31, 1973. In anticipation that the option will be exercised (having regard for certain buy-back arrangements included in the option agreement), provision for the potential charge has been made and accounted for as 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.

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.

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 home sales are recorded upon payment or guarantee of financing, which generally coincides with shipment.

Residential home sales are recorded at the time of possession.

Rental contracts with purchase option are recorded either as sales or rentals depending on the amount of guaranteed rentals. Where guaranteed rentals exceed the purchase price, a sale is recorded. If not, the transaction is recorded as a rental and a portion of the monthly rental is deferred and applied against the purchase price on exercise of the option.

Other sales are generally recorded as goods are shipped or services performed.

INVESTMENT IN JOINT VENTURE:

The Company's investment in an unincorporated joint venture is accounted for by the equity method.

The Company's share of joint venture earnings, which is not significant in fiscal 1977, is included in other revenue.

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 companies carry on business in certain foreign countries where taxation laws and regulations are complex and uncertain. It is management's opinion that adequate provisions have been made for income taxes related to such business.

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% 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 rates ranging from 5% to 30%. Assets used outside of continental North America and Australia for construction and installation purposes are depreciated at double the above rates.

AMORTIZATION:

Start up costs are amortized by the straight line method over periods not exceeding five years.

INVENTORIES:

Inventories are carried at the lower of cost or estimated net realizable value. Land held for development includes capitalized carrying costs.

WARRANTY:

Provision is made for estimated 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 are not 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.

CONTRIBUTED SURPLUS:

The \$985,000 previously shown in the statement of financial position as contributed surplus has been combined with retained earnings.

2. INVENTORIES:

	(Thousands of dollars)	
	1977	1976
Materials and parts	\$ 9,747	\$ 9,517
Work in progress	14,908	8,831
Finished units	9,779	6,683
Land for development	3,257	2,280
	<u>\$37,691</u>	<u>\$27,311</u>

3. PROPERTY, PLANT AND EQUIPMENT:

	(Thousands of dollars)	
	1977	1976
Land and improvements	\$ 3,069	\$ 2,022
Leasehold improvements including		
buildings on leased property	10,625	8,411
Buildings, furniture and fixtures	13,609	5,197
Plant and automotive equipment	12,068	7,689
Petroleum and natural gas properties	2,928	680
	<u>42,299</u>	<u>23,999</u>
Less: Accumulated depreciation	11,551	6,358
	<u>\$30,748</u>	<u>\$17,641</u>

4. CURRENT BANK LOANS:

A portion of the current bank loans are secured by one or more of accounts receivable, inventories, property, plant and equipment and a floating charge on the assets of the applicable subsidiaries.

5. LONG TERM DEBT:

	(Thousands of dollars)	
	1977	1976
Debenture due March 1, 1985	\$ 3,750	\$ 4,000
Debenture due March 26, 1982	2,500	3,000
Term bank loan, at prime plus ¾%, secured by assignment of specific rental contracts and a floating charge on the assets of the subsidiary, due in monthly instalments of \$77,000 including interest, until 1979	2,197	2,886
Term bank loan, at prime plus 2% (with a maximum of 1¼%; to be renegotiated every five years), secured by a first fixed charge on Alberta properties and a floating charge on all assets, due in quarterly instalments until 1992	7,489	—
Demand mortgage, with interest at 10%, repayable upon completion of Penticton Plant and finalization of sale and lease back agreement	2,037	—
Mortgage and other loans	4,141	2,604
	<u>22,114</u>	<u>12,490</u>
Less: Amounts due within one year	2,128	2,052
	<u>\$19,986</u>	<u>\$10,438</u>

The debenture due March 1, 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 balance.

The debenture due March 26, 1982 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 and a first floating charge on its property and assets. The Company has the right to repay the principal balance outstanding at any time without bonus except where the funds for prepayment of the debenture maturing in 1982 are borrowed from a commercial bank other than the lender, in which case the bonus is ½ of 1%.

The term bank loan of \$7,489,000 due in 1992 represents the first draw of funds under a \$20,000,000 loan agreement and debenture.

The demand mortgage represents interim financing on the mobile home plant in Penticton, British Columbia. The financing arrangement provides that upon completion of the plant it will be sold to the British Columbia Development Corporation then leased back to the Company with an option to purchase at cost less accumulated rentals paid. This agreement which is accounted for as a financing contract provides for interest payments at 12% during the first three years, then amortization of the principal over twelve years with interest at the prime rate plus ¼%.

Under terms of the debentures and term loans, dividends cannot exceed 50% of the preceding year's consolidated net earnings nor can they reduce consolidated retained earnings to less than \$7,587,000. The 1992 term bank loan also places restrictions on certain capital expenditures and on certain types of new borrowing.

The annual maturities of long term debt for each of the next five years are as follows:

1978 — \$2,128,000	1981 — \$1,745,000
1979 — \$2,399,000	1982 — \$1,764,000
1980 — \$2,359,000	

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. Each class of shares ranks equally in all respects except that cash dividends declared on Class B shares shall be paid out of tax-paid surpluses in an amount equivalent to that paid on the Class A shares.

Changes in the issued share capital during the year are as follows:

	Number of Shares	Share Capital
Outstanding at March 31, 1976	5,257,860	\$5,411,000
Issued for cash upon exercise of options	11,820	56,000
Outstanding at March 31, 1977	<u>5,269,680</u>	<u>\$5,467,000</u>

Options, exercisable cumulatively over five year periods, have been granted to certain officers, directors and key personnel of the Company and its subsidiaries. At March 31, 1977 options, expiring in 1978, for 10,660 shares at a price of \$4.39 were outstanding.

Of 125,000 shares initially reserved for the stock option plan, 2,060 remain to be granted.

7. ANTI-INFLATION LEGISLATION:

The Company is subject to controls on prices, profits, compensation and dividends instituted by the Canadian Government in the Anti-Inflation Act effective October 14, 1975. At this time there are a number of uncertainties as to the application of the legislation to the Company and its Canadian subsidiaries. Provision has been made in the accounts for the estimated effect of actions that may be required with respect to "apparent excess revenues".

8. REMUNERATION OF DIRECTORS AND OFFICERS:

The aggregate direct remuneration paid by the Company and its subsidiaries to directors and senior officers amounted to \$944,000 (\$1,085,000 in 1976).

9. COMMITMENTS AND CONTINGENCIES:

The Company and its subsidiaries have contractual obligations in respect of long term leases for manufacturing facilities, office premises and equipment. The rentals amounted to \$923,000 for fiscal 1977. The minimum rentals during the five-year period ending March 31, 1982 aggregate \$3,424,000.

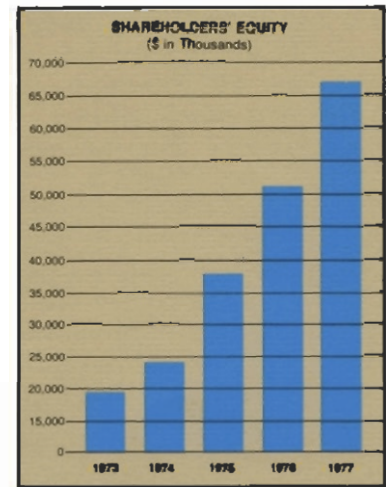
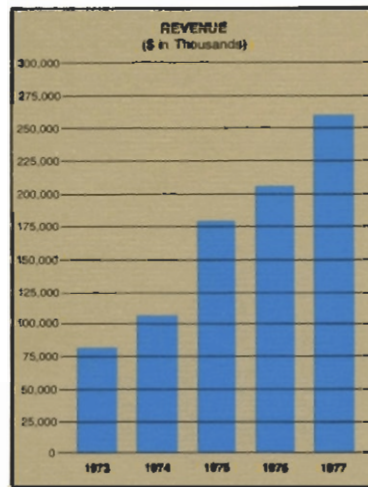
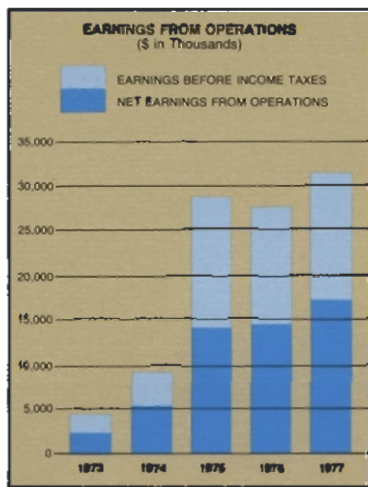
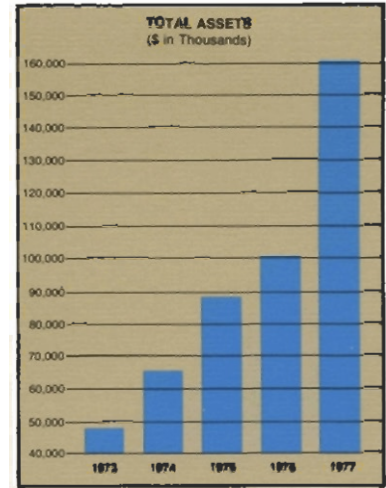
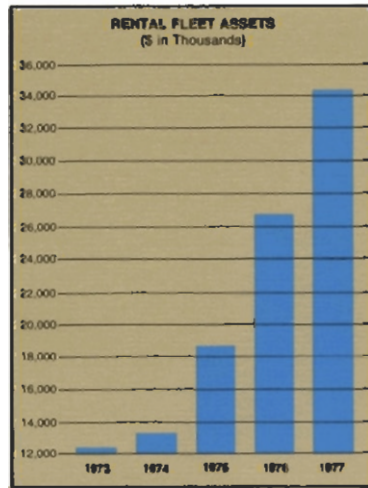
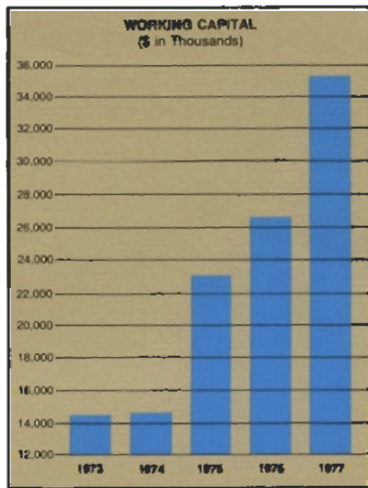
The future cost of past service benefits for the employees' pension plan is estimated to be \$275,000 which will be paid and charged to earnings in equal monthly instalments over the next 8 years.

United States treasury officials are investigating the basis followed by the Company in determining United States customs and duty payments since fiscal 1969. These investigations are still in progress and the officials have not indicated whether they intend to issue assessments. In the opinion of counsel claims will probably be asserted. Management is of the opinion that no material amount will ultimately be payable.

A subsidiary company has been named one of 124 defendants in an action, claiming unspecified damages for trespass, by the United States of America in its own right and on behalf of Eskimos inhabiting the Arctic Slope of Alaska. In the opinion of the Company's counsel, the Company should have no liability to the Plaintiff in this action.

The Company is contingently liable under the terms of repurchase agreements by which it assists its dealers in financing mobile home purchases. The risk of loss which is spread over numerous dealers and financing institutions is limited to the originally financed principal balance and declines as scheduled reductions or dealer curtailments take place. No losses are anticipated.

The Company and certain of its subsidiaries have the usual liabilities of contractors for completion of contracts.



Consolidated Summary of Earnings

(Thousands of dollars)

	Year ended March 31				
	1973	1974	1975	1976	1977
Sales, rentals and service revenue	\$74,751	\$105,726	\$177,456	\$205,602	\$258,432
Other revenue	1,886	1,104	2,599	3,197	2,724
Operating income	76,637	106,830	180,055	208,799	261,156
Operating costs	58,945	80,295	127,192	150,131	188,110
Operating income before taxes	17,692	26,535	52,863	58,668	73,046
Selling and administrative expense	9,838	12,931	19,144	24,974	30,037
Interest expense	7,854	13,604	33,719	33,694	43,009
Depreciation and amortization	6,760	12,398	32,143	32,360	41,023
Income taxes	2,346	2,866	3,177	4,191	8,938
Minority interests	4,414	9,532	28,966	28,169	32,085
NET EARNINGS	\$ 2,459	\$ 5,224	\$ 14,367	\$ 14,790	\$ 17,703

North American/Australian Division Leasing

The most significant development in Canadian leasing was the purchase of the assets of Neonex Shelter Ltd. This acquisition included about 800 lease fleet units increasing the size of the Western Canadian fleet to some 3,200 units. The majority of Neonex's leasing activities are centered in British Columbia and it is hoped this purchase will coincide with the return to a more vigorous economy in that Province.

Syncrude again increased their manpower at the Fort McMurray tar sands project with the lease of accommodation for an additional 500 men. ATCO currently has approximately 1,500 units at this site.

In Eastern Canada the 1976 Olympic games had a beneficial effect on an otherwise slow market for leased industrial equipment. Sixty-four office units and thirty-nine complexes were leased to COJO and its related organizations. The availability of these units following the completion of the Games meant that only minimal additions to the fleet were necessary in the latter part of the fiscal year.

The amazing versatility of ATCO lease units was once again illustrated when the Montmorency CEGEP (community college) rental agreement expired and the equipment was returned. The complex was immediately re-leased in three sections with the largest being shipped directly to the Department of Public Works in Ottawa. The other two sections were leased by school boards in Hudson and Quebec City.

Leasing in Australia during fiscal 1977 was disappointing reflecting the low level of activity in the construction sector. Despite this situation, ATCO became involved in some interesting projects, including the supply of accommodation to Crawford-Baulderstone for use during the construction of the Tarcoola-Alice Springs railway. ATCO also supplied kitchen and bunking facilities to Agnew Mining Company for their nickel project extension north of Kalgoorlie, Western Australia.



ATCO urban site offices are a familiar site at construction projects. The interiors provide a comfortable but functional work environment.

6400 man ATCO housing at the Syncrude Tar Sands main extraction plant near Fort McMurray, Alberta

Shearers quarters on South Australian sheep station

Washroom facilities Memorial Park, Darwin, Australia

An encouraging sign as the year progressed was the increase in leasing to government departments, particularly in the State of Victoria. Major contracts were signed for the supply of a community health centre for the East Bentleigh City Council and an administration and pathology facility for the Moorabbin Hospital.

In Australia all office leasing is handled on an agency basis and during the year the number of outlets in Australia increased to 20 with the opening of additional outlets in South Australia and Queensland.

Despite disappointing results in fiscal 1977, Australian guaranteed leases have stabilized at a satisfactory level. As a result the outlook for the coming year is for improved performance.



Land & Property Development

Land

ATCO's first major land development project got off to a promising start when, in March 1977, over 2,000 prospective home buyers attended the opening sale of lots in Airdrie Meadows. Not only were deposits received on the first 70 units offered, but several hundred more individuals registered to participate in future sales.

Situated less than 20 freeway miles from downtown Calgary, the development offers conveniently located, affordable housing. ATCO Housing Corp. has 244 single family residences to construct as well as 100 multi-family dwellings. Indications are that an accelerated sales program will permit completion of construction by the summer of 1978.

ATCO Housing Corp. also expects to commence their condominium development, Marlborough Commons, this coming year. Pre-grading of the site was completed in late 1976 and servicing commenced in the spring of 1977. Development is planned to be completed in three phases and should take approximately two years.

Property

Heritage Plaza, the initial development of ATCO Development Corp., was leased in the early fall of 1976 and was subsequently sold heralding a successful beginning for ATCO in property development.

Plans for the coming year include the construction of 140,000 sq. ft. of office - warehouse space on a 10 acre site in Highfield Industrial Park located in Calgary. The development will consist of seven buildings designed for light industrial use. As the last developable site in Highfield and with its easy access to downtown Calgary, the development is expected to move rapidly. Other activities being considered for the coming year include the acquiring of land in Calgary for future development as well as examination of the possibilities of commercial centres in other areas.

Contracting Division

The Contracting Division of ATCO Development Corp. has reached agreement with the



Airdrie Mayor accepts memento from ATCO officials signifying commencement of Airdrie Meadows development

Heritage Plaza - This development has been completed and sold

Conceptual view of Vista Industrial Centre - office - warehouse development in Highfield Industrial Park, Calgary

Town of Airdrie to act as general contractor for construction of the community centre. The centre will contain a four sheet curling rink, a meeting hall, club rooms, and a library. Construction is underway with completion slated for November of 1977.

The Contracting Division has also received a contract for the design and construction of the Capri Centre, a large hotel - convention centre to be built in Red Deer, Alberta. The 60,000 sq. ft. complex will feature an 1,800 seat convention hall with sit down dining facilities for 1,300. Completion is scheduled for the late fall of 1977.



Residential Housing

The housing division's name was changed during the past year from Cedarglen Homes to ATCO Housing Corp. in order to provide closer identification with the ATCO Group of Companies.

After starting the year at a very brisk pace, the demand for housing in Alberta weakened in the fall of 1976 in response to continued escalation of land and building costs. This reduced demand resulted in a buildup of inventory and selling prices softened as builders sought to reduce carrying charges. Despite these problems, ATCO Housing Corp. experienced an excellent year, surpassed only by the record year of fiscal 1976.

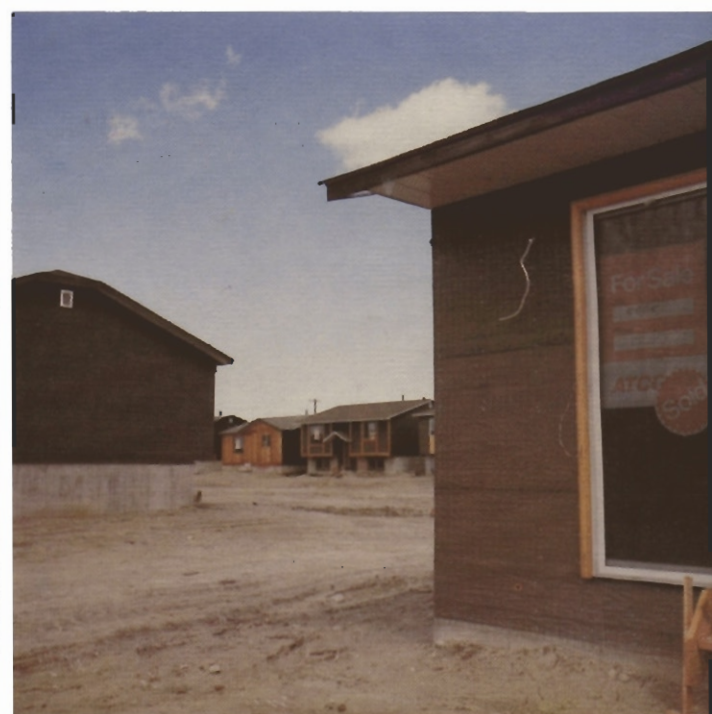
ATCO's emphasis has returned to basic affordable housing. This means building houses on less expensive lots and ATCO Housing Corp. will be able to do this most competitively in ATCO Development Corp.'s new subdivision of Airdrie Meadows. A series of new products has been designed to cater to this market and the initial response has been very encouraging.

ATCO Housing Corp. will continue to operate in the Calgary, Edmonton, Red Deer, Innisfail, and Lacombe areas, and also plans to build homes in Sylvan Lake and Blackfalds, two Central Alberta communities adjacent to the City of Red Deer.

During the last quarter of the fiscal year, renewed interest was being shown by potential buyers, however, despite an ample supply of mortgage funds, consumer resistance to the high cost of housing is expected to be a major factor restricting growth in sales during fiscal 1978.

Construction gets underway at Airdrie Meadows

ATCO Housing Corp.'s floor plans maximize useable space and incorporate such design features as brickwork, planters, and bay windows





Mobile & Modular Housing

The Western Canadian mobile home market remained relatively stable in fiscal 1977 although double-wide and modular homes continued to increase their share of the market and now account for some 35% of industry sales. This trend is expected to continue as more long-term financing programs are developed by both private and government lending institutions. In recognition of this trend, ATCO Homes has continued to develop new products for this market. Six additional double-wide and modular floor plans have been introduced to the market in recent months.

The improvement of distribution channels was a major program of the past year with the result that 37 independent dealers operating 56 different locations from Vancouver Island to Winnipeg now offer ATCO units to the consumer. ATCO units are also distributed to the industrial segment of the market through ATCO Structures Ltd. and their branches throughout Western Canada. During fiscal 1977 ATCO Homes, working in conjunction with ATCO Structures Ltd., supplied housing to Cassiar Asbestos in Cassiar, British Columbia and to various projects for the British Columbia, Yukon and Alberta Governments.

ATCO Homes' new 89,000 sq. ft. production facility located in Penticton, British Columbia began producing in May 1977. This facility will allow ATCO to better serve the high potential British Columbia market without having to sacrifice margins to offset the freight cost encountered in shipping units from the Calgary plant.

In Australia, despite a highly inflationary economy and a tightening of bank credit, ATCO's sales of homes increased 10% on a unit basis over the previous year. A two-acre display village was opened at Gepps Cross, one of Adelaide's busiest intersections, and as a result, the number of people viewing ATCO's homes has increased five-fold. This added exposure is expected to lead to an increased market share which, combined with an improving economy, will provide a sound basis for further growth in sales.



Penticton mobile home plant

Exterior designs are a distinctive feature of ATCO mobile homes

ATCO display village, Gepps Cross, Adelaide, South Australia

Darwin, Australia mobile home park features ATCO units

ATCO Australian modular homes

The Company's versatility was illustrated when it installed one of the first factory built motels in Australia, at Eden, New South Wales. The project consisted of 25 motel units, 1 kitchen/dining room;reception/manager's residence, three 3 bedroom homes, six 2 bedroom homes, and an on-site built laundry unit. While the factory built motel concept is not expected to dominate this market in the future, it does offer an interesting alternative to the on-site built motel especially in smaller centres and rural areas where there is a shortage of skilled tradesmen to staff on-site construction projects.



Components

During fiscal 1977 Superior Components Ltd. solidified its identity with the ATCO Group of Companies by changing its name to ATCO Components Ltd.

The emphasis on modular kitchen cabinets which commenced in 1976 resulted in a 30% sales growth this year. To accommodate this increasing volume, a \$500,000 plant expansion was approved and a new automated assembly and finishing facility recently commenced production. To complement this increased production capacity, several new retail dealers were added throughout Alberta.

The institutional casework market remained buoyant with three major hospital contracts, the Burnaby General and the Queen's Park, both in the Vancouver area, and the Bethany Care Centre in Calgary, the highlights of a busy year.

Several major interior finishing contracts were completed in fiscal 1977 including Hy's Restaurant in Honolulu, Hawaii, the Timberline Hotel in Banff, and the National Trust offices in Calgary. In view of the generally favourable economic climate, the Western Canadian interiors market is expected to remain very strong for the foreseeable future.

One of ATCO Components Ltd.'s main functions is the supply of components to other ATCO Companies. During the past year, in



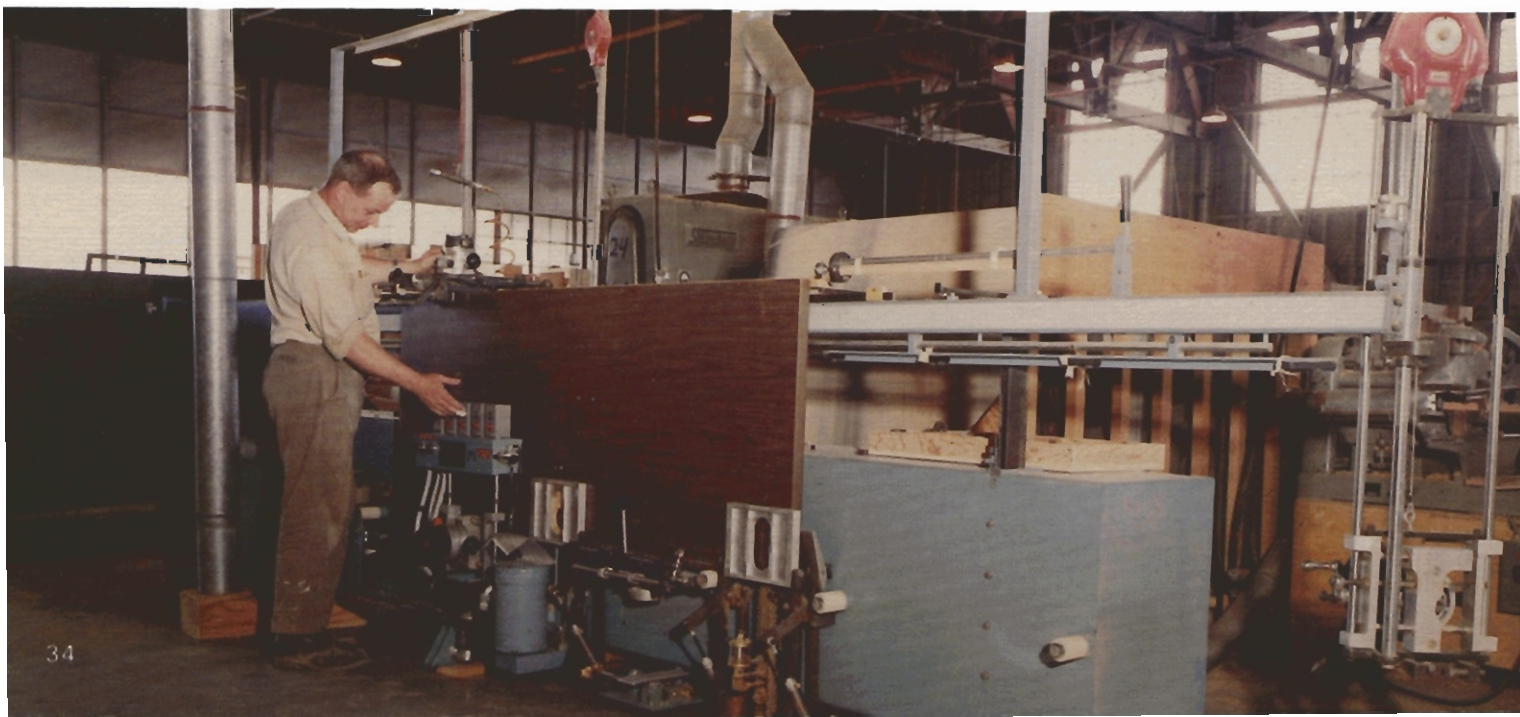
ATCO interiors highlight many eye-catching boardrooms

Automatic 000 hardware installation machine

Quality kitchen cabinetry by ATCO

Tastefully coordinated lounge and restaurant interiors are featured in the Corkscrew restaurant

addition to their line of standard products, the Company supplied the laboratory furniture for the Saudi Arabian schools as well as the furniture for the Aramco 1,000 man kitchens now operational in Saudi Arabia.





Metal Fabrication

In Australia the doubling of rolling-mill capacity enabled ATCO Constructions Pty. Ltd. to meet stringent delivery schedules for the supply of metal warehousing to Sonatrach, the Algerian state owned petroleum company. The 54 buildings each spanned 100 ft., were 200 ft. long and had a 20 ft. eave height.

Domestically, the market area expanded to include Victoria and New South Wales and these states present a considerable number of potential sales opportunities.

Continued evaluation and development of the basic industrial building has resulted in the "Masterplan" concept. This concept, which incorporates the Company's unique skills in design, manufacture, and construction, facilitates fabrication of such buildings as gymnasiums, community centres and standard offices. Success of the "Masterplan" concept will enable ATCO to provide a full range of buildings to complement the current range of standard buildings.

Despite a softening in some of its markets, the Western Division of ATCO Metal Ltd. was able to expand its market share in agricultural and industrial cladding, particularly in Saskatchewan and British Columbia. Further expansion of the market area for these product lines is planned for the coming year. One of the Company's major undertakings during the past year was the supply of 100,000 sq. ft. of cladding for the new ATCO Homes plant in Penticton, British Columbia.

The relatively poor performance of the mobile home industry, combined with a trend away from the use of steel roofs and siding, resulted in lower sales of mobile home components in the past year.

In an effort to expand its line of standard products, ATCO Metal Ltd. is vigorously pursuing a program of new product development. It is expected that a new all-steel pre-engineered building will be introduced to the agricultural market prior to the fall of 1977.

During fiscal 1977 the primary production in the Eastern Division of ATCO Metal Ltd. centered around the sheet metal and structural steel requirements of the domestic and export housing assembly companies.



ATCO agricultural building

Supertruss transport workshop

Industrial fascia by ATCO

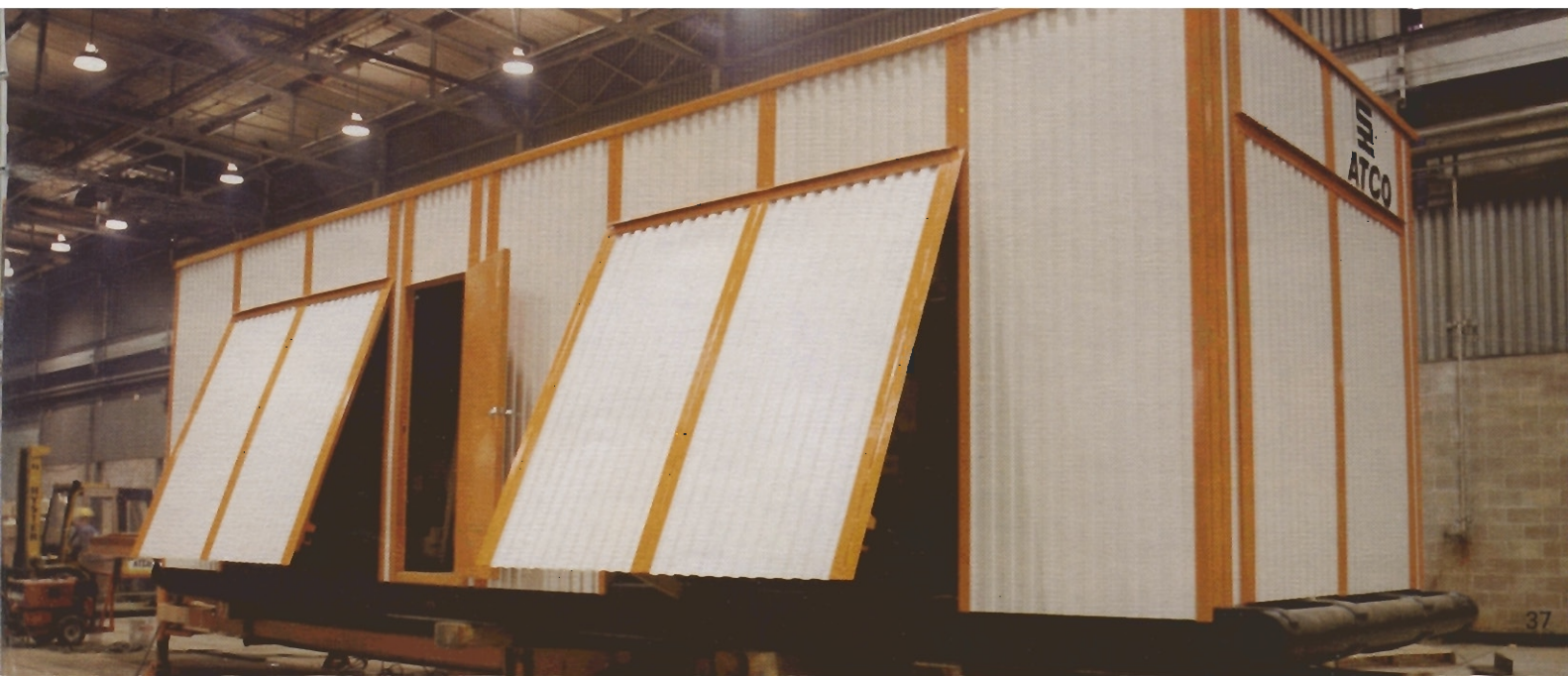
South Australian industrial park features ATCO "Masterplan" buildings

Metal generator housing unit

ATCO "Supertruss" buildings being loaded for export

The Company also produced some 40 Fold-A-Way buildings during the past year, 14 of which were destined for the James Bay power project in Northern Quebec.

On the export side, the Company designed and fabricated 15 generator housing units for delivery to Algeria. Each unit accommodated two 365 h.p. generator units which, with all circuits and couplings installed, weighed well over 17 tons.



Gas & Oil

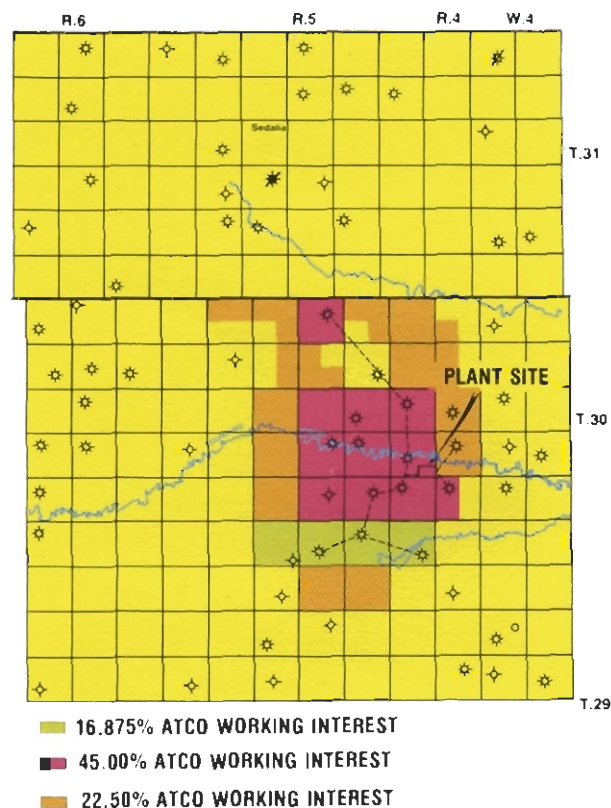
During the fiscal year 1977, ATCO Gas & Oil Ltd. invested \$2.2 million in the Province of Alberta for the exploration, development and acquisition of hydrocarbon reserves. A total of \$1.1 million was spent on exploration and development and \$1.1 million was used to purchase certain producing properties which are described below. Production income for the year after deducting royalties and operating expenses was \$119,000. The rate of monthly production income at year-end was \$50,000 after deducting royalties and operating expenses.

During the year the Company participated in the drilling of 6 exploratory wells and 29 development wells. This program resulted in 13 oil wells, 14 gas wells and 8 dry and abandoned wells. At the year end ATCO's interest in 167,000 acres of petroleum and natural gas rights in Alberta equalled a net ownership of 32,000 acres.

The Company's share of crude oil and natural gas reserves at year-end as established by McDaniel's Consultants Ltd. was as follows:

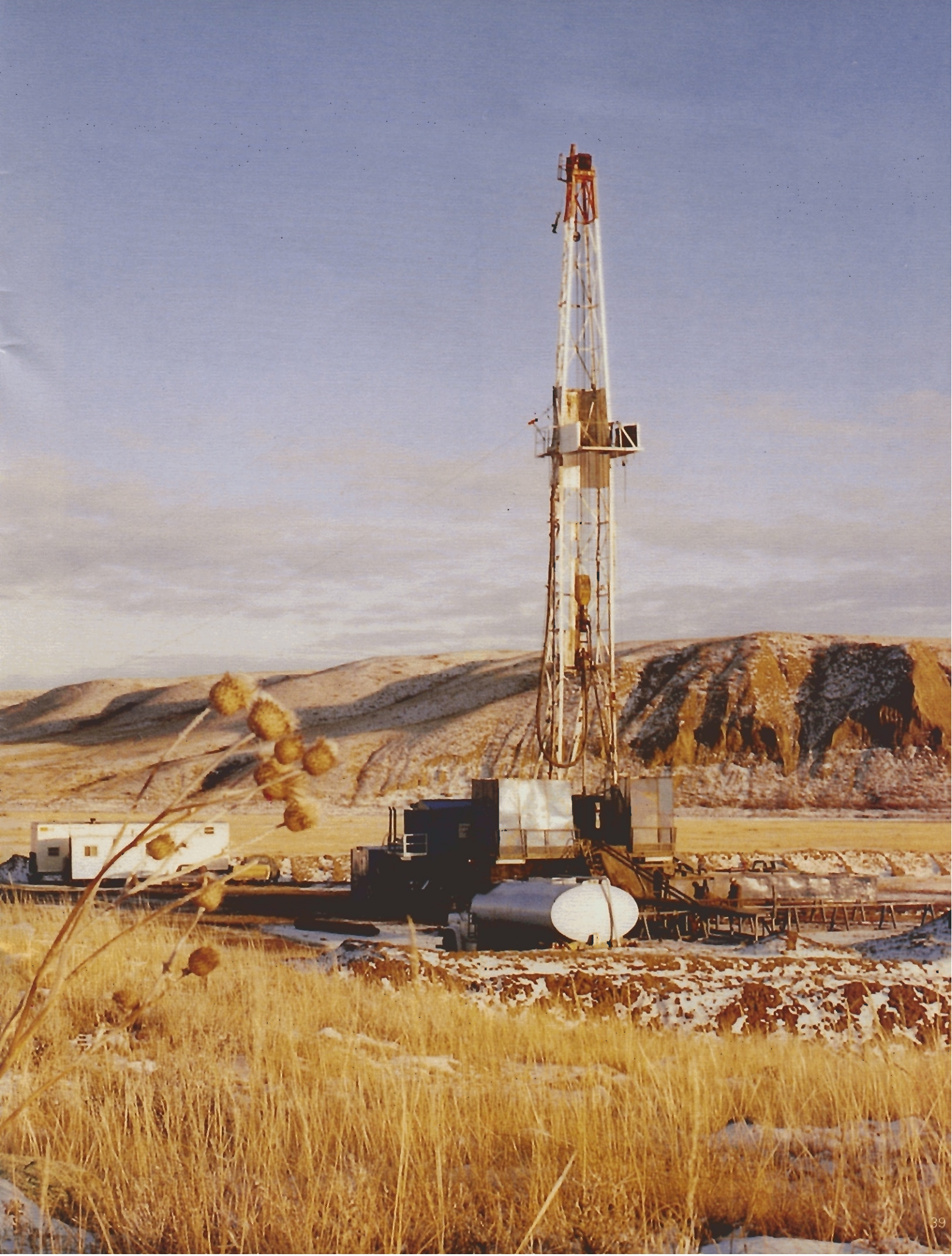
	Gross Reserves	Net Reserves
Crude Oil (Barrels)		
Proven	250,000	170,000
Probable	300,000	210,000
	<u>550,000</u>	<u>380,000</u>
Natural Gas		
(Millions of cubic feet)		
Proven	5,970	3,690
Probable	4,040	2,550
	<u>10,010</u>	<u>6,240</u>

In the Sedalia area, ATCO purchased an interest in 14 wells either producing or capable of producing natural gas and, at this time, 10 of the wells are producing 5.5 million cubic feet per day. The remaining 4 wells are to be tested and placed on production as plant capacity becomes available. All of the petroleum and natural gas rights included in the purchase are under contract. ATCO's share of gross production averages 1.75 million cubic feet per day. ATCO, as operator of the properties, plans to increase production during the coming year.



During the year, gas contracts were obtained for the Marten Hills and Retlaw properties and both are scheduled to be producing by mid-summer. Present market conditions for natural gas are not good and gas contracts entered into currently have a first delivery date of November 1, 1980. The present gas surplus in Alberta will be relatively short term and ATCO intends to continue to pursue the exploration for and development of both petroleum and natural gas because of the long term demand for these natural resources.

Since ATCO's first drilling venture, the Company has spent \$3.0 million in the exploration and production segment of the Alberta petroleum industry. This expenditure has allowed the Company to participate in the drilling of 68 wells, to acquire from the lessors Crown and Freehold petroleum and natural gas rights, to participate in geophysical and other types of exploration surveys and to build and maintain a competent staff to conduct such business. The results achieved to date substantiate the original decision to invest in the Alberta petroleum industry.



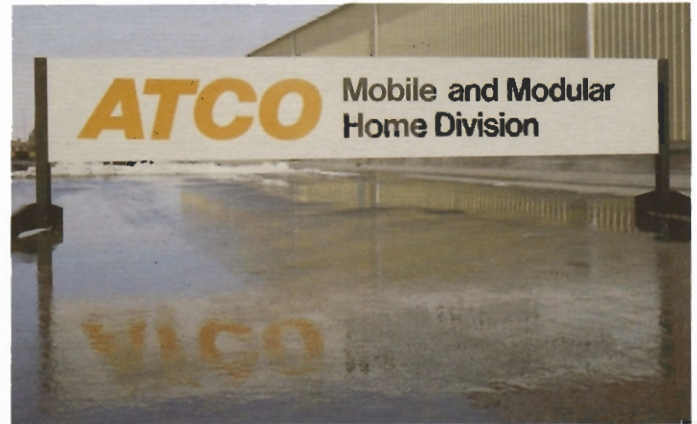
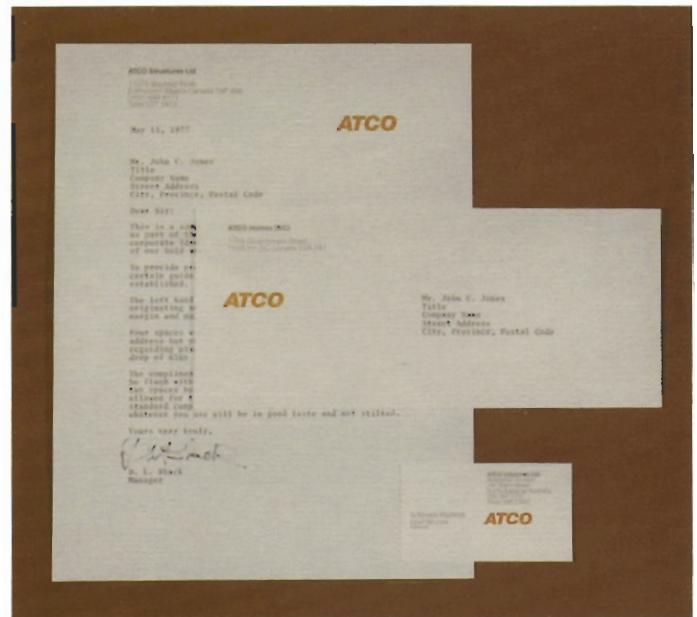
Corporate Graphics

Following the recent restructuring of ATCO, it was evident that a comprehensive graphics system was needed to co-ordinate and maximize ATCO's visual expressions.

The ATCO name was carefully analyzed and it was concluded that a bold, memorable trademark consisting only of the letters "ATCO" was preferable.

The corporate trademark "ATCO" will function as the core of a total graphics system including signage, product identification, stationery and business forms. The ATCO Manual provides the guidelines for use of the trademark.

The purpose of the new graphics system is to create a look that reflects the reality of the Company — innovative, enthusiastic, and growing.



The ATCO Group of Companies

Parent Company

ATCO Industries Ltd., Calgary, Alberta

North American/Australian Division

ATCO Structures Ltd., Calgary, Alberta

Branches:

Vancouver, British Columbia
Prince George, British Columbia
Edmonton, Alberta
Winnipeg, Manitoba

ATCO Structures Inc., Anchorage, Alaska

ATCO Industries (Aust.) Pty. Ltd., Elizabeth, South Australia

Branches:

Sydney, New South Wales
Melbourne, Victoria
Darwin, Northern Territory

ATCO Export Inc., Calgary, Alberta

ATCO Eastern Ltd., Ville LaSalle, Quebec

Branches:

Quebec City, Quebec
Toronto, Ontario
Dartmouth, Nova Scotia

ATCO Homes, Calgary, Alberta

ATCO Homes, Penticton, British Columbia

ATCO Homes, Elizabeth, South Australia

ATCO Housing Corp., Calgary, Alberta

Branches:

Red Deer, Alberta
Edmonton, Alberta

ATCO Development Corp., Calgary, Alberta

ATCO Metal Ltd., Western Division, Calgary, Alberta

Branch:

Edmonton, Alberta

ATCO Metal Ltd., Eastern Division, Ville LaSalle, Quebec

ATCO Constructions Pty. Ltd., Salisbury, South Australia

Branches:

Melbourne, Victoria
Sydney, New South Wales

ATCO Components Ltd., Calgary, Alberta

Branch:

Edmonton, Alberta

ATCO Gas & Oil Ltd., Calgary, Alberta

Acceptance Corporation of America Ltd., Calgary, Alberta

Trans Canada Rent-A-Trailer (1964) Ltd., Montreal, Quebec

Branches:

Calgary, Alberta
Toronto, Ontario
Winnipeg, Manitoba
Vancouver, British Columbia

International Division

ATCO International Ltd., Calgary, Alberta

Branches:

Ville LaSalle, Quebec
Waco, Texas
New York, New York
Houston, Texas
Algiers, Algeria

ATCO International (Calif.) Inc., Riverside, California

Branches:

Irvine, California
San Francisco, California

ATCO Central Limited, London, England

ATCO Arabia, Jeddah, Saudi Arabia

Branches:

Dammam, Saudi Arabia
Riyadh, Saudi Arabia

ATCO