

1980 Annual Report

ATCO



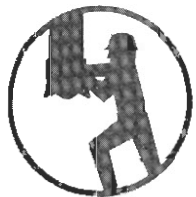


ATCO LTD.
Financial Highlights
 (Thousands, except per share data)

	1980	1979	Change
Total revenue	\$413,859	\$368,269	+ 12%
Earnings for the year	\$ 22,005	\$ 18,226	+ 21%
Net earnings attributable to common shares	\$ 11,677	\$ 13,952	- 16%
Earnings per common share	\$2.20	\$2.64	- 17%
Dividends paid per common share	50.0¢	45.5¢	+ 10%
Working capital provided by operations	\$ 44,507	\$ 35,239	+ 26%
Working capital	\$ 40,049	\$ 44,165	- 9%
Capital expenditures	\$ 52,410	\$ 94,032	- 44%
Total assets	\$460,133	\$444,708	+ 3%
Common shareholders' equity	\$ 93,080	\$ 83,600	+ 11%
Common shares outstanding	5,328,510	5,290,590	-
Weighted average common shares outstanding	5,316,359	5,282,727	-

ATCO Ltd. Mission

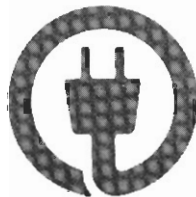
To achieve an international reputation for excellence by providing products and services to the energy and resource industries and to invest principally in energy-related assets in North America.



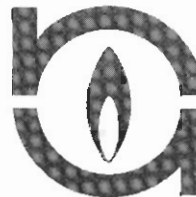
Drilling



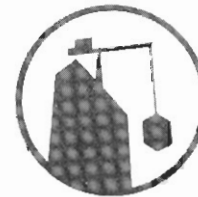
Oil



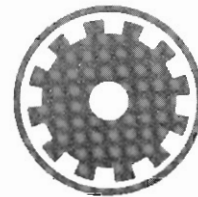
Electricity



Gas



Development



Manufacturing

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Report to Shareholders



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

R. D. Southern, President & Chief Executive Officer

Revenue for the ATCO Group for the fiscal year ended March 31, 1980 totalled \$413,859,000, an increase of 12% over the \$368,269,000 recorded in Fiscal 1979. Current year's earnings were \$22,005,000 compared with earnings of \$18,226,000 in the prior year, an increase of 21%. Earnings per common share after preferred share dividends were \$2.20 per share, a decrease of 17% from the \$2.64 achieved last year. Preferred share dividends increased to \$10,328,000 as compared to the \$4,274,000 paid last year. Net earnings for the current year were adversely affected by a 50.5% tax rate as compared to a rate of 38.9% in Fiscal 1979 and by the write-off of non-recurring expenses and losses from discontinued operations in excess of \$2,900,000 after taxes. The higher effective tax rate results in part from reduced earnings in Saudi Arabia and reduced Investment Tax Credits in ATCO Drilling.

Capital expenditures totalled \$52,410,000 with the majority of this amount invested in energy-related

activities including contract drilling, well servicing, and gas and oil exploration and development. Working capital decreased by approximately \$4,000,000 during Fiscal 1980, a very satisfactory result considering net long-term debt reductions of \$14,000,000 during the year.

Earnings per common share were less than expected, however it is encouraging that these earnings were achieved in the face of record high interest rates and significant write-offs of non-recurring costs. The strategies associated with the discontinuance of non-productive operations are bringing immediate results and operating earnings for the first quarter should benefit accordingly.

During the year, the Board reconsidered the Group's direction and agreed upon a revised mission for ATCO. This mission is: **"To achieve an international reputation for excellence by providing products and services to the energy and resource industries and to invest principally in energy-related assets in North America"**.

To reach the goals inherent in this mission, ATCO's growth must be directed toward operations with steady, assured earnings, inflation-proof assets and with growth potential offering synergistic benefits to ATCO's present operations. The recent acquisition of 58.1% of the outstanding common shares of Canadian Utilities Limited fits these specifications and is documented more fully in the insert included with this report. Without doubt, the benefits accruing to the ATCO shareholders from this acquisition in the years ahead will be most significant.

ATCO has recently offered to purchase just over 50% of the outstanding common shares of Calgary Power Ltd. The offer is being vigorously resisted by the Board of Calgary Power Ltd. and the outcome is not yet known. Upon its conclusion, ATCO shareholders will be advised directly of the Group's plans for the utilities sector of the business.

The Company has continued to increase its rate of investment in gas and oil exploration and development. In addition to excellent success in finding hydrocarbons, reserves have been augmented by the purchase of producing properties and related undeveloped acreage. In view of the excellent record of ATCO Gas & Oil Ltd., future plans call for the continued reinvestment of cash flow augmented by additional corporate funding.

An independent evaluation of ATCO's proven and probable reserves at year-end was 19,765 MCF of gas and 1,669,000 barrels of oil.

ATCO benefited from the buoyant Western Canadian economy, particularly in energy-related markets. Canadian oil well drilling and well servicing operations achieved record revenue and operating income. The Canadian Drilling Division recently added two shallow rigs specially designed for use in heavy oil drilling. The performance of these rigs has been commendable and their unique design offers many benefits to operators. Given a satisfactory settlement of the Federal-Provincial energy pricing negotiations, continued profitable performance of the Canadian Drilling Division seems assured.

United States drilling and well servicing operations contributed only modestly to earnings in Fiscal 1980. Since the beginning of calendar 1980, however, activity levels have accelerated dramatically and returns are now commensurate with the investment with all rigs being fully utilized. To ensure long-term profitability, the United States Drilling Division has been established as a separate entity reporting directly to the Corporate Office. Because of inadequate returns, the assets of NitroGas Services were sold and the proceeds invested in drilling equipment.

The manufacturing segment of the Group's operations experienced mixed results with strong demand in Western Canada being offset by soft markets in other domestic and international markets. This situation resulted in the closure of industrial housing plants in California and Quebec, a metal fabricating facility in Australia and the conversion of the British Columbia mobile home factory to the production of industrial housing. These actions are the result of a corporate objective to maximize the return from assets employed and to dispose of those assets not offering adequate returns.

In the last year or two, the complexities of the international markets in which ATCO operates have increased dramatically. Increasing competition, growing political instability and economic uncertainty have been placing pressure on margins and reducing profitability to unacceptable levels taking into account the efforts expended and the risks assumed. A highly selective approach to international sales opportunities is being adopted to ensure profitability, albeit on reduced volumes. The Group's International Division experienced extreme difficulties during the last six months when losses of \$2,300,000 million were sustained. As has been announced, substantial orders have been received recently which will keep the factories busy until the

end of the calendar year. The goal is to develop a more cost-effective organization during this period.

The demand for industrial housing on a lease basis was particularly strong in all market areas last year. Significant progress was made in revamping the fleet to better meet customer requirements through a program of selective additions and disposals.

House building operations were adversely affected during the past year by record-high interest rates and over-building in all segments of the market. Efforts to maintain volumes through reduced selling prices and mortgage interest rate subsidization resulted in depressed margins. With inventory levels reduced to more manageable levels and interest rates falling, the coming year should see a return to more realistic profit levels.

With the successful completion of the downtown Calgary office tower and excellent progress on such projects as the Airdrie shopping centre, the Company continues to accumulate high-quality assets in the Alberta commercial building market. A number of significant projects which are now in the planning stage, should be completed in the first half of this decade.

During the past year, the Board of Directors accepted with regret the resignations of Mr. Alan Gates and Mr. Jay Scott. Their past efforts on behalf of ATCO are much appreciated and we wish them well in their future endeavors.

On behalf of the shareholders, we want to thank ATCO's employees whose high standards of workmanship, diligence, responsibility and integrity are in many ways unique and contribute so significantly to the Group's success. In addition, we would like to thank ATCO's shareholders and customers for their continued support.

R. D. Southern
President & Chief
Executive Officer



N. W. Robertson
Senior Vice President &
Chief Operating Officer





GAS AND OIL

Since 1975 when ATCO began active oil and gas exploration and development, the Company has invested approximately \$19 million. Like the majority of independent producers and explorers, ATCO has invested substantially more money than the cash flow returned to date.

During fiscal 1980, capital investment was as follows:

	(\$,000)
Drilling	\$2,246
Geophysical	127
P & NG Acquisition	886
Equipment	369
Production Property	2,898
TOTAL	\$6,526

During the past year, ATCO participated in the drilling of 55 wells resulting in a success ratio of 78% as summarized below:

	Oil	Gas	Dry	Total
Development	23	17	10	50
Exploratory	1	2	2	5
TOTAL	24	19	12	55

Since its inception, ATCO Gas & Oil Ltd. has participated in the drilling of 211 wells with a success ratio of 63%. The table below indicates ATCO's working interest position at year-end.

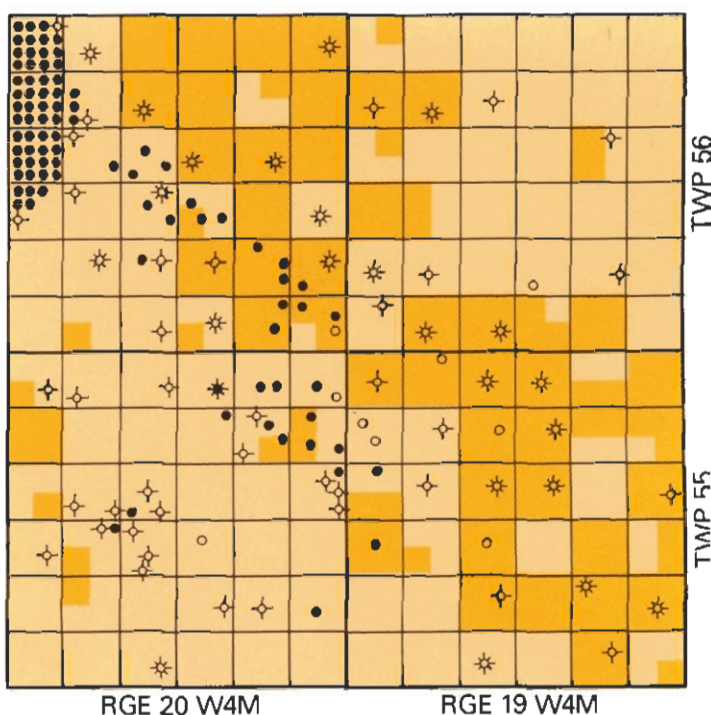
Producing oil wells	67
Producing gas wells	56
Shut-in gas wells	64
TOTAL	187

While the cost of acquiring Crown leases has increased dramatically in the past two years, the land inventory presently owned will allow for an upgraded drilling and exploration program in the coming year. At year-end, the Company had an interest in 498,000 gross acres of petroleum and natural gas rights equivalent to 110,000 net acres, most of which is located in the Province of Alberta.

Opposite Page:

ATCO has an interest in 187 oil and gas wells.

Redwater, Alberta



ATCO P&NG Holdings
Average interest - 10%

The Company's share of crude oil and natural gas reserves as established by independent consulting engineers is as follows:

	Proven	Probable	Total
Natural Gas Reserves			
(millions of cubic feet)	14,621	5,144	19,765
Crude Oil Reserves			
(thousands of barrels)	788	881	1,669

The media makes constant reference to the high prices being received by oil companies for their products. In light of these comments, the following information is of interest. During 1980 ATCO's average revenue for each MCF of natural gas production was \$1.85 and after deducting royalties and operating expenses was \$1.10. The average revenue for each barrel of crude oil production was \$12.95 and after deducting royalties and operating expense was \$6.25. The cost during this year to develop the additional new proven net reserves was approximately \$0.75 per MCF or \$4.50 per barrel equivalent.

Energy

During the year, the assets of Cayuga Exploration Inc. were sold and further investment in the oil and gas industry in the United States has been discontinued. While revenue and net proceeds to the United States producer are substantially greater for each unit of production, the success ratio and cost of finding reserves is not attractive to ATCO at this time.

The cost of finding and developing crude oil and natural gas reserves has escalated over the past five years at a rate much greater than that of inflation. It is essential that the net proceeds to the Canadian producer of domestic crude oil and natural gas are sufficient to support continuing investment in petroleum exploration and development in Canada. The Federal Government, through its restrictive price controls on Canadian oil and gas products plus the subsidy paid to Eastern refineries on imported crude oil, reduces the Canadian consumer prices to an unrealistic low level as compared to worldwide consumer prices.

No other industry in Canada is subject to such measures and Canadian energy self-sufficiency will remain a dream unless government policies are changed drastically in the near future.

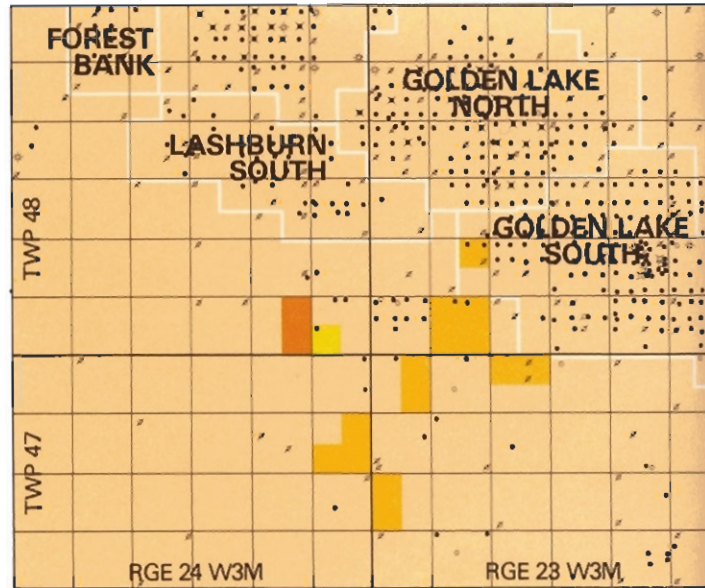
CONTRACT DRILLING

ATCO Drilling continues to be a leader in its industry with new concepts in rig design and construction, extensive rig maintenance and comprehensive employee training and development programs. During the past year, over ten million dollars was invested in the upgrading of existing equipment to maximize productivity and satisfy new Energy Resources Conservation Board safety regulations regarding blowout prevention.

The Bow Island Division added two shallow-depth mobile SCR electrical double rigs designed and constructed by the Company. These rigs are prototypes which incorporate new concepts to accommodate the demand for increased efficiency in shallow heavy oil drilling. Present plans call for further development work on this type of rig since the competitive environment for heavy oil/tar sands drilling in Alberta and

Saskatchewan necessitates expansion with suitable equipment to drill shallow, large diameter holes.

Maidstone, Saskatchewan



ATCO P&NG Holdings

- 20% ATCO working interest
- 67% ATCO working interest
- 39% ATCO working interest



ATCO gas plant in the Province of Alberta.

Opposite Page:

Mustang Division drilling rig on location in Alberta.





Energy



ATCO Drilling's modern maintenance facility at Nisku, Alberta.



ATCO Drilling emphasizes safety and training with technical courses at this facility in Nisku, Alberta.

The Sarcee Division completely overhauled six of its medium-depth rigs during the past year. The demand for rigs of this depth capability remains strong with most Sarcee rigs presently committed for the balance of the coming year.

The Mustang Division is experiencing continuing demand for its deep well

Opposite Page:

Drilling crew prepares to make pipe connection.

equipment and is bidding on several new rig packages for long-term, multi-well programs. During the past year, Mustang added a new 80 UE SCR rig, completed a major rebuild of another rig and withdrew its last rig from the Arctic. All of these changes will result in increased revenue in the coming year.

Despite a lengthy spring breakup period and the extensive maintenance and upgrading program undertaken in Fiscal 1980, ATCO Drilling's Canadian productivity was not adversely affected. 1,217 wells were completed, including Bow Island Rig #7's record-breaking total of 127 holes. Operational days exceeded 15,000 which represents a highly satisfactory utilization rate of about 72% excluding relocation and rig-up time.

In the United States the year started very slowly, however, a steady improvement in activity levels resulted from the clarification of government regulations regarding the delivery and pricing of gas and oil. A new 80 UE SCR rig was acquired by the Rocky Mountain Division, where trends indicate an increasing use of deeper rigs, along with an expansion of operations from the Rocky Mountain states to the flatlands of the East and West. In the Southern Division, the identification of new reserves in South Texas, a prime market area, indicates increased activity for the Division.

The outlook for ATCO Drilling continues to be excellent. The industry's major concern in both Canada and the United States is a market disruption caused by further government intervention in the pricing and supply of gas and oil to the consumer. Without increased prices, it will be impossible for producers to continue the expenditures necessary to maintain reserves at their present levels.

Drilling Rig Location and Capacities (Drilling depth capability in feet)

Rig Locations	Up to 3,000	Up to 9,000	Up to 15,000	Up to 22,000	Total
Texas	—	—	10	—	10
Rocky Mountain area	—	5	5	—	10
Western Canada	10	18	11	3	42
TOTAL.....	10	23	26	3	62

WELL SERVICING

During the past year, Target Well Servicing (1978) Inc., which operates 13 well servicing rigs from its headquarters in Corpus Christi, Texas, utilized a barge-mounted rig for the first time in offshore service work for Exxon, Mobil and Sunco. Another first for the Company was its entry into the shallow-drilling market and it is anticipated that this type of work will develop into a meaningful alternate use for the rigs.

In anticipation of an improved market, a new shop and office facility was established last summer to upgrade the Company's administrative and maintenance capability.

The Target Well Servicing Division, based in Red Deer, Alberta, achieved record rates of utilization in Fiscal 1980 with its 17 rigs. The operational area was expanded to encompass the Cold Lake heavy oil fields and the high pressure gas zones of the Elmworth field, the Alberta foothills and the Fort Nelson area of British Columbia. The Division is responding to industry and government safety regulations with enhanced employee training programs and the addition of approximately one million dollars of blowout preventers and related equipment.

To handle the continuing increase in activity, Target moved into a new office and shop complex in Red Deer during April, 1980. This complex will provide improved major maintenance and overhaul capabilities allowing the Company to increase operating efficiency and improve customer service.

Service Rig Location and Capacities (Drilling depth capability in feet)

Rig Locations	Up to 10,000	Up to 15,000	Up to 20,000	Up to 25,000	Total
Canada	4	4	7	2	17
United States	—	10	2	1	13
TOTAL	4	14	9	3	30

EQUIPMENT RENTALS AND SALES

Edmonton-based L & M Oilfield Equipment (1975) Ltd. has completed another successful year of service to the petroleum industry.



L & M sells and rents specialty oilfield equipment such as this blowout preventer.

The Company is the exclusive Canadian distributor for the Cabot-Franks service rig and sells other components such as blowout preventers, drill line, accumulators, valves and drill pipe. Rentals include down-hole equipment, tools, power swivels, blowout preventers, valves and other wellhead equipment. In addition, the Company does hydraulic power tong repair, custom fabricating of replacement parts and rig up of new and used service rigs. With the rental market continuing to grow, significant expansion of the equipment inventory is under way enabling the Company to increase its market share.

L & M is presently exploring expansion opportunities through the establishment of additional sales and rental locations in other areas of petroleum industry activity.

Opposite Page:

Target's newest service rig performing subsurface well repairs in the foothills of the Canadian Rockies.





Manufacturing

EXPORT INDUSTRIAL HOUSING

Among the many challenges facing ATCO International Ltd. is the increasing diversity of its customer base. At one time, international construction projects were handled largely by United States firms, however, these firms now rank fifth in receipt of overseas construction awards. A recent list of the most active international contractors named firms from 34 countries including the United Kingdom, South Korea, West Germany, Holland, Greece, Sweden,

France, Japan, Malaysia, Belgium, Italy and India. To adapt to this situation, ATCO International has broadened its marketing efforts throughout the world.

ATCO International's largest project during the past year was the supply of a 1,700-man camp to Fluor at Alrar, Algeria to house the workforce constructing a gas processing plant. Fluor was also the customer for housing provided to Abu Dhabi Gas Industries Limited. For this project, ATCO International formed a joint venture with Entrepouse, the French construction company, which erected the housing under ATCO's supervision. Two major contracts were completed in Iraq including a student-hostel complex for A. G. Heiner Hatt-Haller of Switzerland, general contractor for the Iraq State Organization for Farmers Education school facility. In Mauritania, a contract for the Brazilian firm, Mendes Junior International, involved housing for workers on the Kiffa-Nema road extension project.

The Venezuelan market again accounted for major sales including dormitories and a 600-man kitchen/diner for continuing work on the Guri Dam. Housing and support facilities were also provided on a turnkey basis at the El Palito and Amuay Refinery projects.

SAUDI ARABIA

Saudi Arabia continued to be ATCO's largest market for industrial housing with a number of significant contracts being received during the year. The largest was a 5,000-man installation housing the workforce of Sam Whan Corporation, the South Korean contractor building the King Abdul Aziz Military Academy located 100 kilometers north of Riyadh.

Workforce housing was supplied to Hyundai, another South Korean firm and to Foster Wheeler, the contractors building the pumping stations along the Transarabian Oil Pipeline. ATCO Saudi Arabia also provided a 600-man camp in Mecca for a Saudi Arabian Public Transport Company project related to the first scheduled public transportation service in



700-man ATCO housing complex supplied to Venezuelan government electrification agency.



ATCO housing on site for the Abu Dhabi National Oil Company.

Opposite Page:
ATCO's assembly-line production techniques provide controlled conditions for efficient construction.

Manufacturing

the Kingdom. Additional housing sales were made to Taylor-Woodrow, a British firm, Sartleco, a Canadian-Italian contractor, and Artco, a Saudi Arabian company, all working in the vicinity of Riyadh. The majority of these orders comprised standard housing units supplied from the inventory of finished units maintained in the Kingdom.

Since the end of the year, ATCO Saudi Arabia Ltd. has signed a \$50,000,000 contract with Keang Nam Enterprises Limited of Seoul, Korea for a 3,300-man construction camp at Yanbu, the large industrial complex located approximately 340 kilometers north of Jeddah on the Saudi Arabian West Coast.

While the high level of activity experienced in recent years will not continue indefinitely, ATCO's assembly operation located in Damman and supported by technical expertise in North America, is sufficiently flexible to adapt to changing market conditions as they arise.

AUSTRALIA
Major organization changes were a feature of ATCO's Australian operations in the past year. In a move designed to reduce operating costs and eliminate certain low-return segments of the business, the management, sales and manufacturing facilities of ATCO Constructions Pty. Ltd. were consolidated with those of the Structures Division in Elizabeth.

To facilitate servicing of the vast Western Australian resource market, a small but efficient manufacturing facility was opened in Perth, Western Australia near the end of the year. This plant will improve ATCO's competitive position and overcome the problem of State preferences provided to local suppliers.

During Fiscal 1980, the development of two uranium mines in the Arnhem Land area of the Northern Territories provided sales opportunities to ATCO. At Naborlek, located 280 kilometers east of Darwin, ATCO provided 176 rental units to meet workforce housing needs. At Jabiru, 270 kilometers east of Darwin, where it is estimated the mining will take thirty years to complete, ATCO received a contract to provide



Fluor/Lagoven administrative facilities in Venezuela.

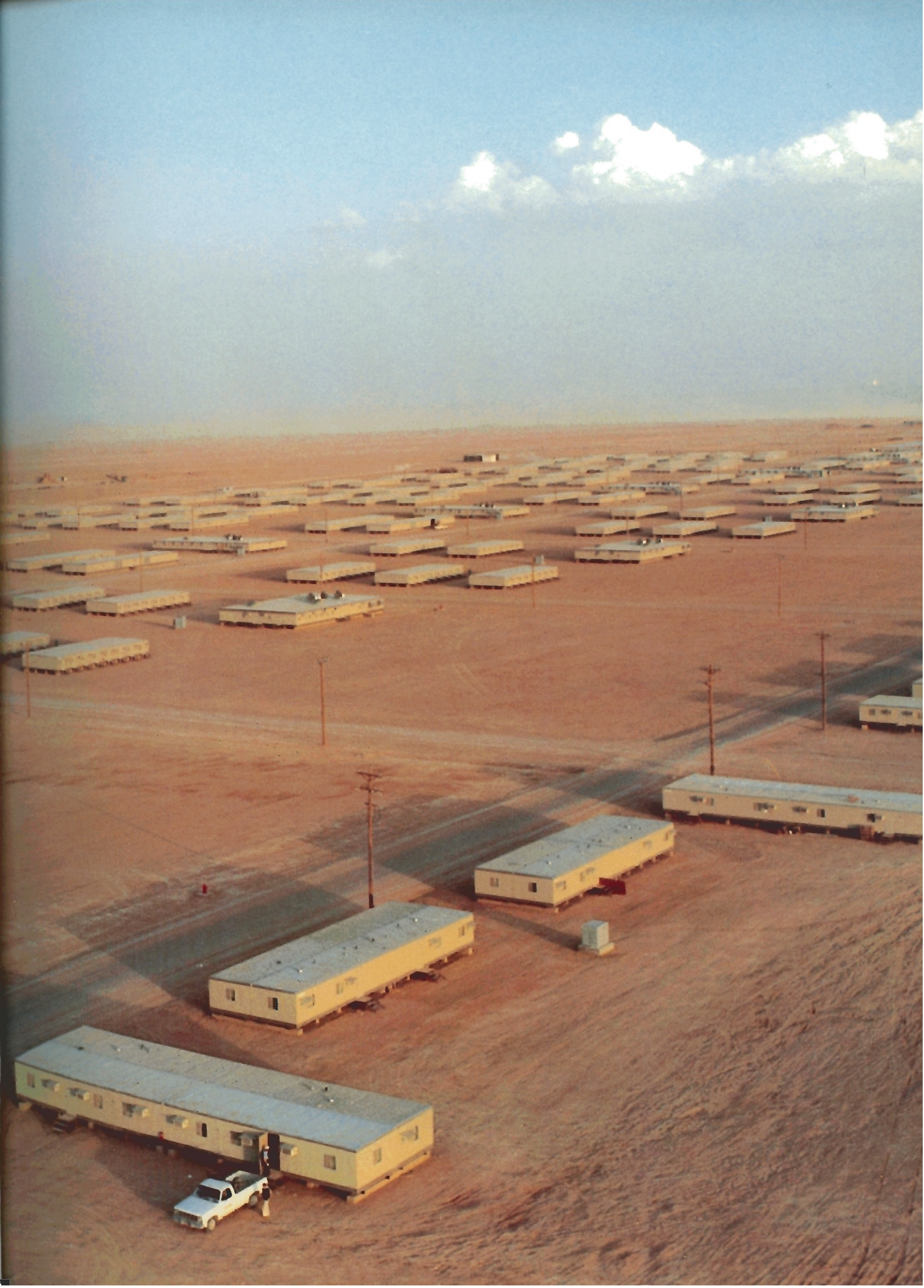
accommodation for 500 men along with kitchen, shopping, administration and caravan park facilities. Further contracts were received in April and December, 1979 and February, 1980. In total, facilities have been supplied for over 1,000 people at the Jabiru site. Another uranium project just getting under way in Australia is located at Roxby Downs, 650 kilometers north of Adelaide. Western Mining Corporation, developers of the mine, awarded ATCO the initial housing contracts in October, 1979 and the first phase of the contract was completed prior to Christmas.

In order to remain competitive with local firms in the urban office rental market, inventories were increased at all sales locations. The outstanding results achieved with this program led to the establishment of a sales and service center in Silverwater, a suburb of Sydney.

ATCO Constructions designed, fabricated and erected the structural steel work for a community sporting complex at Echuca, Victoria and a sales complex for the Australian Horse Breeders Co-operative Society in Adelaide. Both projects incorporated several buildings and were designed to provide a combination of economy and a pleasing aesthetic appearance.

Opposite Page:

5,000-man ATCO camp on site at King Abdul Aziz Military Academy, Saudi Arabia.





Manufacturing

Exports occupied a significant role in the Australian story during the past year. Thirty-five houses were supplied to a hydro-electric power project in Madagascar, while a 3,000-bed refugee center was provided to the United Nations in Kuala Lumpur, Malaysia for use as emergency accommodation and processing facilities for Indochinese refugees. The center was financed by the Norwegian Red Cross Society and included a first-aid clinic donated by ATCO. Because of the critical nature of the problem and expedited delivery was required, the units were delivered to Port Kelang, Malaysia within seven weeks of receipt of the order.

A variety of metal buildings were supplied to the Iraq National Oil Company for use at their installations near Baghdad and to Chiyoda, the Japanese chemical engineering and construction company, for their refinery project at Baiji, Iraq. In addition, cargo-handling equipment and aircraft storage buildings were supplied to the Sri Lanka Colombo Airport reconstruction program.

While the strengthening Australian dollar is a detriment to export marketing, the level of domestic demand for ATCO products is expected to improve significantly in the coming year.



ATCO Supertruss buildings were chosen by the Australian Horse Breeders Co-op Society for their stabling and auction facilities.

Opposite Page:
ATCO units at the Climax Molybdenum Mine near Kitsault, British Columbia.

DOMESTIC INDUSTRIAL HOUSING AND COMMERCIAL STRUCTURES

Calgary-based ATCO Structures experienced another successful year in the selling and leasing of industrial housing, commercial structures and mobile homes to a variety of customers. In addition to its manufacturing capability, ATCO Structures provides its clients with the services of an engineering department staffed by personnel experienced in mechanical, electrical, architectural and civil engineering.

In response to the increasing demand for modular structures as permanent facilities in remote areas, a number of design changes have been incorporated in the units to provide more comfortable, homelike surroundings. Customers recently purchasing permanent facilities from ATCO include Dome Petroleum, Home Oil, Petro-Canada and in Alaska, Taylor Rigging and the North Slope Bureau.

The supply of commercial structures continues to be an important factor in the Company's success. The Calgary Public School Board purchased 40 classrooms for installation at a variety of locations in the City, while additions to existing facilities were provided to the Brooks, Medicine Hat and Rockyview School Districts. Office complexes were supplied to a number of clients for both urban and rural use. In many cases, these facilities are designed to accommodate existing buildings while providing modern office space compatible with their surroundings.

The practice of producing small, custom units at district office locations has grown considerably in the past year. By providing this service, ATCO Structures can better serve those clients who cannot utilize units from the standard product line, which are mass-produced in the Calgary factory. Units produced include foremen's offices, tool storage units, security stations, lunchrooms, lavatories, etc.

In recognition of the importance of the drilling and seismic industries, a program was developed to increase the Company's share of this market. Not only was the product totally redesigned, but

Manufacturing

accessories such as rig matting, incinerators and life-support systems were supplied on either a purchase or lease basis. In addition, specialists were assigned to service this equipment in the field in order to meet the industry's requirement that such work be done quickly and efficiently. In conjunction with this program, 40 camps were added to the lease fleet to service the seismic industry, while 13 of the newly-designed drilling camps were made available for lease to drilling contractors.

In order to better serve the energy sector, ATCO Structures opened offices in Grande Prairie, Regina and Denver, Colorado. These offices, in addition to the existing offices and service centers in Calgary, Edmonton, Winnipeg, Saskatoon and Anchorage, Alaska, will permit the Company to better serve its clients in the coming year.

A combination of increasing natural resource development in British Columbia and a continuing slump in the mobile home industry resulted in the Penticton plant being dedicated almost entirely to the production of industrial housing during the past year. Because of the short-term nature of many of the projects being undertaken in this market, the Pacific Division operates a rental fleet of approximately 1,100 units. This fleet includes completely self-contained construction camps for use on resource development projects, as well as office and specialty units designed for urban use.

Included in the resource development projects for which ATCO Pacific supplied housing accommodation were the Climax Molybdenum Mine near Kitsault, the Lornex Mining copper mine at Logan Lake and the Cyprus Anvil Mine located at Farrow in the Yukon. In the forest industry, housing was supplied to Northwood Pulp and Paper at Prince George and to MacMillan Bloedel for housing their workforce at Powell River.

The outlook for further significant resource development in British Columbia is most promising and all indications are that the

conversion of the plant to the manufacture of industrial housing will prove to be a successful venture.

Because of continuing weakness in the Eastern Canadian domestic industrial housing market, Montreal manufacturing operations have been consolidated into a single factory. This facility will operate under the auspices of ATCO International, producing standard industrial housing units for the domestic market and the full range of products for the international market.

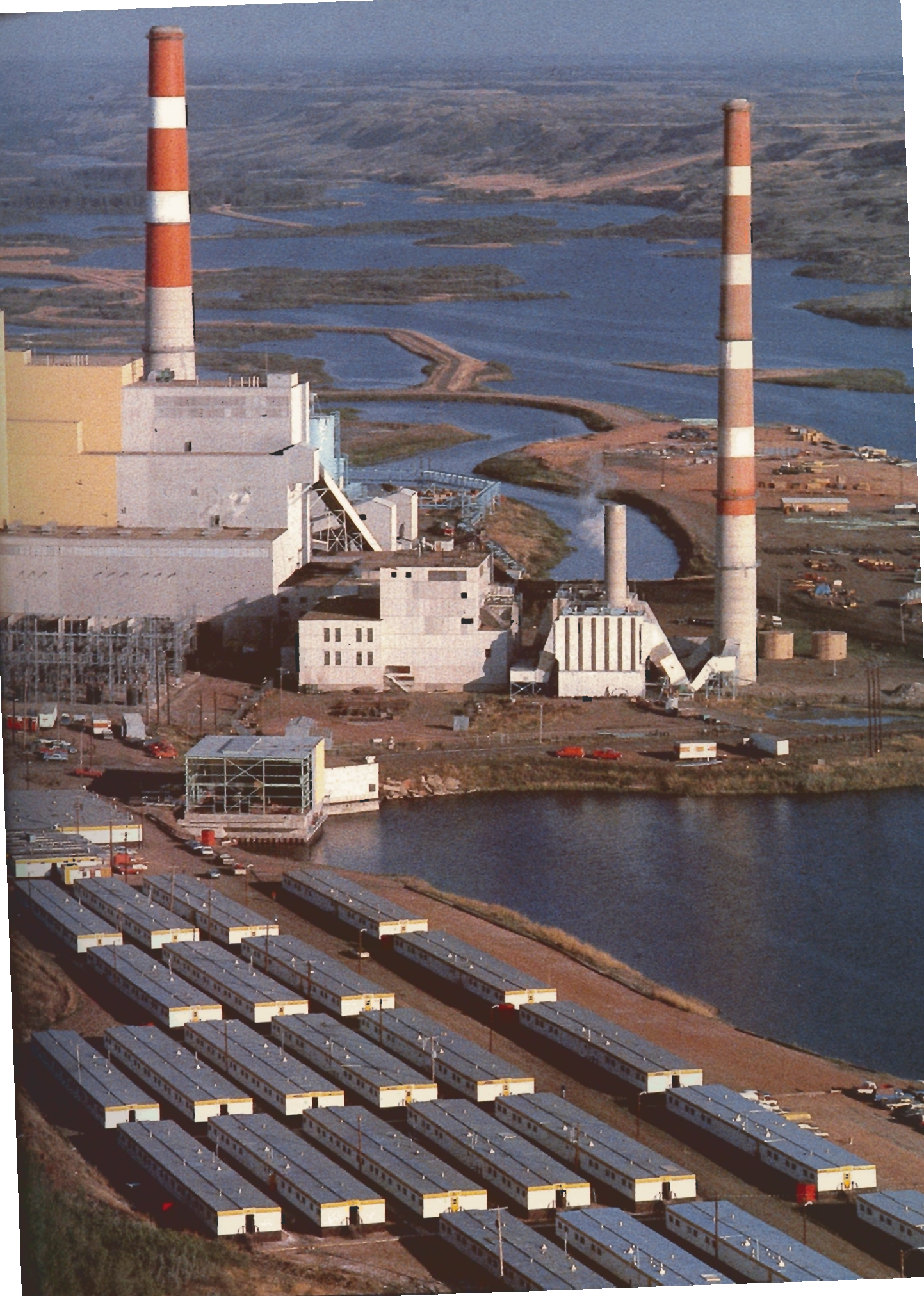
As a result of the change, ATCO Eastern is now primarily engaged in office rentals and the servicing of used units from branches in Montreal, Toronto, Ottawa, Quebec City and Dartmouth.



Typical site office leased by ATCO.

Opposite Page:

A 700-man ATCO camp at Alberta Power's Battle River power station in Northern Alberta.





Manufacturing



Blowout preventer cradle designed and manufactured by ATCO Metal Ltd.



ATCO slant-wall building engineered for light industrial and agricultural applications.

METAL FABRICATION

This past year was the most successful in the history of ATCO Metal Ltd. Sales reached an all-time high with the economies of Alberta and Saskatchewan providing a solid base for the Company's products in the energy, industrial and agricultural markets. The year's most significant project was the completion of a sulphur pelletizing plant for Procor Ltd. at Harmattan, Alberta. Another plant is nearing completion at Fort McMurray, Alberta, while three more have been ordered for export, two for South Africa and one for Greece.

In line with its philosophy of continued product line expansion, the Company recently completed development of a highly portable skid-mounted blowout preventer cradle for use in the drilling industry. The cradle is available on a custom basis to meet specific stack designs, sizes and substructure clearances. The unit travels with the BOP completely assembled and is designed to save time and money through its positioning on the casing bowl in a matter of minutes, without the use of cranes or other heavy mechanical equipment.

To capitalize on the growing demand for roll-formed products including decking and siding used in industrial building construction, ATCO Metal is increasing its forming capability. An expenditure of approximately \$2 million, including a 22-station roll-forming machine, will provide the equipment necessary to roll a variety of deep profiles in heavier gauge metal.

During Fiscal 1980, ATCO Metal established an extensive dealer network to market pre-engineered buildings in Western Canada. This dealer organization is ably supported by a comprehensive product-development program. Increased penetration of this market, combined with continued expansion of traditional markets, augurs well for the Company's future.

*Opposite Page:
ATCO Metal roll-forming line.*

Manufacturing

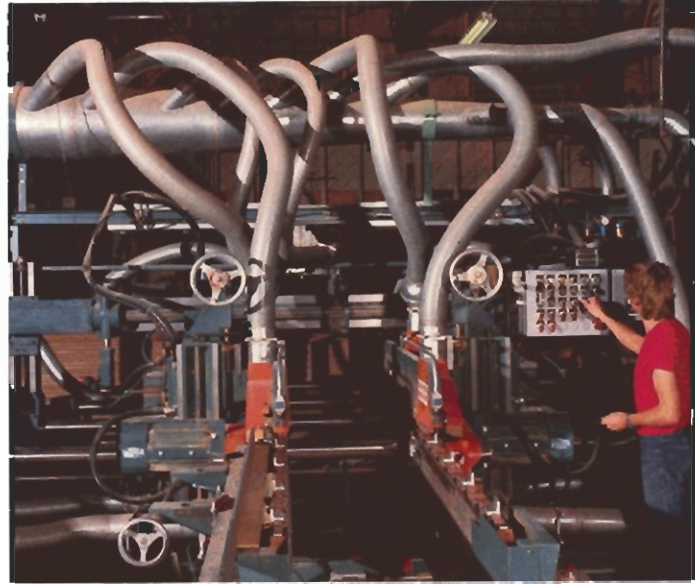
MILLWORK AND INTERIORS CONTRACTING

With commercial construction continuing to boom in Calgary, the outlook for the Interiors Division of ATCO Components is very encouraging. In the past year, the Division completed interior finishing contracts for a variety of clients including the 400 Club, National Trust, The Mercantile Bank, Kaiser Oil, the Orange Tree Restaurant, the Glenmore Inn and Cascade Development Corporation. The Division was recently awarded a major contract for the supply and installation of architectural millwork in the executive offices of Esso Resources Plaza, an office tower currently under construction in Calgary.

Modular kitchen cabinet sales reached record levels in Fiscal 1980 with some 1,500 sets sold. Although the new housing market is forecast to decline during the next year, the renovation market is expected to remain strong and with this in mind, the ATCO line of cabinets was recently introduced to the retail market where acceptance has exceeded expectations.

ATCO Components has negotiated a distribution agreement to handle Corian Building Products manufactured by Dupont. This is a marble-like material made from specially treated plastic which is used in kitchen, bathroom and lavatory counter tops, as well as wall partitions. The product, which will be marketed in both the residential and commercial fields, is particularly attractive in that it can be formed on existing tooling thereby eliminating any need for additional capital expenditures.

Although there is no doubt ATCO Components has considerable potential for growth, attracting skilled tradesmen is a major problem. Without such personnel, it will be difficult for the Company to reach its potential and to overcome this problem, personnel recruitment is being actively pursued across Canada and in Europe.



Double-end tenoner in ATCO Components' facility.



ATCO Components luxury cabinetry.

Opposite Page:
Orange Tree Restaurant interior by ATCO Components.







Allenwood, a 57-unit ATCO Housing condominium development in Airdrie, Alberta.

COMMERCIAL AND INDUSTRIAL DEVELOPMENT

"Place 800", ATCO Development Corporation's downtown Calgary office tower, completed in the fall of 1979, is fully leased and is now the major holding in ATCO's real estate portfolio. Other projects completed during the year were a swimming pool for the Town of Airdrie and an office/shop facility for Target Well Servicing in Red Deer, Alberta. The Company owns an additional eleven acres adjoining the Target site on which multi-tenant warehousing will be erected in the coming year.

Another project scheduled to start in the next year is Tower Lane Mall, a shopping center in

Opposite Page:

Place 800 in downtown Calgary.

Airdrie, Alberta, providing 300,000 square feet of retail area in a two-phase development. In addition, the site contains space for a home-improvement center, service station and 110-unit residential condominium development. Also planned for next year is a commercial/residential subdivision in South Calgary. Zoning and subdivision approvals were received in early 1980 for the project, which includes 83 townhouse condominiums, 26 semi-detached homes, 2 low-rise apartments containing 100 suites, and an 80,000 square-foot office building.

To ensure a continuing flow of quality projects, the Company has acquired seven acres of prime industrial land in the Highfield subdivision of Calgary and office tower sites in Calgary and Vancouver. While consideration is being given to the possibility of entering other markets, the major emphasis will remain in Alberta where the vigorous, energy-based economy provides continuing opportunities for successful commercial developments.

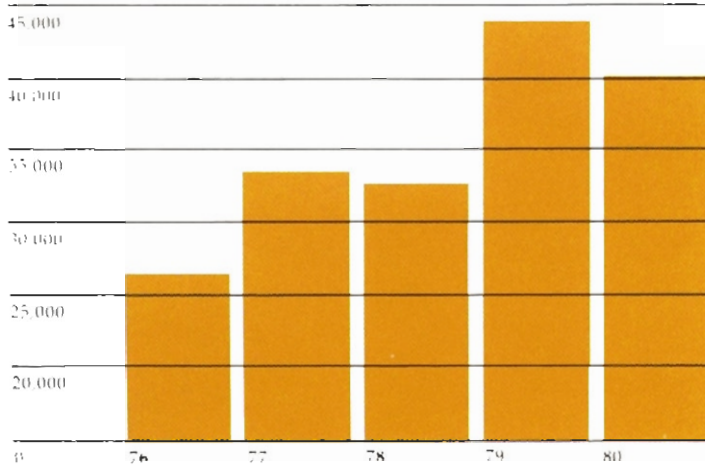
RESIDENTIAL HOUSING

Despite a softening of demand during the last quarter of the fiscal year as a result of record mortgage rates, ATCO Housing was able to expand its operations in both Edmonton and Calgary. In addition to single-family housing, which has been ATCO's specialty in the past, multi-family units are under way in both cities and similar projects are planned for the coming year.

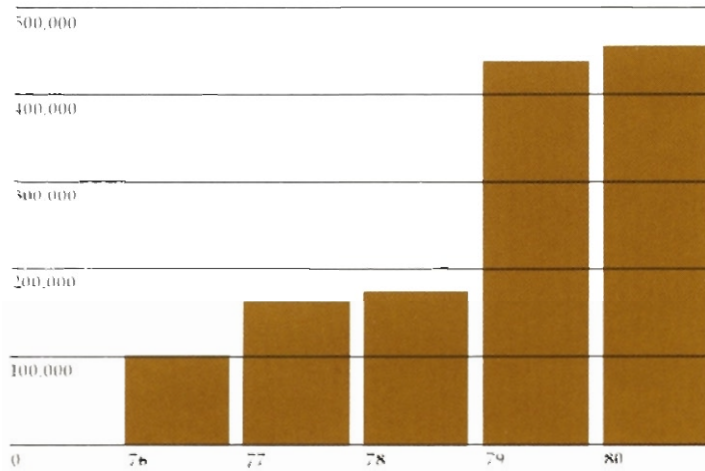
With the housing industry facing unprecedented mortgage rates and relatively large inventories of unsold homes, ATCO is approaching the coming year with cautious optimism, comfortable with the fact that Edmonton and Calgary remain Canada's fastest-growing cities as a result of Alberta's rapid development of its energy resources. With a continued supply of strategically located lots available through Alberta Land Development Company, ATCO is well placed to participate in the improving industry sales expected as the year progresses.

Financial Report

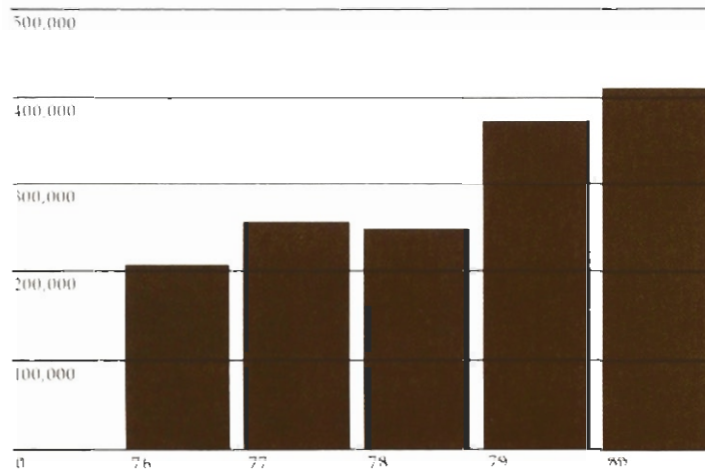
Working Capital
(\$ in Thousands)



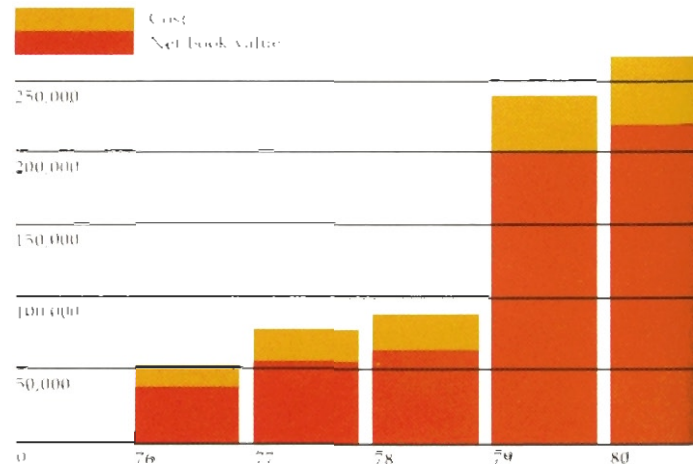
Total Assets
(\$ in Thousands)



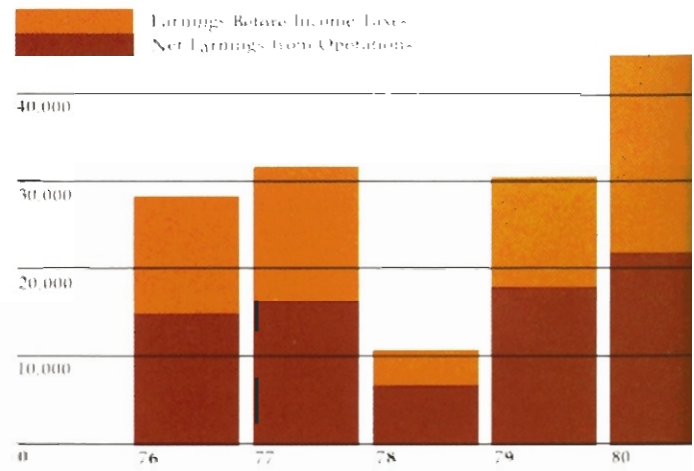
Revenue
(\$ in Thousands)



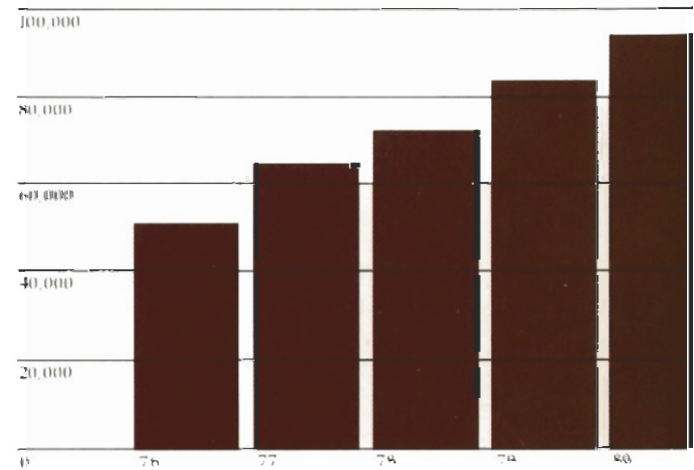
Property, Plant, Equipment and Rental Assets
(\$ in Thousands)



Earnings from Operations
(\$ in Thousands)



Common Shareholders' Equity
(\$ in Thousands)



Consolidated Summary of Earnings

(Thousands of Canadian dollars, except per share data)

	Year Ended March 31				
	1976	1977	1978	1979	1980
Sales, rentals and service revenue	\$205,602	\$258,432	\$242,546	\$357,727	\$399,207
Other revenue	3,197	2,724	6,525	10,542	14,652
	208,799	261,156	249,071	368,269	413,859
Operating costs	150,131	188,110	190,330	255,348	285,969
	58,668	73,046	58,741	112,921	127,890
Selling and administrative expense	24,974	30,037	35,848	45,081	46,615
	33,694	43,009	22,893	67,840	81,275
Interest expense	1,334	1,986	2,759	16,987	14,195
	32,360	41,023	20,134	50,853	67,080
Depreciation, depletion and amortization	4,191	8,938	9,821	20,096	22,605
	28,169	32,085	10,313	30,757	44,475
Income taxes	13,180	15,103	1,672	11,958	22,440
	14,989	16,982	8,641	18,799	22,035
Minority interests	199	216	721	573	30
NET EARNINGS	\$ 14,790	\$16,766	\$7,920	\$18,226	\$ 22,005
Earnings per common share	\$2.82	\$3.19	\$1.50	\$2.64	\$2.20

Auditors' Report

To the Shareholders of ATCO LTD.

We have examined the consolidated statement of financial position of ATCO LTD. as at March 31, 1980 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. For ATCO LTD. and its subsidiary companies and a joint venture of which we are the auditors, 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. For the Alberta Land Development Company we have relied on the report of other auditors who examined its financial statements.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at March 31, 1980 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.

Pricewaterhouse & Co.

Chartered Accountants

Calgary, Alberta
June 20, 1980, except for Note 16, as to which
the date is July 2, 1980.

Consolidated Statement of Earnings

(Thousands of Canadian dollars, except per share data)

	Year Ended March 31	
	1980	1979
Revenue:		
Sales, rentals and service --		
Manufacturing	\$215,260	\$204,014
Housing and property development	26,565	34,956
Energy related activities	157,382	118,757
Other (Note 10)	14,652	10,542
	<u>413,859</u>	<u>368,269</u>
Costs and expenses:		
Operating	285,969	255,348
Selling and administrative	46,615	45,081
Depreciation, depletion and amortization	22,605	20,096
Interest (Note 7)	14,195	16,987
	<u>369,384</u>	<u>337,512</u>
Earnings before income taxes and minority interests	44,475	30,757
Income taxes (Note 11) -- current	13,952	6,167
-- deferred	8,488	5,791
	<u>22,440</u>	<u>11,958</u>
Earnings before minority interests	22,035	18,799
Minority interests	30	573
Earnings for the year	<u>22,005</u>	<u>18,226</u>
Dividends on term preferred shares (Note 8)	10,328	4,274
Earnings attributable to common shares	<u>\$ 11,677</u>	<u>\$ 13,952</u>
Earnings per common share	<u>\$2.20</u>	<u>\$2.64</u>
Weighted average common shares outstanding	<u>5,316,359</u>	<u>5,282,727</u>

Consolidated Statement of Retained Earnings

(Thousands of Canadian dollars, except per share data)

	Year Ended March 31	
	1980	1979
Retained earnings at beginning of year	\$77,961	\$66,413
Add-Earnings for the year	22,005	18,226
	<u>99,966</u>	<u>84,639</u>
Deduct --		
Dividends paid		
Term preferred shares (Note 8)	10,328	4,274
Common shares	2,660	2,404
	<u>12,988</u>	<u>6,678</u>
Retained earnings at end of year	<u>\$86,978</u>	<u>\$77,961</u>
Dividends paid per common share	<u>50.0¢</u>	<u>45.5¢</u>

Consolidated Statement of Financial Position

(Thousands of Canadian dollars)

ASSETS

	March 31	
	1980	1979
Current assets:		
Cash	\$ 41,809	\$ 19,307
Accounts receivable	57,625	67,095
Accrued revenue on contracts, less payments received	15,658	26,280
Inventories (Note 3)	59,883	51,656
Prepaid expenses	2,358	3,730
	<u>177,333</u>	<u>168,068</u>
Deposits (Note 5)	31,850	36,806
Investments (Note 12)	18,279	17,658
Property, plant and equipment, at cost less accumulated depreciation and depletion (Note 4)	212,963	203,193
Goodwill, at cost less accumulated amortization	15,363	15,814
Deferred charges and other assets	4,345	3,169
	<u>\$460,133</u>	<u>\$444,708</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31	
	1980	1979
Current liabilities:		
Bank indebtedness (Note 6)	\$ 32,828	\$ 42,597
Accounts payable and accrued	73,961	74,137
Income taxes payable	10,561	1,268
Long term debt due within one year	19,934	5,901
	<u>137,284</u>	<u>123,903</u>
Long term debt (Note 7)	81,683	95,328
Deferred income taxes	29,868	21,455
Minority interests	510	2,322
Term preferred shares (Note 8)	117,708	118,100
Common shareholders' equity (Note 9):		
Common shares	6,102	5,639
Retained earnings	86,978	77,961
	<u>93,080</u>	<u>83,600</u>
Approved by the board:	<u>\$460,133</u>	<u>\$444,708</u>

Director



Director



ATCO LTD.
Consolidated Statement of Changes in Financial Position
(Thousands of Canadian dollars)

	Year Ended March 31	
	1980	1979
Source of working capital:		
Working capital provided by operations	\$44,507	\$ 35,239
Issue of long term debt	16,433	144,661
Proceeds on disposal of property, plant and equipment	25,345	25,726
Issue of common shares	463	126
Issue of term preferred shares by a subsidiary	—	106,800
Deposits	4,956	21,300
Funds received from investments	3,347	1,303
	<u>95,051</u>	<u>335,155</u>
Application of working capital:		
Additions to property, plant and equipment	52,410	94,032
Acquisition of ATCO Drilling Holdings Ltd.	—	69,749
Other investments	—	11,569
Reduction in long term debt	30,078	99,641
Deposits	—	36,806
Purchase of minority interests	1,842	—
Redemption of term preferred shares	—	5,000
Dividends paid —		
Term preferred shares	10,328	4,274
Common shares	2,660	2,404
Other	1,849	545
	<u>99,167</u>	<u>324,020</u>
Increase (decrease) in working capital	(4,116)	11,135
Working capital at beginning of year	44,165	33,030
Working capital at end of year	<u>\$40,049</u>	<u>\$ 44,165</u>

ATCO LTD.
Notes to Consolidated Financial Statements

March 31, 1980

1. SUMMARY OF ACCOUNTING POLICIES:

Consolidation:

The consolidated financial statements include the accounts of ATCO LTD. and all of its subsidiaries (collectively referred to herein as "ATCO") which are wholly owned except for ATCO Saudi Arabia Ltd., which is 75% owned. The operating subsidiaries and divisions are shown on Pages 37-39.

During fiscal 1980, ownership of two Australian subsidiaries was increased from 85% to 100%.

Pursuant to an option agreement, the former President of the principal Australian subsidiary acquired 10% of the outstanding shares of that subsidiary and ATCO repurchased the shares in accordance with buy-back arrangements. Provision for the cost of the repurchase had previously been recorded as minority interest.

Investments in a real estate development joint venture and a partnership are recorded on the equity basis.

Goodwill is amortized on a straight line basis over 30 years.

Foreign currency translation:

Accounts in foreign currencies have been translated to Canadian dollars as follows:

At year-end rates	— Current assets, current liabilities and current redemptions of term preferred shares.
At historical rates	— Other assets and liabilities, depreciation and amortization.
At average rates for the year	— Revenues and expenses, except for depreciation and amortization.

Gains and losses resulting from translation are included in earnings except for gains and losses arising on the issue and redemption of term preferred shares.

Revenue recognition on contracts:

Revenues resulting from the supply of contracted products and services are recorded by the percentage of completion method, except for footage drilling contracts which are recorded when contract depths are attained. Any anticipated loss is provided for in its entirety when the estimated loss is identified.

Inventories:

Inventories are carried at the lower of cost or estimated net realizable value.

Real estate development costs:

Carrying costs of land held for development and properties under development are capitalized to the extent that the accumulated costs do not exceed the estimated net realizable value of the property. Carrying costs of rental properties under construction are capitalized until the earlier of one year after completion or 75% occupancy.

Depreciation:

Depreciation methods and rates are as follows:

	Rate per annum	
	Straight Line Method	Declining Balance Method
Industrial rental units	10%	
Drilling rigs	6% to 10%	
Replacement drill pipe	25%	
Well servicing rigs	10%	
Other buildings, furniture, fixtures and equipment		5% to 30%
Leasehold improvements	Over term of lease and first renewal period, if any.	

ATCO LTD.
Notes to Consolidated Financial Statements

March 31, 1980

Assets in Saudi Arabia are depreciated at double the above rates.

Gas and Oil:

The successful efforts method of accounting is followed for gas and oil exploration and development activities. Acquisition, successful exploration and development costs are capitalized as gas and oil properties. Exploratory dry hole, lease rental and geophysical and geological costs are charged to expense as incurred. When it is determined that a property is not capable of production, the capitalized costs are charged to expense. Costs associated with producing properties are depleted by the unit of production method over the estimated remaining proven reserves of the properties.

Income taxes:

Investment tax credits are accounted for as a reduction of the provision for income taxes in the year in which the related expenditures are made.

Provision is made for withholding taxes on the earnings of foreign subsidiaries only to the extent that the earnings are expected to be repatriated to Canada in the form of dividends.

2. AMALGAMATION OF SUBSIDIARIES:

During the year a wholly owned subsidiary, ATCO Industries Holdings Ltd., and a 98% owned subsidiary, Thomson Industries Limited, were amalgamated to form ATCO Drilling Holdings Ltd. The holders of the remaining 2% of the common shares of Thomson Industries Limited received redeemable preferred shares of ATCO Drilling Holdings Ltd., which were redeemed subsequent to March 31, 1980.

3. INVENTORIES:

	(Thousands of dollars)	
	1980	1979
Materials, parts and supplies	\$ 9,930	\$12,988
Manufacturing work in progress	4,119	3,706
Finished units	14,952	13,337
Properties under development	18,768	11,104
Land held for development	12,114	10,521
	\$59,883	\$51,656

4. PROPERTY, PLANT AND EQUIPMENT:

	(Thousands of dollars)	
	1980	1979
Rental assets	\$ 44,673	\$ 39,657
Less: Accumulated depreciation	8,659	7,645
	36,014	32,012
Land and improvements	3,180	2,700
Leasehold improvements	9,371	9,841
Buildings, furniture and fixtures	13,617	17,073
Plant and automotive equipment	12,196	13,700
Drilling rigs and related equipment	150,257	129,649
Well servicing rigs and related equipment	16,939	18,873
Gas and oil properties	16,282	13,018
	221,842	204,854
Less: Accumulated depreciation and depletion	44,893	33,673
	176,949	171,181
	\$212,963	\$203,193

5. DEPOSITS:

Use of these funds, which are held as certificates of deposit with banks, is restricted to capital expenditures and acquisitions approved by the term preferred shareholders of a subsidiary company (Note 8).

6. BANK INDEBTEDNESS:

A majority 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.

7. LONG TERM DEBT:

(Thousands of dollars)

Title	Summary of Main Security (i)	Interest Rates (ii)	Repayment Terms	1980	1979
ATCO LTD. Term Bank Loan Debenture Due March 31, 1985	These two debentures rank equally and are secured by a fixed charge on real estate and a floating charge on all assets of ATCO LTD.	8%	Annual installments of \$250 increasing to \$833 from March 31, 1983 to 1985.	\$ 3,000	\$ 3,250
Term Bank Loan Debenture Due March 26, 1982		Prime plus 1¼%	Quarterly installments of \$125	1,000	1,500
Term Bank Loan Debenture (Undrawn \$12,500) Due December 31, 1993		Prime plus 2% to a maximum of 11¼%	60 quarterly installments commencing the first quarter of the year following each draw. With respect to amount drawn at March 31, 1980, quarterly installment is \$125.	6,364	6,864
ATCO HOUSING & DEVELOPMENT LTD. Term Bank Loan Due April 1, 1993	Assignment of Partnership interest in Alberta Land Development Company	Prime plus 2¼%	Repayable in annual installments of \$300 to 1981, \$800 from 1982 to 1992 and \$700 at December 31, 1993 to the extent that funds are received from the Alberta Land Development Company.	9,843	10,058
ATCO DRILLING HOLDINGS LTD. Income Debentures Due January 1, 1987	Fixed and floating charges on the company's assets.	Approximately 52% of prime plus 1¼% on U.S. funds and 52% of prime plus 1% on Canadian funds.	Minimum installments of U.S. \$5,616 and Canadian \$2,775 in fiscal 1981 to 1986 and U.S. \$5,560 and Canadian \$2,741 in fiscal 1987. Additional payments may be required based on a formula related to funds generated by operations.	60,924	68,397
OTHER Mortgage and other loans	Mainly charges on specific operating assets	Averaging 10%	Various	20,486	11,160
				101,617	101,229
Less: Amounts due within one year (iii)				19,934	5,901
				<u>\$ 81,683</u>	<u>\$ 95,328</u>

(i) The terms of the above debt include restrictions relating to the payment of dividends by both ATCO LTD. and ATCO Drilling Holdings Ltd., and to capital expenditures, new debt, inter company loans, fees, guarantees and performance bonds and letters of credit. Covenants also require maintenance of specified working capital and debt to equity ratios.

ATCO LTD.
Notes to Consolidated Financial Statements
 March 31, 1980

ATCO has indemnified holders of income debentures to the extent of any reduction in the holders' net after tax return from ownership of income debentures, caused by changes in law.

Terms of the ATCO LTD. debentures provide that common share dividends payable by ATCO LTD. shall not exceed 50% of the preceding year's consolidated net earnings.

- (ii) The term "prime" has been used to describe rates which may be Canadian prime, the bank's best commercial lending rate, the bank's best U.S. lending rate, the U.S. base rate to Canadian borrowers or the London Interbank Offering Rate.
- (iii) The minimum annual repayments of long term debt over each of the next five fiscal years are as follows (based on March 31, 1980 exchange rates):

1981	1982	1983	1984	1985
\$19,934	\$17,079	\$13,215	\$12,783	\$12,798

Interest incurred during the year was \$17,847 (1979 - \$20,013) of which \$3,652 (1979 - \$3,026) was capitalized. Interest expensed on long term debt was \$9,292 (1979 - \$13,818).

8. TERM PREFERRED SHARES:

	(Thousands of dollars)	
	1980	1979
Issued by a subsidiary company	\$100,000	\$100,000
Issued by ATCO LTD.....	10,000	10,000
Foreign exchange	7,708	8,100
	\$117,708	\$118,100

Issued by a subsidiary company:

	(Thousands of dollars)	
	1980	1979
Series A, First Preferred		
400,000 shares with a par value of \$100 each	\$ 40,000	\$ 40,000
Series B, First Preferred		
400,000 shares with a par value of \$100 each	40,000	40,000
Series 1, Second Preferred		
200,000 shares with a par value of \$100 each	20,000	20,000
	\$100,000	\$100,000

The preferred shares, which may be redeemed earlier subject to certain restrictions and penalties, are redeemable, at par, in equal semi annual installments of Canadian \$3 million and U.S. \$2 million from October 1, 1980 to April 1, 1990.

Dividends are payable monthly, calculated daily at 52% of prime rate plus 1½%.

Of the total funds received, \$32 million has not been expended and use is restricted to approved capital expenditures and acquisitions (see Note 5).

The subsidiary has indemnified holders of preferred shares to the extent of any reduction in the holders' net after tax return from the ownership of the preferred shares, caused by changes in law.

The preferred shares are the subject of a sale agreement wherein ATCO LTD. agrees upon certain events occurring to purchase the preferred shares. This sale agreement is secured by a floating charge debenture of U.S. \$90 million issued and pledged by ATCO LTD. and by hypothecation of the ATCO Drilling Holdings Ltd. shares. The sale agreement is also secured by guarantees and pledge of a U.S. \$90 million floating charge debenture of the subsidiaries (excepting ATCO Drilling Holdings Ltd. and its subsidiaries).

Issued by ATCO LTD.:

	(Thousands of dollars)	
	1980	1979
Authorized:		
2,800,000 shares with a par value of \$25 each		
Issued:		
400,000 Series 2, cumulative redeemable.....	\$10,000	\$10,000

The Series 2 preferred shares are redeemable in ten annual installments of U.S. \$1 million commencing June 30, 1984 (or in advance under certain circumstances). Dividends are payable monthly, in U.S. dollars, calculated daily at one-half the prime rate plus 2%.

Covenants:

Terms relating to the preferred shares include restrictions on capital expenditures, new debt, inter company loans and guarantees and performance bonds. Covenants also require maintenance of specified working capital and debt to equity ratios.

Failure to pay dividends, redeem shares or comply with covenants constitutes default and may result in the holders of the preferred shares demanding payment under the terms of the Sale Agreement.

Foreign exchange:

The Series A, First Preferred Shares and the Series 2, Preferred Shares were issued, are redeemable and dividends are payable in United States dollars. The gains resulting from the translation of the U.S. dollar amounts received were \$6,800,000 and \$1,300,000, respectively.

The first installment of U.S. \$2 million on the Series A, First Preferred Shares is payable during 1981 and has been translated at the year end exchange rate. The translation loss of \$392,000 on this payment has been charged against this account.

9. COMMON SHAREHOLDERS' EQUITY:

Common shares without nominal or par value, which may be issued for a maximum consideration of \$10 million are as follows:

	Number of shares	
	Authorized	Issued
Class A shares	7,000,000	4,010,306
Class B shares	7,000,000	1,318,204
		<u>5,328,510</u>

The two classes of shares are convertible into an equal number of the other class at the option of the shareholder. Each class of shares ranks equally in all respects.

Share options and equivalents

ATCO has a share option plan under which options to purchase 264,000 Class A or Class B common shares may be granted to selected directors, officers and key employees. The options are exercisable cumulatively over five years from the date of grant.

Options to purchase 233,080 shares have been granted under the plan, of which 184,910 were outstanding at March 31, 1980 (1979 — 219,350) at prices ranging from \$12.15 to \$19.35 per share.

In the year ended March 31, 1980 options for 37,920 shares were exercised for \$463,000 (1979 — 10,250 shares for \$126,000).

In conjunction with the above plan ATCO has a long-term incentive compensation plan under which 309,800 share equivalents have been granted to selected officers, directors and key employees. The equivalents generally are deemed to be received (at prices ranging as above for share options) when a stock option is exercised and are redeemable five years later. Future payments under the plan are based on the increase in the price of the Company's common shares plus deemed dividends. \$164,000 was charged to earnings in connection with this plan (1979 — \$276,000).

10. OTHER REVENUE:

Other revenue includes the following items:

- net foreign exchange gains of \$886,000, including translation gains of \$845,000 (\$28,000 and \$1,103,000, respectively, in 1979), and
- interest income of \$8,627,000 (\$4,619,000 in 1979).

ATCO LTD.
Notes to Consolidated Financial Statements

March 31, 1980

11. INCOME TAXES:

The provision for income taxes has been reduced by \$1,306,000 (1979 — \$4,232,000) through recording investment tax credits.

For income tax purposes, investment tax credits of \$4,005,000 have been carried forward to be deducted from future income taxes payable. Management believes that there will be sufficient future taxable income during the carry forward periods to provide for the realization of these amounts.

12. INVESTMENTS:

ATCO is a limited partner in the Alberta Land Development Company which was formed to acquire, develop and market approximately 13,000 acres of land in Alberta, of which approximately 11,400 acres remain at March 31, 1980. ATCO borrowed \$10 million on a non recourse basis (subject to the commitment referred to below) and advanced that amount to the partnership. ATCO is entitled to receive annual interest on the advance at a rate in excess of the rate payable to the bank. Additionally, ATCO is entitled to purchase (at fair value) a percentage of the developed land, and to receive annually up to 15% of the partnership profits as defined in the agreement.

The advances, together with interest, are to be paid to ATCO only to the extent that the partnership has available cash and ATCO is only required to pay the bank loan and interest from cash received from the partnership.

Under certain limited circumstances, ATCO is committed to repay the remaining bank loan in advance of the foregoing arrangements.

ATCO also has an investment in a real estate development joint venture. ATCO's share of both the joint venture's and partnership's pre tax earnings, including interest income, which aggregate \$3,968,000 (\$5,536,000 in 1979) is included in "Housing and property development" revenue.

13. REMUNERATION OF OFFICERS AND DIRECTORS:

The aggregate direct remuneration of directors and senior officers amounted to \$1,771,000 (1979 — \$2,021,000 — amount restated to the accrual basis).

14. COMMITMENTS AND CONTINGENCIES:

ATCO has contractual obligations in respect of long term leases for manufacturing facilities, office premises and equipment. The rentals amounted to \$2.8 million for fiscal 1980. Future minimum lease payments are as follows:

(Thousands of dollars)					Total of all subsequent years
1981	1982	1983	1984	1985	
\$2,989	\$1,869	\$975	\$677	\$649	\$1,013

United States treasury officials are investigating the basis followed by ATCO in determining United States customs and duty payments since 1969. These investigations are still in progress. In the opinion of counsel, claims will probably be asserted. Management is of the opinion that no material amount will ultimately be payable.

ATCO has the usual commitments of contractors for completion of contracts and is contingently liable with respect to letters of credit and guarantees for approximately \$11.8 million (1979 — \$12.9 million). The letters of credit are issued in the normal course of business in lieu of performance bonds and guarantees under the terms of certain foreign contracts.

15. ACQUISITION OF SHARES OF CANADIAN UTILITIES LIMITED:

Effective June 19, 1980, ATCO acquired 12,093,670 common shares (58.1%) of Canadian Utilities Limited for approximately \$325,000,000 Canadian (U.S. \$280,000,000). Demand loans arranged to finance the acquisition, will be replaced by term loan agreements prior to December 31, 1980.

16. OFFER FOR SHARES OF CALGARY POWER LTD.

On July 2, 1980, ATCO offered to purchase 24,450,000 common shares of Calgary Power Ltd. (approximately 50.1% of the outstanding voting shares) for \$21 per share. The offer is open until July 24, 1980, but may be extended. Arrangements have been made to finance the estimated total consideration of \$520 million initially by demand bank loans to be replaced by long term financing by December 31, 1980.

Corporate Directory

Corporate Head Office

ATCO Ltd.
1243 McKnight Blvd. N.E., Calgary, Alberta,
Canada T2E 5T2
Tel: (403) 276-1101 Telex: 038-22697

S. D. Southern, *Chairman of the Board*
R. D. Southern, *President & Chief Executive Officer*
N. W. Robertson, *Senior Vice President & Chief Operating Officer*
C. S. Richardson, *Senior Vice President, Finance*
G. P. Kiefer, *Senior Vice President, Manufacturing*
K. B. Purdie, *Vice President, Controller*
P. G. White, *Vice President, Human Resources*
G. A. Freeman, *Corporate Secretary*

Division Head Offices

ATCO Drilling Ltd.
Canadian Drilling Division Head Office
800 - 800 - 6th Ave. S.W.,
Calgary, Alberta, Canada T2P 0T8
Tel: (403) 263-1215 TWX: 610-821-6403

R. Bills, *Vice President & General Manager*

ATCO Drilling Inc.
U.S. Drilling Division Head Office
9100 South West Freeway, Suite 111,
Houston, Texas, U.S.A. 77074
Tel: (713) 777-9199 TWX: 910-881-5454

S. Loy III, *Vice President & General Manager*

ATCO Industries (N.A.) Ltd.
North American Division Head Office
5115 Crowchild Trail S.W., Calgary, Alberta,
Canada T3E 1T9
Tel: (403) 246-6600 Telex: 038-22852

J. D. Wood, *President*
R. I. Campbell, *Vice President, Business Development*
A. R. Roberts, *Vice President, Human Resources*
A. Schieman, *Vice President, Manufacturing Group*

ATCO International Ltd.
International Division Head Office
6401 Imperial Drive
P.O. Box 8172
Waco, Texas 76710
Tel: (817) 776-3650 Telex: 00-73007

E. N. Farch, *President*

Canadian Utilities Limited
Utilities Group Head Office
10040 - 104 Street
Edmonton, Alberta T5J 2V6
Tel: (403) 420-7310 Telex: 037-2848
TWX: 610-831-1142

J. E. Maybin, *Chairman and Chief Executive Officer*

InterATCO BV
Financial Holding Company
World Trade Centre,
134 Meent, Rotterdam,
The Netherlands
Tel: (010) 33 36 11 Telex: 26402 WTCRO NL

Regional Offices: Fribourg, Switzerland
The Hague, The Netherlands

K. Kinchen, *Managing Director*

Energy

ATCO Drilling Inc. (Rocky Mountain Division)
Oil & gas drilling
3515 South Tamarac, Suite 230, Denver,
Colorado, U.S.A. 80237
Tel: (403) 770-2490 TWX: 910-935-0103

Field Office: Casper, Wyoming, U.S.A.

R. Kincaid, *General Manager*

ATCO Drilling Inc. (Southern Division)
Oil & gas drilling
9100 South West Freeway, Suite 111, Houston,
Texas, U.S.A. 77074
Tel: (713) 777-9199 TWX: 910-881-5454

Field Office: Bryan, Texas, U.S.A.

J. Winters, *General Manager*

ATCO Gas & Oil Ltd.
Oil & gas exploration & development
600 One Calgary Place,
330 - 5th Ave. S.W., Calgary, Alberta,
Canada T2P 0L4
Tel: (403) 264-7642

W. A. Elser, *President*

ATCO Oilfield Services Ltd.
Oilfield Services Group Head Office
P.O. Box 890, 7774 - 47 Ave. Close, Red Deer,
Alberta, Canada T4N 5H3
Tel: (403) 343-7646 Telex: 038-3237

G. Goruk, *President*

Bow Island Drilling
Oil & gas (primarily shallow) drilling
700 - 800 - 6th Ave. S.W., Calgary,
Alberta, Canada T2P 0T8
Tel: (403) 264-5413

Field Office: Nisku, Alberta, Canada

R. Strate, *General Manager*

L & M Oilfield Equipment
Oilfield Equipment rentals & sales
9755 - 51 Avenue, P.O. Box 5567, Station L,
Edmonton, Alberta, Canada T6E 4E9
Tel: (403) 436-2680

D. Clemmer, *General Manager*

Corporate Directory

Mustang Drilling

Oil & gas (primarily deep) drilling
700 - 800 - 6th Ave. S.W., Calgary, Alberta,
Canada T2P 0T8
Tel: (403) 263-8520

Field Office: Nisku, Alberta, Canada

R. Unis, *General Manager*

Sarcee Drilling

Oil & gas (primarily mid depth) drilling
700 - 800 - 6th Ave. S.W., Calgary, Alberta,
Canada T2P 0T8
Tel: (403) 263-5040

Field Office: Nisku, Alberta, Canada

J. Westerman, *General Manager*

Target Well Servicing

Oil & gas well workover & completion rigs
P.O. Box 890
7774 - 47 Ave. Close, Red Deer, Alberta,
Canada T4N 5H3
Tel: (403) 343-7646 Telex: 038-3237

Field Offices: Calgary, Alberta, Canada
Red Deer, Alberta, Canada

G. Goruk, *General Manager*

Target Well Servicing (1978) Inc.

Oil & gas well workover & completion rigs
7454 Leopard, P.O. Box 9548, Corpus Christi,
Texas, U.S.A. 78408
Tel: (512) 883-6363 TWX: 910-876-1485

G. Griffiths, *General Manager*

Manufacturing

ATCO Components

Cabinetry, millwork & interiors contracting
5115 Crowchild Trail S.W., Calgary, Alberta,
Canada T3E 1T9
Tel: (403) 246-1111

D. Bullock, *General Manager*

ATCO Eastern

Rental & lease of office & industrial units
7213 Cordner Ave., La Salle, Quebec,
Canada H8N 2J4
Tel: (514) 363-4430 Telex: 055-66175

Sales Offices: Dartmouth, Nova Scotia, Canada
La Salle, Quebec, Canada
Ottawa, Ontario, Canada
Quebec City, Quebec, Canada
Toronto, Ontario, Canada

M. Langlois, *General Manager*

ATCO Export

*Manufacture of industrial, commercial & community structures,
metal buildings & modular housing*
33-35 Barfield Crescent,
Elizabeth West, South Australia 5113
Tel: (08) 255-1422 Telex: AA 82455

R. D. Strachan, *President & Managing Director*

ATCO Homes

Manufacturer of modular housing
33-35 Barfield Crescent,
Elizabeth West, South Australia 5113
Tel: (08) 255-1422 Telex: AA 82308

Sales Office: Gepps Cross, South Australia

I. B. Gemmell, *Vice President & General Manager*

ATCO Industries (Aust) Pty. Ltd.

Australian Group Head Office
33-35 Barfield Crescent, Elizabeth West,
South Australia 5113
Tel: (08) 255-1422 Telex: AA 82455

R. Strachan, *President & Managing Director*

ATCO International Ltd.

*Manufacture of industrial camps, community structures, offices,
metal buildings, schools, houses & construction services*
6401 Imperial Drive
P.O. Box 8172
Waco, Texas 76710
Tel: (817) 776-3650 Telex: 00-73007

Sales Offices: Calgary, Alberta, Canada
Houston, Texas, U.S.A.

Manufacturing: La Salle, Quebec, Canada
Waco, Texas, U.S.A.

E. N. Farch, *President*

ATCO Metal Ltd.

*Manufacture of rig support buildings, camp support buildings,
rollform cladding, metal buildings & metal components*
5115 Crowchild Trail S.W., Calgary, Alberta,
Canada T3E 1T9
Tel: (403) 246-1151 Telex: 038-24871

Sales Offices: Calgary, Alberta, Canada
Edmonton, Alberta, Canada

J. Barrett, *General Manager*

ATCO Pacific

*Manufacture of industrial camps, mobile & modular homes,
commercial offices & community structures*
1704 Government Street, Penticton, B.C.,
Canada V2A 7A1
Tel: (604) 493-3303 Telex: 048-88232

Sales Offices: Penticton, B.C., Canada
Prince George, B.C., Canada
Surrey, B.C., Canada
Vancouver, B.C., Canada

J. Richter, *Vice President & General Manager*

ATCO Project Consultants

*Design, engineering, costing & project management for shelter
requirements*
58 Ord Street, West Perth,
West Australia 6005
Tel: (09) 321-7788 Telex: AA 92819

R. G. Mannion, *Manager*

ATCO Saudi Arabia Ltd.

Industrial camps, community structures, offices, metal buildings, schools, houses & construction services

P.O. Box 1406, Riyadh,
Kingdom of Saudi Arabia
Tel: (011) 69331, 4781394 Telex: 202195

Sales Offices: Dammam, Kingdom of Saudi Arabia
Jeddah, Kingdom of Saudi Arabia
Riyadh, Kingdom of Saudi Arabia

G. Hull, *President*

ATCO Structures

Manufacture of industrial camps, commercial offices, construction site offices & community structures

5115 Crowchild Trail S.W., Calgary, Alberta,
Canada T3E 1T9
Tel: (403) 246-6200 Telex: 038-22852

Sales Offices: Calgary, Alberta, Canada
Edmonton, Alberta, Canada
Grande Prairie, Alberta, Canada
Regina, Saskatchewan, Canada
Saskatoon, Saskatchewan, Canada
Winnipeg, Manitoba, Canada

W. A. Kmet, *Vice President & General Manager*

ATCO Structures

Manufacture of industrial, commercial & community structures & metal buildings

33-35 Barfield Crescent,
Elizabeth West, South Australia 5113
Tel: (08) 255-1422 Telex: AA 82308

Sales Offices: Elizabeth West, South Australia
Melbourne, Victoria, Australia
Sydney, New South Wales, Australia

I. B. Gemmill, *Vice President & General Manager*

ATCO Structures (WA)

Manufacture of industrial, commercial & community structures

41-47 Wellard Street,
Spearwood, Perth, West Australia 6163
Tel: (09) 418-3444 Telex: AA 94966

D. H. Voce, *General Manager*

ATCO Structures Inc.

Manufacture of industrial camps, commercial offices & community structures

400 West International Airport Road,
Anchorage, Alaska, U.S.A. 99502
Tel: (907) 349-4531 Telex: 03-0525212

Sales Offices: Anchorage, Alaska, U.S.A.
Denver, Colorado, U.S.A.

S. Miller, *General Manager*

Real Estate

ATCO Development Corporation

Land & property development
305 - 902 - 11th Ave. S.W., Calgary, Alberta,
Canada T2R 0E7
Tel: (403) 244-2101

G. Brookman, *Vice President & General Manager*

ATCO Housing Corp. (Alberta North)

Single & multi-family housing
11628 - 149 Street, Edmonton, Alberta,
Canada T5M 3R3
Tel: (403) 452-2480 Telex: 037-41805

Sales Offices: Edmonton, Alberta, Canada
Red Deer, Alberta, Canada

B. A. Andrews, *General Manager*

ATCO Housing Corp. (Alberta South)

Single & multi-family housing
5115 Crowchild Trail S.W., Calgary, Alberta,
Canada T3E 1T9
Tel: (403) 246-3636 Telex: 038-22852

R. Hegan, *General Manager*

ATCO Housing Corp. (Red Deer)

Single & multi-family housing
#3 - 7619 - 50 Avenue, Red Deer, Alberta,
Canada T4P 1M6
Tel: (403) 343-7877

Cliff Munroe, *Manager*

ATCO Housing & Development Ltd.

Housing and Development Group Head Office
305 - 902 - 11th Ave. S.W., Calgary, Alberta,
Canada T2R 0E7
Tel: (403) 244-2101

O. Steiner, *President*

R. J. Kocian, *Vice President, Housing*

Utilities

Alberta Power Limited

Generation & distribution of electricity
10040 - 104 Street,
Edmonton, Alberta, Canada
T5J 2V6
Tel: (403) 420-7310 Telex: 037-2848
TWX: 610-831-1142

E. W. King, *President*

Canadian Utilities Limited

Utilities Group Head Office
10040 - 104 Street,
Edmonton, Alberta, Canada
T5J 2V6
Tel: (403) 420-7310 Telex: 037-2848
TWX: 610-831-1142

J. E. Maybin, *Chairman & Chief Executive Officer*

Corporate Directory

Canadian Western Natural Gas Company Limited

Production, transmission & distribution of natural gas

140 - 6th Ave. S.W.,

Calgary, Alberta, Canada

T2P 0P6

Tel: (403) 245-7110 Telex: 038-24521

E. W. King, *President*

CU Engineering Limited

Engineering services

10040 - 104 Street,

Edmonton, Alberta, Canada

T5J 2V6

Tel: (403) 420-7310 Telex: 037-2848

TWX: 610-831-1142

D. M. Murray, *General Manager*

CU Ethane Limited

Petrochemical feedstocks

10040 - 104 Street,

Edmonton, Alberta, Canada

T5J 2V6

Tel: (403) 420-7310 Telex: 037-2848

TWX: 610-831-1142

D. R. Brandt, *President*

CU Resources Limited

Resource development

10040 - 104 Street,

Edmonton, Alberta, Canada

T5J 2V6

Tel: (403) 420-7310 Telex: 037-2848

TWX: 610-831-1142

D. L. Weiss, *Manager*

Northland Utilities (B.C.) Limited

Distribution of natural gas

1208 - 102 Ave.,

Dawson Creek, B.C., Canada

V1G 2C4

Tel: (604) 782-2721

E. W. King, *President*

Northwestern Utilities Limited

Production, transmission & distribution of natural gas

10040 - 104 Street,

Edmonton, Alberta, Canada

T5J 2S3

Tel: (403) 420-7211 Telex: 037-2848

TWX: 610-831-1142

E. W. King, *President*

The Yukon Electrical Company Limited**Yukon Hydro Company Limited**

Generation & distribution of electricity

1100 First Ave.,

Whitehorse, Y.T., Canada

Y1A 1A2

Tel: (403) 668-5211 Telex: 049-8229

E. W. King, *President*

Corporate Information

Directors

W. L. Britton
Partner, Jones & Company, Calgary

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

E. N. Farch
President, ATCO International Division

G. A. Freeman**
Corporate Secretary, 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**
Sr. Vice President & Chief Operating Officer, ATCO

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

R. D. Southern**
President & Chief Executive Officer, ATCO

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

O. Steiner**
President, Housing & Development Group

J. D. Wood**
President, ATCO North American Division

*Member — Audit Committee
**Member — Executive Committee

Counsel

Jones & Co.
Calgary, Alberta

Auditors

Price Waterhouse & Co.
Calgary, Alberta

Transfer Agents

National Trust Co. Ltd.
Calgary, Alberta

Stock Exchanges

The Toronto Stock Exchange
The Montreal Stock Exchange

Officers

S. D. Southern
Chairman of the Board

R. D. Southern
President & Chief Executive Officer

M. Durdle
Assistant Secretary

G. A. Freeman
Corporate Secretary

G. P. Kiefer
Sr. Vice President, Manufacturing

K. B. Purdie
Vice President, Controller

C. S. Richardson
Sr. Vice President, Finance

N. W. Robertson
Sr. Vice President & Chief Operating Officer

E. N. Farch
President, International Division

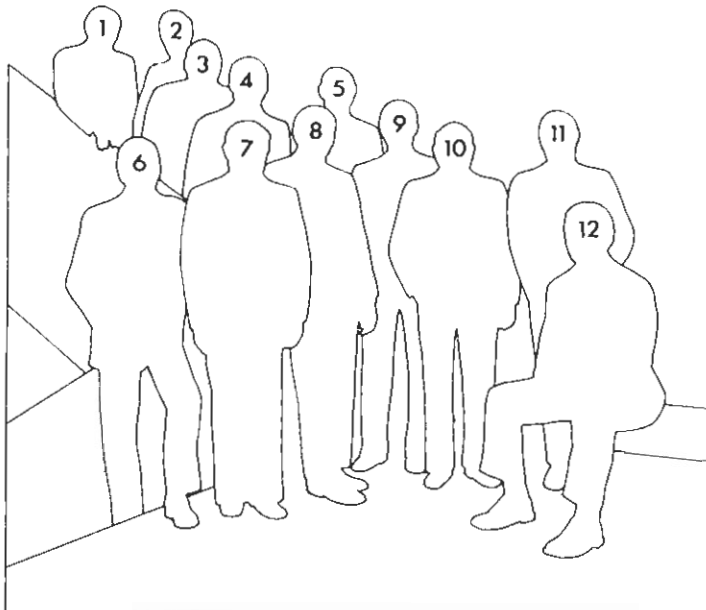
O. Steiner
President, Housing & Development Group

P. G. White
Vice President, Human Resources

Dr. J. D. Wood
President, North American Division



Board of Directors



Board of Directors

O. Steiner (1), C. N. Simpson (2), G. P. Kiefer (3), Dr. J. D. Wood (4), C. S. Richardson (5), B. P. Drummond (6), G. A. Freeman (7), R. D. Southern (8), N. W. Robertson (9), S. D. Southern (10), R. Rice (11), W. L. Britton (12).

A very energetic company

ATCO

Corporate Head Office: 1243 McKnight Blvd., N.E. Calgary, Alberta, Canada, T2E 5T2. (403) 276-1101 Telex 038 226