ATCO

WORKING WITH ENERGY

1981 ANNUAL REPORT

Company Mission

ATCO. Working with energy 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.

Company Profile

ATCO Ltd. is an Alberta-based, Canadian-owned holding company for a worldwide group of companies engaged primarily in energy and resource-related industries.

Operating from headquarters in Calgary, ATCO now works in fields as varied as oil and gas exploration and development, contract drilling, well servicing, oilfield equipment sales and rentals, electricity generation and transmission, natural gas distribution, engineering consulting and project management, land and property development, residential housing construction, cabinetry manufacturing, interiors contracting, metal fabrication, customs brokerage and travel consulting.

The ATCO Group has 2,700 shareholders and approximately 8,000 employees in Canada, the United States, Australia and Saudi Arabia.

ATCO LTD.

Years Ended March 31	1981	1980	Change
(Thousands except per share data)			
Total revenue	**$1,220,782**	$413,859	+ 195%
Earnings before extraordinary item	**$ 42,338**	$ 22,005	+ 92%
Earnings for the year	**$ 39,562**	$ 22,005	+ 80%
Earnings attributable to common shares	**$ 28,321**	$ 11,677	+ 142%
Earnings per common share - before extraordinary item	**$1.94**	$.73	+ 166%
- after extraordinary item	**$1.77**	$.73	+ 142%
Dividends paid per common share	**17.5¢**	16.7¢	+ 5%
Working capital provided by operations before extraordinary item	**$ 131,950**	$ 44,592	+ 196%
Working capital	**$ 11,406**	$ 31,495	— 64%
Additions to property, plant and equipment	**$ 257,238**	$ 52,410	+ 391%
Total assets	**$1,948,584**	$458,331	+ 325%
Common shareholders' equity	**$ 119,053**	$ 93,080	+ 28%
Common shares outstanding	**16,088,310**	15,985,530	—
Weighted average common shares outstanding	**16,042,408**	15,949,077	—

Letter To Shareholders

The past year was particularly challenging to the North American business community with interest rates soaring to record levels as the Canadian and the United States governments sought to control inflation by monetary means. In addition, the Canadian Federal Government introduced its National Energy Program which seriously disrupted the conventional oil and gas industry in Western Canada.

Despite these obstacles, the ATCO Group produced record earnings of $42,338,000 or $1.94 per common share on revenue of $1,220,782,000 during the year ended March 31, 1981. An extraordinary charge of $2,776,000 or 17¢ per common share, related to the cost of an acquisition offer which was allowed to lapse, reduced final earnings to $39,562,000 or $1.77 per common share. Comparative figures for the previous year were earnings of $22,005,000 or 73¢ per common share on revenue of $413,859,000. Earnings per common share for the current period are calculated after preferred share dividends of $11,241,000. Preferred share dividends paid last year amounted to $10,328,000.

Many shareholders are interested in the performance of the historical ATCO companies, that is, the Group prior to the Canadian Utilities acquisition, and we are happy to report that the return on common shareholders' equity increased to 21.1% for the year while the return on average net assets employed was 5.4%, a sharp increase over the 2.6% achieved in the previous year.

Working capital declined by $20,089,000 during Fiscal 1981, however, the majority of this decline resulted from the assumption of negative working capital in the acquisition of Canadian Utilities Limited. Since it is common practice for utilities to operate with a negative working capital, this situation is considered to be quite normal.

Capital expenditures amounted to $269,001,000 in Fiscal 1981 as compared to $58,403,000 in the previous year. Of the 1981 amount, $194,313,000 is attributable to the operations of Canadian Utilities while the other major expenditures were for the acquisition of real estate, additions to the industrial rental fleet and for expansion of Australian operations through the purchase of the assets of the Atlas Housing Group, our major competitor in Australia.

A good deal has been said regarding the Federal Government's National Energy Program since it was introduced last October. There is no intention to dwell on the subject in this Report, however, the following comments will clarify ATCO's position on the subject. The Program, with its complex and diverse goals, overlooks the fact that Canada is currently dependent on politically unstable foreign sources for one-third of its current crude oil requirements at an annual cost of over $7 billion. Rather than encourage the conventional oil and gas industry to establish production to replace these high cost foreign supplies, the Federal Government has chosen to tax the industry in a confiscatory manner and use the funds so generated to support a host of ill-conceived strategies including the purchase at highly inflated prices of foreign-owned companies. This massive exodus of money from Canada produces not a single barrel of new oil and, combined with the subsidies paid to maintain energy prices well below world levels, is creating spending deficits which threaten the viability of the Canadian economy. The net result is that foreign suppliers of crude, who contribute nothing to the Canadian economy, receive a higher price for their product than Canadian producers who invest risk capital in Canada and employ thousands of Canadians in the development of the country's energy resources.

Canadian contract drilling had another very successful year in Fiscal 1981, however, the National Energy Program has sharply curtailed operations since the spring breakup and created a very negative outlook for the immediate future. By contrast, a very strong market exists in the United States and in response to these circumstances, equipment has been transferred to the Houston and Denver divisions of ATCO Drilling Inc. where all rigs are being fully utilized with many on term contracts. Because of this equipment relocation, overall North American drilling earnings in the upcoming year are expected to equal those achieved last year.

ATCO participated in the drilling of 106 oil and gas wells in Fiscal 1981. This record program resulted in 31 oil wells and 56 gas wells for an outstanding 86% success ratio. While ATCO is optimistic regarding the long-term future for the conventional oil and gas industry, the National Energy Program has reduced current returns to a marginal level. As a result, new investment which has been steadily increasing over the past five years may be curtailed somewhat until the Government's future plans for the industry are clarified.

Perhaps the fastest growing segment of the Group is commercial property development where a number of significant projects are scheduled. Construction of our first shopping centre is underway while prestigious office developments will commence immediately in Edmonton and Calgary. These projects, which are detailed in the body of this Report, will be very attractive additions to ATCO's real estate investment portfolio. On the negative side, residential housing sales have been sharply reduced by high interest rates and operations are being curtailed pending relief in this area.

In June 1980, ATCO acquired a 58.1% interest in Canadian Utilities Limited from Philadelphia-based IU International Corporation. The repatriation of Canadian Utilities, whose subsidiaries include major suppliers of gas and electric utilities in Alberta as well as three non-regulated companies, was a major step in ATCO's goal of building a significant Alberta-based corporation capable of participating in major energy developments in the Province. At the same time, Canadian Utilities provides a stable earnings base on which to build as the Alberta economy grows. The long-term financing of the Canadian Utilities acquisition, which covers 100% of the cost, has been completed. The financing includes a $200 million, 12-year term loan and the sale of $150 million of preferred shares. The debt is secured by the Canadian Utilities shares and $65 million of recourse, which declines on a formula basis, to an ATCO subsidiary. There is no recourse of any kind to ATCO Ltd.

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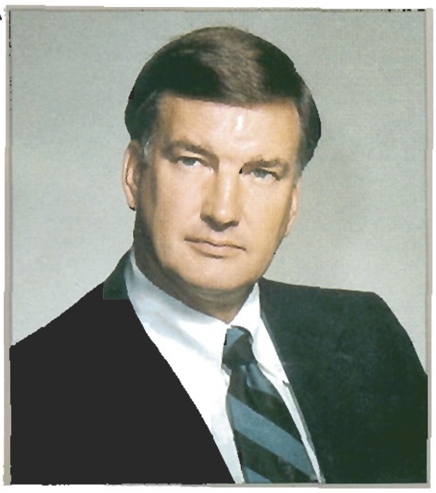


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A. R.D. Southern, President & Chief Executive Officer
B. N.W. Robertson, Senior Vice President & Chief Operating Officer

We would be remiss in not pointing out the outstanding performance of ATCO's manufacturing operations during the past year. Because of the Group's greatly expanded activities, there is a tendency to overlook the manufacturing segment, however, they did indeed contribute significantly to the Group's record performance in Fiscal 1981.

Steps taken during the past two years to streamline marketing and increase production efficiency are beginning to produce results. The outlook for all areas is very positive but nowhere is this more the case than in Australia where in October 1980 the Company purchased the majority of the assets of the Atlas Housing Group, a major manufacturer of relocatable housing in Australia. This expansion has taken place at an appropriate time with Australia's improving economic climate having stimulated an upsurge in resource and energy development throughout the country. Integration of the Atlas operation with that of ATCO's is now well underway and is being enthusiastically received by all employees. The enlarged ATCO operations are a major factor in the Australian relocatable housing industry with factories in Adelaide, Perth and Brisbane and sales and service centres in Sydney and Melbourne.

During January 1981, the shareholders approved a capital re-organization which resulted in each shareholder owning two non-voting and one voting share for each share owned prior to the reorganization. It is anticipated that all shareholders will benefit from the increased liquidity of ATCO shares achieved by the reorganization. In turn, the Company will have much greater flexibility in meeting future financing requirements. In February 1981, the Board increased the quarterly dividend to 5¢ per share based on the increased number of shares outstanding.

For the first time, the Annual Report provides information on the performance of various segments of the Group's activities. It is hoped that this presentation will assist investors in evaluating ATCO's potential as it relates to alternate investment opportunities.

Subsequent to the end of the year, Mr. E. W. King, President and Chief Executive Officer of Canadian Utilities Limited, and Mr. K. B. Purdie, Vice President and Controller of ATCO Ltd., were appointed to the Board of Directors. Both possess considerable business experience and will be valuable additions to the Board.

We wish to thank our staff, customers and suppliers for their enthusiastic support and contribution to the Group's record performance during the past year. A special thanks goes to our Board of Directors who continue to provide the professional counsel and guidance so necessary for a dynamic, growing enterprise such as ATCO.

Finally, we wish to thank you, our shareholders, for your continued confidence and support of our endeavors. We fully expect that you will be very happy with the results that will be achieved in the coming year.

On behalf of the Board of Directors,

R. D. Southern
President and Chief Executive Officer

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

Energy

The ATCO Group is committed to increased investment in energy and resource-related assets throughout North America.

Through ATCO Gas & Oil Ltd. and CU Resources Limited, the Group is active in the exploration and development of gas and oil, while ATCO Drilling Ltd. and ATCO Drilling Inc. are acknowledged leaders in the contract drilling industry in Canada and the United States, respectively. Target Well Servicing provides workover services in Western Canada and the United States, and L & M Oilfield Equipment and Arrow Oilfield Rentals rent, sell and service oilfield equipment in the same areas.

Gas & Oil Exploration & Development

1981 marked ATCO's fifth year in the active exploration for and development of petroleum and natural gas reserves. Unfortunately, in the short term, the exploration and development of conventional gas and oil reserves is badly distorted by the Canadian Federal Government's National Energy Program. The Program has the effect of discounting Canadian oil and gas in comparison with world prices to the detriment and discouragement of the oil industry, while encouraging the wasteful consumer-use of a non-renewable resource. Any chance that Canada has of achieving self-sufficiency is being wasted because of the refusal of the Federal Government and the Canadian populace, in general, to accept the fact that the user must pay a competitive price for petroleum products.

Ample evidence of the negative impact of government policy is available in Saskatchewan where ATCO should be developing its proven heavy oil reserves in the Maidstone area. The effect of Provincial policies covering royalties, taxes and incentives, coupled with the Federal Government's National Energy Program, has resulted in a situation where the development of these reserves is unprofitable. This is only an example of the malaise in which the entire industry finds itself. A return to normal levels of activity will not occur without a resolution of these problems.

Despite this situation, ATCO remains optimistic that in the long term, the strategic nature of the industry and its importance to Canada's economic viability will be recognized and an environment created in which oil and gas investments can be made with a reasonable expectation of an acceptable level of profitability.

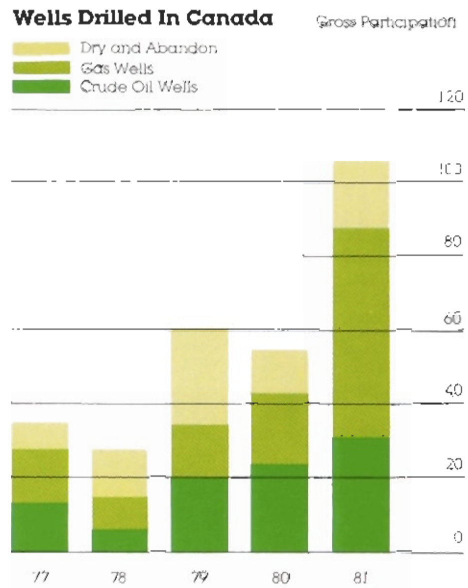
At the year end, the Company's share of crude oil and natural gas reserves, except those in the Canadian Utilities subsidiaries, as established by independent consulting engineers, is as follows:

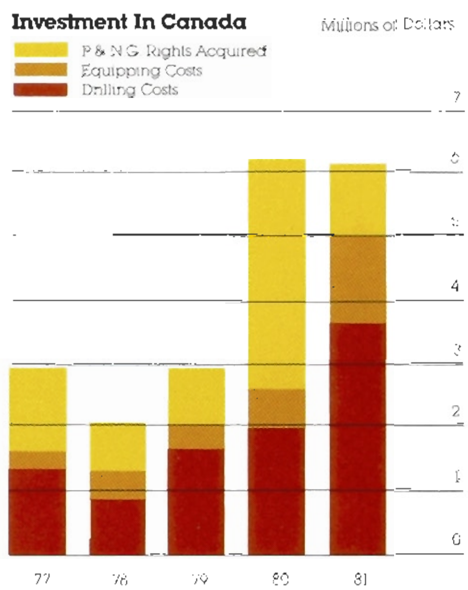
Reserves	Proven	Probable	Total
Natural Gas Reserves (millions of cubic feet)	18,810	5,610	24,420
Crude Oil Reserves (thousands of barrels)	998	1,223	2,221

The Company's land holdings at year end were:

P&NG Rights (thousands of acres)

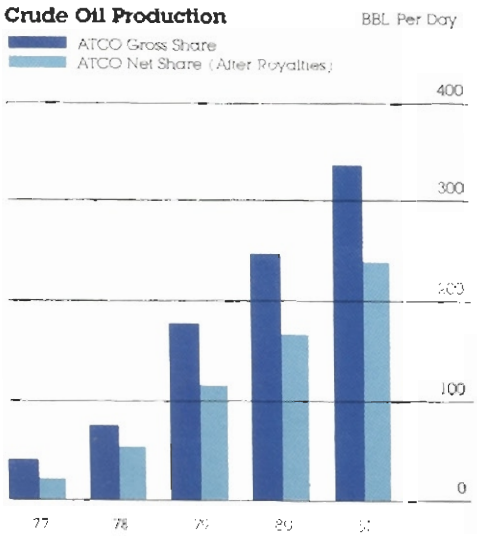
	Leases		Licenses		Total	
	Gross	Net	Gross	Net	Gross	Net
Alberta	491	106	39	7	530	113
Saskatchewan	6	1			6	1
British Columbia	18	4			18	4
TOTAL	515	111	39	7	554	118

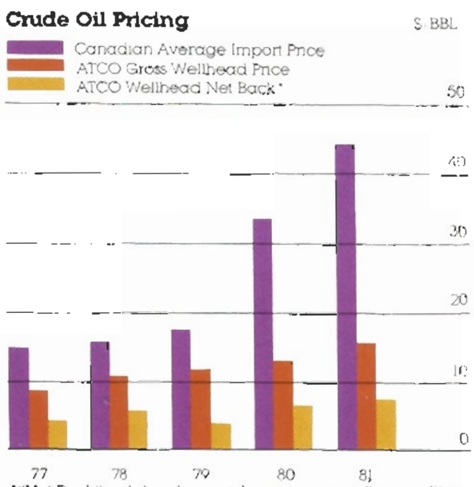




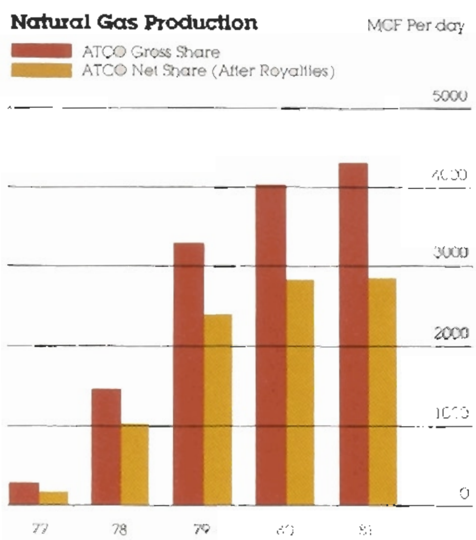
Of the land holdings, approximately 50,000 gross acres are classified developed or productive and the remaining are non-productive.

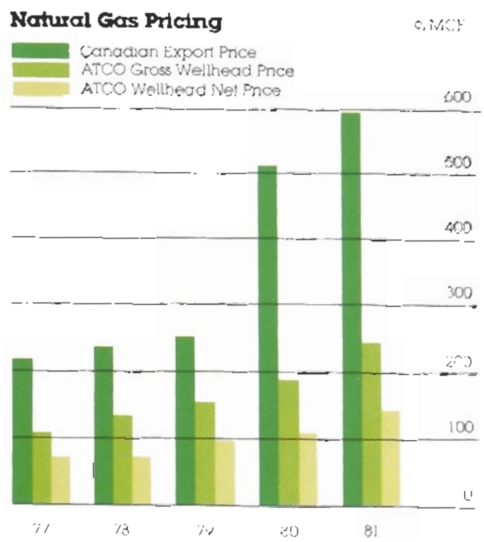
In addition to the development of gas reserves in Canadian Utilities' regulated gas utilities, CU Resources Limited carries on an active exploration and development program in Alberta and British Columbia. At December 31, 1980, CU Resources' net land holdings were 16,000 acres. The Company had net reserves of 2.2 million barrels of oil and one billion cubic feet of natural gas. Production for the year totalled 190,000 barrels of oil and 130 million cubic feet of natural gas.





*"Net Back" is defined as producer revenue after royalties and direct operating costs, but not including administrative, interest and income tax expenses.





Contract Drilling

What started as a banner year for Canadian contract drilling ended on a sour note with the Federal Government's announcement of its National Energy Program in late October. The Program, with its high taxes on conventional oil and gas exploration and development, has cast a shadow over the near-term future of the industry in Western Canada.

The Company was able to minimize the negative aspects of the Program, which began appearing near the year end, by transferring equipment to the booming United States market. ATCO remains positive regarding the Canadian industry in the longer term and is continuing to train employees, upgrade rig designs and emphasize safety in order to be strategically placed when activity levels recover sufficiently to allow a return to profitable operations.

In contrast to the Canadian scene, activity in the United States reached record highs in response to the Federal Government's oil and gas policies. A total of 3,899 rigs were active in the United States in mid-June 1981, an increase of more than 1,000 rigs over one year ago. 1,322 rigs are operating in Texas, more than any other state, with Oklahoma next with 657. Because of the demand in these areas, ATCO Drilling is expanding its operating area to include West Texas and Western Oklahoma.

ATCO's rig upgrading program continued in the United States in order to improve the equipment's operating efficiency and increase its competitiveness. While this program included expenditures of up to $1 million on individual rigs, it also resulted in the disposal of three rigs with shallow-depth capability as part of the Company's plan to establish its pre-eminence in deep drilling. Rig 59, an innovative new 16,000-foot rig, was added to the ATCO Drilling Inc. fleet in February 1981. The rig design incorporates an Emsco Electrohoist drawworks, a Varco Iron Roughneck for tripping pipe and an ATCO Metal BOP Cradle. This combination of features, plus many others, has created a rig that is not only safer but is more efficient to operate and requires far less time to relocate. Subsequent to the year end, a similar rig of 18,000-foot capacity was ordered for delivery in March 1982. These new rigs provide physical evidence of ATCO's commitment to the mission "to achieve an international reputation for excellence" and its determination to be a leader in the contract drilling industry.

The experience of the past few months, which has seen significant investment move almost overnight from Canada to the United States, dictates that ATCO Drilling maintain the maximum degree of flexibility possible to capitalize on its investment in equipment and personnel. In addition to the policies of North American governments, international developments must also be monitored and their effect on the industry in North America assessed. After all of these factors have been weighed, equipment and personnel must be deployed to those areas of greatest opportunity. With this approach, equipment downtime will be minimized and future profits maximized.

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			11	3	14
Rocky Mountain Area		4	8		12
Kansas		2			2
Western Canada	10	16	4	1	31
TOTAL	10	22	23	4	59

*As at June 30, 1981.

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A Mustang Division's rig on location in Northern British Columbia.
B Drill pipe at rig site ready to be placed in the hole.
C ATCO's attention to safety procedures and guidelines makes the Company a leader in the industry.

B


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Well Servicing

As with the drilling industry, Canadian well servicing was drastically affected by the Federal Government's National Energy Program. The resulting oversupply of service rigs in Canada dictated a transfer of equipment to Target Well Servicing (1978) Inc. in Corpus Christi, Texas. This company's service rigs are fully utilized in its operational area which extends from the Gulf Coast inland to Bryan, Texas. In the Bryan area, the Austin Chalk play has created a demand for drilling and workover equipment unparalleled in the industry's history.

Target Well Servicing handles all types of workover and well completion services to depths of 20,000 feet and enjoys an excellent reputation thanks to its highly qualified personnel operating new and efficient equipment. The Company operates several 24-hour rigs and is capable of switching all of its rigs to 24-hour operation for short periods of time.

Although Canadian operations, based in Red Deer, Alberta, have been scaled down they continue to enjoy an excellent reputation with their clientele throughout Western Canada. Emphasis on safe, efficient operations is being maintained in anticipation of the eventual stabilization of the industry in Canada.

Drilling 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	2	1	6	1	10
United States	2	16	1	1	20
TOTAL	4	17	7	2	30

*As at June 30, 1981.


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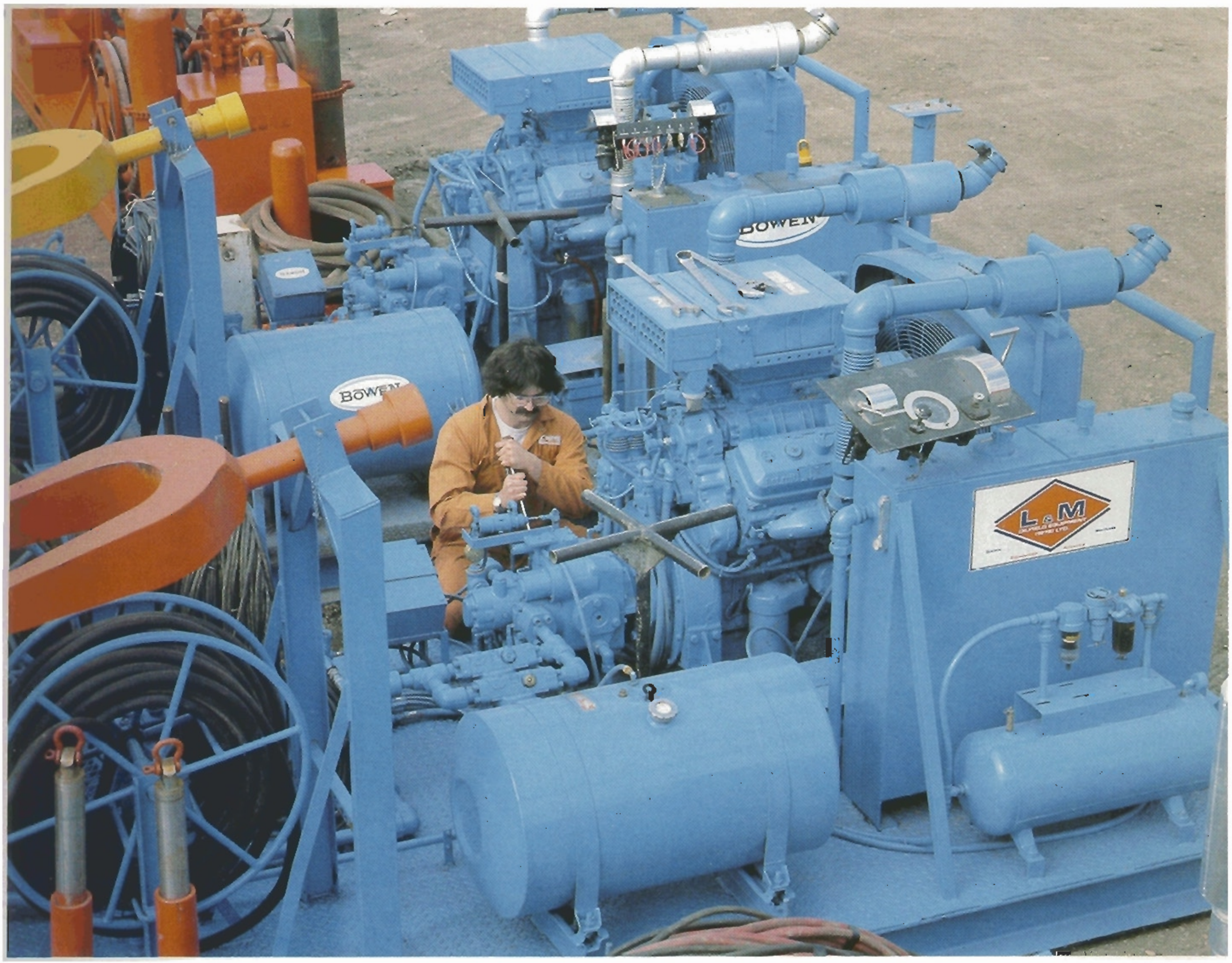
A Target handles all types of workover and well completion services
B L & M provides equipment to a variety of well servicing companies
C. Rental equipment is maintained at L & M's modern service centre in Edmonton, Alberta
D. Skilled staff service the equipment before delivery to the field



Oilfield Equipment Rentals & Sales

Despite the downturn in the Western Canadian oil and gas industry in the latter part of the year, L & M Oilfield Equipment was able to maintain satisfactory levels of activity and improve customer service by expansion to Grande Prairie. In addition, a supply store was opened in the spring of 1981 permitting the energy-related companies within the ATCO Group to obtain major specialty equipment and supplies from L & M both conveniently and economically.

The Company is presently relocating excess rental equipment from Canada to Corpus Christi, Texas where Arrow Oilfield Rentals has been established in response to the boom conditions existing in the United States oil and gas industry. Overall, the outlook for the Company's specialized services appears to be most promising.

Products and Services

Internationally known for the design, manufacture, transport and installation of industrial accommodation and community structures, ATCO serves worldwide markets from its factories in Canada, the United States, Australia and Saudi Arabia.

The Group's operations in Canada and Australia also include the fabrication of metal buildings, siding and special components for the resource industries. ATCO produces cabinetry for residential construction from its plant in Calgary and operates an interiors contracting division, supplying interiors in high-quality, commercial buildings.

ATCO Project Consultants and CU Engineering Limited provide design, engineering and construction management services, while through CU Ethane Limited, ATCO is expanding its involvement in the field of petrochemicals.

ATCO's brokerage and travel services facilitate the movement of materials and people throughout the world.

Industrial Housing

Fiscal 1981 was a year of record activity for ATCO's industrial housing and commercial structures operations. A surge in development activities stimulated a strong demand for industrial housing and other types of accommodation on a broad basis across several industries.

In the industrial housing segment of the market, Calgary-based ATCO Structures secured several large contracts including a 500-man camp for the Lanigan mine site of the Potash Corporation of Saskatchewan; an 880-man camp for the Key Lake Mining Corporation's uranium mine located at Key Lake, Saskatchewan, a 550-man camp for a NOVA pipeline project near Hinton, Alberta; a 500-man camp for the Esso Resources gas plant development at Judy Creek and a 1,000-man camp for Daniels Engineering at Evanston, Wyoming. The Daniels Engineering order was the first major industrial contract secured by ATCO Structures in the lower 48 states.

In addition to these large resource-related contracts, ATCO Structures secured a significant commercial contract from the Catholic Health Council at LaLoche, Saskatchewan for a 14-unit hospital complex with dining facilities and specially designed X-ray and examination areas.

The increasing demand for modular structures as permanent facilities in remote areas continued during the past year. Resource companies consider this type of accommodation an excellent investment since these hotel-style units make it possible to attract qualified personnel and maintain productivity through high morale. In Tuktoyaktuk, N.W.T. ATCO supplied a 380-man facility for Dome Petroleum which, when completed this summer, will provide 56,000 square feet of accommodation including a gymnasium. At Kirby Lake, Alberta, ATCO supplied housing for both Amoco and Dome.

The Amoco facility included a two-storey complex incorporating a library, sauna, weight room, games area and a two-storey stone fireplace complementing the mezzanine. The Dome camp included a games area, a lounge and a spacious patio.

A strong domestic market for industrial accommodation, supplemented by a major export order for Iraq, produced a year of record activity for ATCO Pacific's Penticton plant. Exceptional demand from the mining and forest product sectors led to several large contracts, including the supply and installation of a camp for Du Pont of Canada at its Baker Gold Mine north of Smithers, B.C. Because the site was accessible only by air, the entire camp was specifically designed for airlifting to the site by Hercules transport.

Toward the end of the year ATCO Pacific completed the final phase of an 840-man camp for Northwood Pulp and Paper at Prince George making this camp one of the largest ever installed in the Province. In addition, industrial housing was supplied to Kaiser Resources at Elkford, Crowsnest Resources at Line Creek, the Scottie Gold Mine north of Stewart and Rustad Brothers at Prince George. A 100-man camp was sold to Foothills Pipeline in conjunction with that company's gas export activities. Providing a significant boost to the ATCO Pacific operations during the past year was an order manufactured for ATCO International. The order, which was delivered to Kirkuk, Iraq, included three drilling camps and five kitchen-dining complexes.

The ATCO Eastern Division, based in Montreal, had its activities curtailed because of weak market demand, however, significant rental contracts were obtained from Mittel Corporation, Northern Telecom and Sidbec Dosco. In addition, ATCO Eastern supplied a 400-man camp for Domco at the Eldorado mine site in Blind River, Ontario.

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The highlight of the ATCO Group's Australian operations was the October 1980 purchase of the assets of Atlas Industrial Housing. As a result of the Atlas purchase, ATCO now has an effective presence from coast to coast in Australia, greatly enhancing the Company's competitive position.

In Western Australia, ATCO supplied the first camp for the Worsley aluminum refinery project located south of Perth. This turnkey project involved land clearance, supply of site services and complete housing installation.

In Victoria, Alcoa of Australia commenced construction of a new aluminum smelter at Portland, 550 kilometers west of Melbourne and ATCO successfully negotiated the workforce accommodation contract. Also in Victoria but unrelated to resource development, ATCO supplied 50 two- and three-bedroom living units to house Vietnamese refugees at the Eastbridge Migrant Hostel in Melbourne.

In New South Wales, 1980 saw development underway on the rich coal deposits of the Hunter Valley, a region some 200 kilometers northeast of Sydney. By the end of the year, ATCO had succeeded in winning contracts for the supply of camps for the first stage of the Drayton Coal Mine and for the initial earthwork at the Bayswater Power Station.

In Queensland, ATCO completed a number of projects originally undertaken by Atlas. These included a 225-man camp for the Queensland Electricity Generating Board at the Tarong

A 380-man camp for Dome Petroleum on the shore of the Beaufort Sea at Tuktoyaktuk, N.W.T.

B 500-man camp for Crowsnest Resources at Line Creek, British Columbia

C Workforce accommodation for Alcoa's new aluminum smelter at Portland, Victoria, Australia

D Units being shipped in knockdown configuration from the port at Montreal to Keang Nam Enterprises for installation at Yanbu, Kingdom of Saudi Arabia.

Power Station project northwest of Brisbane and a 450-man camp for the Elura Lead and Zinc Mine in Central New South Wales. Recently, ATCO's Queensland operation made a major breakthrough by winning a contract to supply three drilling camps to Petroleum Drilling Services for use in Western Queensland where major exploration of the Surat Basin is underway.

Sales and rentals of urban office facilities continued to be very strong throughout Australia. The Melbourne sales and service centre was recently completed giving ATCO major customer facilities throughout Australia.

Despite the virtual closure of the Iraq market due to the war with Iran, the Australian Export Division undertook a number of interesting projects. 114 two- and four-man living quarters were supplied to Chiyoda Chemical and Engineering for the Company's Baiji, Iraq refinery project. ATCO's participation in government-funded, overseas aid projects continued with an $800,000 contract for residential, recreational and training facilities destined for the South Australian Department of Agriculture's dry farming project at Erbil, Iraq.

Elsewhere, 50 two- and three-bedroom homes were supplied and installed at Christmas Island for the British Phosphate Commission and a 325-man construction camp was provided to house the workforce on an electric project at Lautoka, Fiji.

During 1981, the International Division consolidated its operations in Waco, Texas. The move allows the Division to capitalize on the increasing demand for its products in South America and reduce its dependency on the unstable Middle East market.

Response time was the key factor in the sale of a camp to the French company, Elf Aquitaine. It was ATCO's first delivery of a heavy-duty drilling camp to Guatemala where Elf Aquitaine is heavily involved in oil and gas exploration. Near the end of the year, ATCO International was successful in obtaining its initial order from Marubeni American Corporation for a two-phase camp to be shipped to Libya. Also, near the end of the year, the Company was successful in obtaining a contract from Morrison Knudsen to supply housing and support facilities for management, supervisory and technical personnel engaged in the construction of an oil pipeline which crosses Panama.

In Saudi Arabia, operations were centralized in Dammam with a sales office being maintained in Riyadh. Several sales were processed through the manufacturing facilities of ATCO Saudi Arabia Ltd. with the highly competitive labor rates and greatly improved local material supply in the Kingdom making local construction a viable alternative on smaller orders.

As was mentioned in last year's Report, ATCO International signed a contract for the supply of three large workforce camps to Keang Nam Enterprises Limited for installation at Yanbu, the site of a new industrial city north of Jeddah on the Red Sea. The project will result in the construction of a new city with a population of 200,000, a huge shipping terminal for various petroleum products, and a large petrochemical complex. The contract required all buildings to have concrete floors with walls, roofs, furnishings and equipment shipped to the site for installation. ATCO shipped over 700 containers of material from Canada, the United States, Italy, France and Scotland in addition to the delivery of wall and roof panels from Montreal and Waco. A considerable quantity of material was also purchased in Saudi Arabia. Material for the 10,000-bed facility was shipped to Yanbu on more than 30 different vessels over a four-month period. The project, which has been highly successful, is now nearing completion with a number of buildings already occupied. Final turnover to the client is expected in late July 1981.

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Metal Fabrication

ATCO Metal Ltd. enjoyed another record year in 1981 with noteworthy achievements in all three divisions. In the production of all-steel farm buildings, the manufacture of roll-formed siding and the construction of special structures for the resource industry, the Company introduced profitable new product lines.

During March 1981, the Company completed the installation of a new Bradbury forming mill to complement its existing facilities at the ATCO Industrial Park in Calgary. This mill increases the Forming Division's production capacity by more than 300% and permits fabrication of an expanded product line including roof decking and composite floor decking in lengths exceeding 40 feet, as well as three new styles of wall cladding in wider and heavier metals.

The Resource Division continued its promotion of the Fold-A-Way building in the Alberta market and embarked on an aggressive marketing program in British Columbia. As might be expected, the demand for structures for the oil and gas industry declined during the latter half of the year as a result of the Federal Government's National Energy Program.

A The new 'Country Classic' farm building features clear span, all-steel construction.
B ATCO Metal's wall cladding is featured on this new office complex in Edmonton, Alberta.
C Experienced staff and sophisticated equipment enables ATCO Metal to undertake almost any project.
D The new Bradbury forming mill increases ATCO's wall cladding and roof/floor decking production capacity more than 300% in its Calgary plant.
E An ATCO Fold-A-Way building was selected because it takes less time to install and is fully relocatable.
F Interior of the Bay's new Fold-A-Way steel building.

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The Farm Building Division is enthusiastic over prospects for the coming year when it will introduce the "Country Classic" farm buildings. This is a totally new line of clear span, all-steel farm buildings of exceptional durability. Available in "slant-wall" or "straight-wall" designs, these highly practical structures have wall and roof cladding of high tensile 80,000 PSI steel formed by the ATCO mill. The Farm Building Division also plans to augment its product line to include arch rib buildings.

As one of ATCO's fastest growing subsidiaries, ATCO Metal has constantly endeavored to expand the market for its products. The industrial development forecast for Western Canada indicates that this expansion will continue for the foreseeable future.

In Australia, domestic sales of steel products were particularly strong in New South Wales. Major projects undertaken included a $500,000 sports and recreation complex for Chevalier College at Bowral, a 6,000 square meter workshop for the New South Wales State Rail Authority at Goulburn and a 27,000 square meter distribution centre for the Woolworth's retail group in Yennora, a suburb of Sydney.

F

Cabinetry, Millwork and Interiors Contracting

[illegible] the [illegible] operation [illegible] ATCO Components [illegible] line of contemporary cabinets [illegible] with solid oak door [illegible] of solid oak and oak panel [illegible] achieving considerable [illegible] sales [illegible] supplied kitchen and [illegible] prestigious Calgary pro[illegible] Point McKay, Heritage Wood[illegible] the Bayshore Apartments [illegible] the kitchen [illegible] market [illegible] dealer network [illegible] established [illegible] Western Canada and the Northwest [illegible] addition [illegible] sales [illegible] has been opened [illegible] to provide direct sales [illegible]


A


B


C

[illegible] distributor of Corian building products, ATCO Components has used this durable, marble-like material to great advantage on kitchen countertops, sinks and bathroom vanities. Corian is also proving very adaptable to commercial applications.

The Interiors Contracting Division has supplied architectural woodwork for a number of noteworthy projects in the past year. Calgary's 400 Club, National Trust, the executive offices of Cascade Development, Texaco, Bennett Jones and Peat Marwick [illegible] all bear testimony to ATCO's skills. ATCO Components [illegible] installed the woodwork in the Deerfoot Business Centre, Heritage Plaza, Port O'Call Inn and the offices of ATCO Drilling.

ATCO Components expects to continue to benefit from the [illegible] commercial [illegible] home base [illegible]. At the same time [illegible] aggress[illegible] additional opportunities through the introduction [illegible] expanded market area.

A Reception area for the executive offices of Cascade Development
B Calgary's 400 Club
C ATCO's luxury line of cabinetry
D Southco Travel's offices in Northeast Calgary.
E Southco Travel is completely computerized in airline reservations, ticketing and accounting functions
F *Southco Customs Brokers* provides a wide range of services

Customs Brokers & Travel Agency

During the year [illegible] added to the [illegible] services provided to its many customers through the acquisition of the assets of Southco Customs Brokers. [illegible]nded in 1968, Southco has expanded its services to include freight forwarding and direct parcel delivery in addition to customs brokerage. A separate division, Southco Travel, provides comprehensive business and personal travel services.

The freight forwarding division handles air, land and ocean cargoes destined for anywhere in the world, while the parcel service expedites the movement of goods to and from the United States through direct delivery on both sides of the border. This unique service is particularly valuable to the many resource based companies now operating in both Canada and the United States.

Since its formation in 1978, Southco Travel has become one of the largest single-location agencies in Calgary. Computerized airline reservations, ticketing and accounting functions enable the agency to provide fast, efficient customer service. In addition to handling travel reservations for many of Calgary's leading corporations, Southco has a highly competent, professional staff to co-ordinate arrangements for vacations, conventions, and group travel of all kinds.

Joining the ATCO Group of companies will give Southco [illegible] opportunity to capitalize on the growth potential existing throughout its organization.

D

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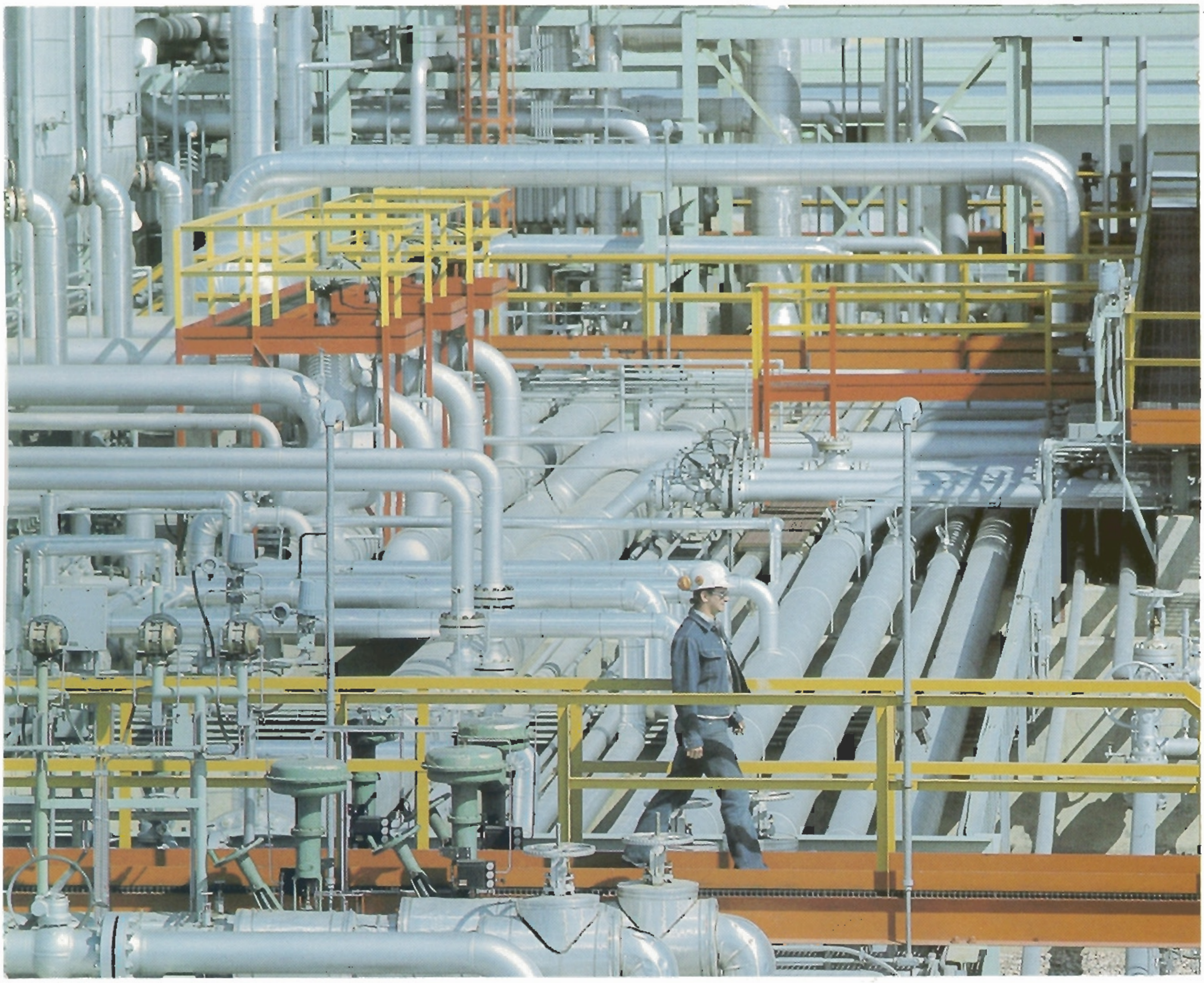
E



A

A. The CU Ethane-Dome Petroleum extraction plant in Edmonton, Alberta
B. CU does engineering work for municipalities on road, sewer and water distribution systems.
C. CU's highly professional staff work on many types of projects including petrochemical plants.

Petrochemicals

CU Ethane Limited and Dome Petroleum Limited are joint partners in an ethane extraction plant located in Edmonton. Completed in 1978 at a cost of $45 million, the plant forms a vital part of the $2 billion Alberta petrochemical industry. At the plant, ethane and natural gas liquids are extracted from natural gas flowing into Edmonton. Ethane is delivered to the Provincial ethane gathering system and is used as feedstock in the production of ethylene at a facility near Red Deer. Ethane and natural gas liquids surplus to Provincial needs are exported.

During 1980 ethane production exceeded 4.8 million barrels and natural gas liquids output was [illegible] million barrels.

Engineering Services

One of the specialized subsidiaries of Canadian Utilities Limited, CU Engineering Limited, concentrates on a variety of sophisticated services ranging from feasibility studies to the design and operation of complex utility systems. The company also does engineering work for municipalities on road, sewer and water distribution systems.

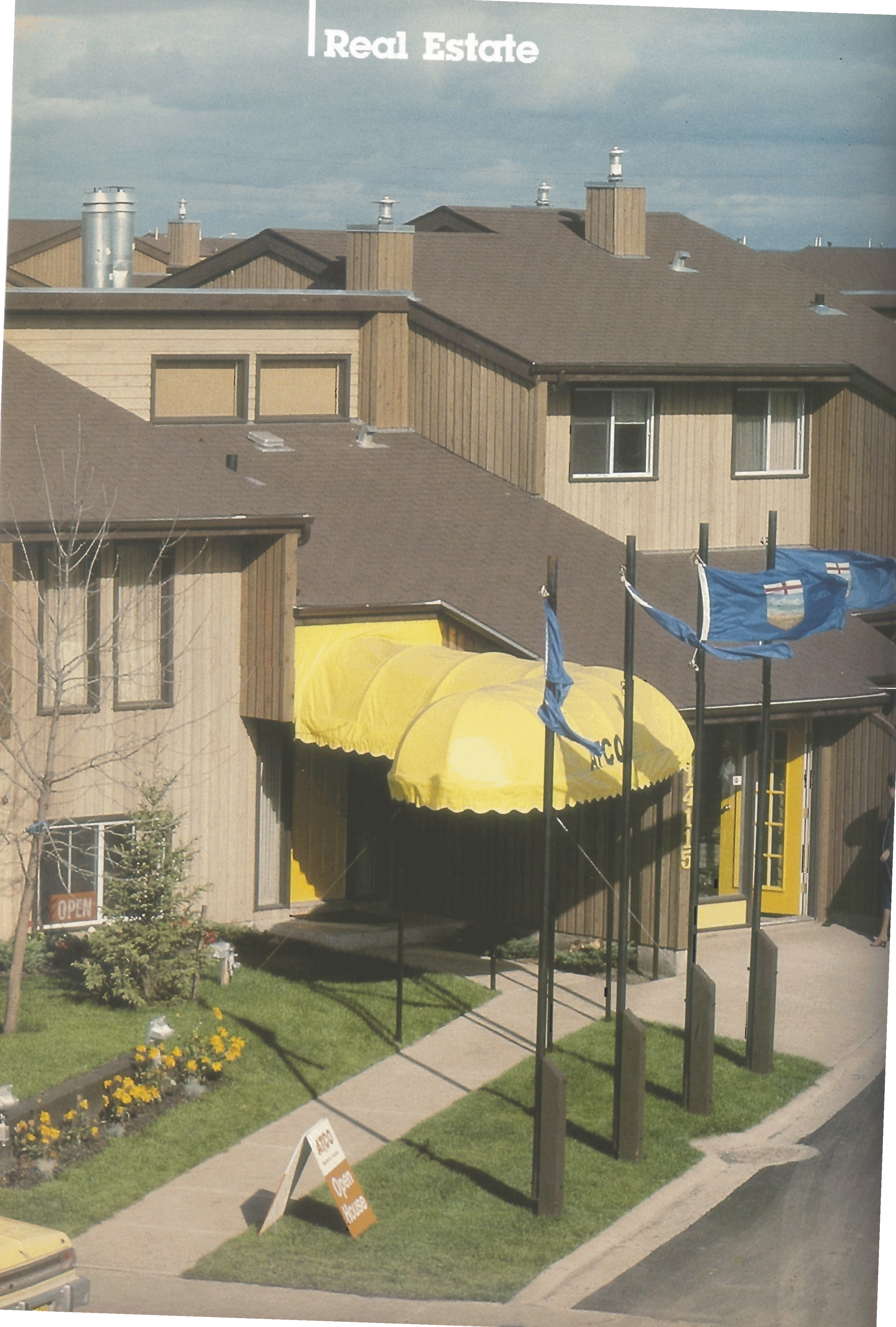
The organization maintained a high level of activity in 1980, primarily in Alberta but also elsewhere in Canada and overseas. Among the major projects in which the company was involved were a pipeline extension and relocation at the Syncrude plant near Fort McMurray, Alberta, gas distribution studies related to the extension of natural gas to the Maritimes, and a gas distribution project in Bangladesh sponsored by the Asian Development Bank.

CU Engineering has a highly professional staff which can be augmented by engineers and technicians from within the CU Group for project work for other utility organizations, oil and gas producers, and industrial and petrochemical enterprises.

In addition, CU Engineering was chosen by the Canadian government to participate in an oil and gas seminar and trade mission in Australia, thus introducing the company to a promising new market. Recently the company has been working with ATCO Project Consultants in Australia on market development for both companies.

ATCO Project Consultants continued to develop and expand its client base during the year in Australia.

The major project completed during the year was the design, engineering and construction contract for the creation of a new subdivision on behalf of Cliff Robe River Mining at Pannawonica in Western Australia. The project called for the provision of all site services, access roads and drainage systems as well as the supply of 21 residences. The basic housing modules were supplied by ATCO Structures (W.A.) while the installation, sitework and landscaping were carried out by ATCO Project Consultants.


ATCO
OPEN
ATCO
Open House

An important aspect of ATCO's operations is the development of residential and commercial real estate in resource-based population centres. Residential housing encompasses single and multi-family structures while commercial development includes office towers, shopping centres, warehouses and specialty structures. The commercial buildings are sold or retained in the Group's investment portfolio. ATCO also participates in the land development industry through its interest in the Alberta Land Development Company partnership which serves as a source of residential building lots and commercial sites.

Residential Housing

Activity in the Alberta residential housing market was mixed during the past year with demand relatively weak in the Northern Division while the Southern Division recorded solid gains in both dollar volume and number of units sold. The Central Division had a very successful year with sales exceeding expectations. With two major petrochemical plants planned for the Joffre area and extensive commercial construction in Red Deer itself, the immediate prospects for Central Alberta appear very promising.

The demand for housing in the Province has been stimulated by subsidies from the Alberta Home Mortgage Corporation, and ATCO, anticipating this development and changing customer demands, moved to smaller, less expensive houses with good results. On the negative side, this subsidization has led to a virtual freezing of prices at the lower end of the market.

Homebuilding operations face a severe challenge with high interest rates and high sales prices combining to make it difficult for homebuyers to afford and qualify for mortgage financing. As a result, inventories are being maintained at reduced levels and in many cases homes are only being built on a pre-sold basis. Currently, prospects are most promising in the single-family dwelling market in Calgary with residential starts holding up very well. As might be expected, this activity is accompanied by a strong demand for serviced lots in the middle-price range.

ATCO benefits from this demand through its participation in the Alberta Land Development Company. Because of its choice land inventory, this partnership has been highly successful despite the uneven demand for housing.

B


C


D


A


A Single-family residence in Calgary, Alberta.
B Multi-family housing project in Edmonton, Alberta.
C Show home in Calgary, Alberta.
D Show home in Edmonton, Alberta.

A

C

B

A The new AMA offices in Southwest Calgary

B Artist's rendering of the new Canadian Utilities Limited head office building in Edmonton, Alberta.

C ATCO's new strip shopping plaza in Southeast Calgary

D Artist's rendering of the new offices of Canadian Western Natural Gas Company and an 80-unit luxury condominium complex in downtown Calgary

Commercial Development

ATCO Development has three [illegible] scheduled for commencement during [illegible] 1981. All three are quality developments [illegible] be added to ATCO's real estate portfolio.

A unique combination of commercial and residential [illegible] will be constructed at 11th Avenue and 8th Street S.W. [illegible] Calgary. The office tower will house the corporate offices [illegible] Canadian Western Natural Gas Company Limited while the adjoining building will contain 80 luxury condominium units. The entire project is budgeted at some $35 million, with completion of the office tower scheduled for July 1982 and the condominiums for March 1983. The site for this project became available as a result of the relocation of the AMA offices to a new 80,000 square foot structure built by ATCO at 17th [illegible] and 45th Street S.W. in Calgary.

A unique eight-storey lobby will be the focal point of [illegible] new Canadian Utilities headquarters to be built in Edmonton. This design feature will complement the historical lines of the First Presbyterian Church which is located immediately adjacent to the site at 105th Street and 99th Avenue.

Servicing of the property for the 250,000 square foot Tower Lane Shopping Mall was completed in the spring of 1981 and construction is now underway with completion scheduled for July 1982. The mall, which answers the pressing need for retail space in Airdrie, was substantially leased prior to the commencement of construction. A strip shopping plaza in the Deer Run subdivision of Calgary is nearing completion and will be ready for occupancy in August 1981.

No firm date has been set for the start of construction on the office tower planned for the site adjacent to the Westin Hotel in downtown Calgary. The building will occupy a prime location in downtown Calgary and every effort is being made to ensure that the tower will be a fitting addition to the Calgary skyline.

ATCO's participation in real estate and property development in energy-oriented communities will continue to expand in future years in line with the Company's goal of investing in energy-related assets.

Utilities

On June 19, 1980, ATCO Ltd. acquired a 58.1% interest in Canadian Utilities Limited owned by IU International Corporation. The strong Alberta economy ensures the continued growth of Canadian Utilities' subsidiaries and provides ATCO with a stable earnings base from which to continue its energy-oriented expansion program.

Canadian Utilities' year end is December 31 and all reference in the narrative to this year and last year refer to the 1980 and the 1979 calendar years, respectively.

Electric Operations

Alberta Power Limited, the electric utility subsidiary of Canadian Utilities Limited, recorded another year of expansion in 1980. The Company now serves 372 communities in East-Central and Northern Alberta and five communities in the Northwest Territories. An Alberta Power subsidiary, The Yukon Electrical Company Limited, serves 18 Yukon communities including the City of Whitehorse.

In 1980, 8,700 new electric utility customers were added bringing the year-end total to 128,800 including 24,200 rural customers.

Energy sales to ultimate customers increased by 7.7% to 2,994 million kilowatt hours. An additional 33 million kilowatt hours were sold to other utilities. The peak load increased from 573 megawatts in 1979 to 607 megawatts in 1980. Not including the 33 million kilowatt hours sold to other utilities, just over one-half of the energy produced went to industrial customers.

	Thousands of Kilowatt Hours	Percent of Total
Industrial	1,501,903	50.2
Commercial	586,279	19.6
Residential	556,529	18.6
REA and others	349,043	11.6
TOTAL	2,993,754	100.0

Electric revenues increased from $124.6 million in 1979 to $149.8 million in 1980 resulting from increased sales and a 12% rate increase effective January 1, 1980. Alberta Power currently has an application for a further rate adjustment before the Alberta Public Utilities Board to recover increased costs of service.

Construction activity was extensive in 1980. Expenditures on property, plant and equipment were $190 million, an increase of 72% on the 1979 level. Of this total, $118 million was spent on the construction of the 375-megawatt addition to the Battle River Generating Station which will more than double the existing capacity when commissioned this summer. Half of the new unit's output is committed to the City of Edmonton for a seven-year period.

Modifications to the H.R. Milner Generating Station at Grande Cache called for expenditures of $11 million. Expenditures on transmission and subtransmission projects were $26 million, more than double the 1979 level. A further $18.4 million was applied to the construction and upgrading of various distribution systems.

Alberta Power Limited continues to make plans for the future in the expectation that demand for electric energy will grow vigorously. Preliminary site preparation has been completed and construction is now underway on the 750-megawatt Sheerness Generating Station near Hanna in Southern Alberta.

A

B

A. Alberta Power's Battle River Generating Station near Forestburg, Alberta.
B. $118 million was spent on the construction of the 375-megawatt addition to the Battle River Generating Station.

Natural Gas Operations

Canadian Utilities' natural gas operations are conducted by Canadian Western Natural Gas Company Limited, which serves Southern Alberta including Calgary and Lethbridge; and Northwestern Utilities Limited, serving North-Central Alberta including the cities of Edmonton, Red Deer, Fort McMurray and Grande Prairie. A Northwestern subsidiary, Northland Utilities (B.C.) Limited, serves the Dawson Creek district of British Columbia.

Despite high interest rates and the uncertainties prevailing in the energy industry, natural gas operations recorded a growth rate of more than 6% in 1980. Over 30,000 new customers were added bringing the total number served to 520,000, while net fixed assets increased to $424 million from $362 million in 1979.

Earnings in 1980 declined slightly, reflecting decisions of the Alberta Public Utilities Board to hold back a total of $5.4 million from interim rate increases granted in the latter part of the year. Since year-end, however, a revised rate of return has been permitted. Warmer than normal temperatures also had a negative effect on sales. Three other rate increases were approved in 1980. Following changes to the Provincial support price for natural gas established under the Alberta Price Protection Plan on February 1 and September 1 and the introduction of a federal excise tax on November 1, the gas utilities received authorization for higher rates to recover increased costs. The British Columbia Public Utilities Commission also authorized a rate increase to offset the introduction of the federal tax.

B

A

Capital expenditures on gas operations in 1980 totalled $75.6 million compared to $64.5 million in 1979. Most of the expenditures were for the expansion of transmission and distribution facilities to serve new customers.

Canadian Western connected 15 new wells to its system, 10 in the Carbon area and five at Entice while Northwestern Utilities began installation of two compressors at the Viking field to increase delivery of natural gas from its own reserves. Both utilities continued aggressive exploration and development programs, acquiring additional petroleum and natural gas leases and participating in the drilling of 61 wells. Of the wells drilled, 30 were successful and 18 are being evaluated.

The delay in commencement of oil sands and heavy oil extraction projects in Fort McMurray and Grand Centre will temper the demand for utility services in those areas. It is anticipated, however, that this will be offset by developments in the petrochemical and refinery sectors.

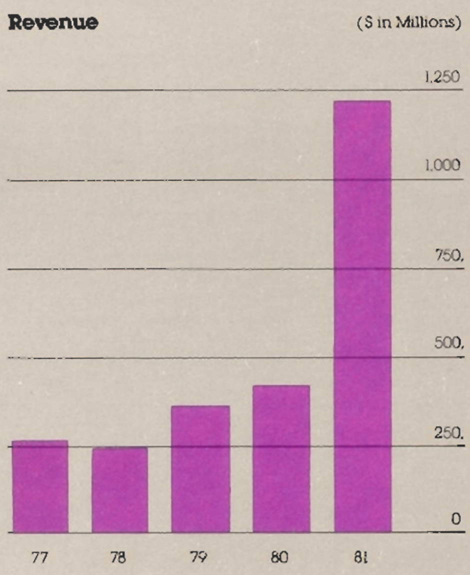
The future of the gas utilities remains promising, with steady rather than spectacular growth. While operations continue to benefit from the strong Alberta economy, consumption per customer is decreasing as the cost of natural gas increases and conservation efforts and building standards improve.

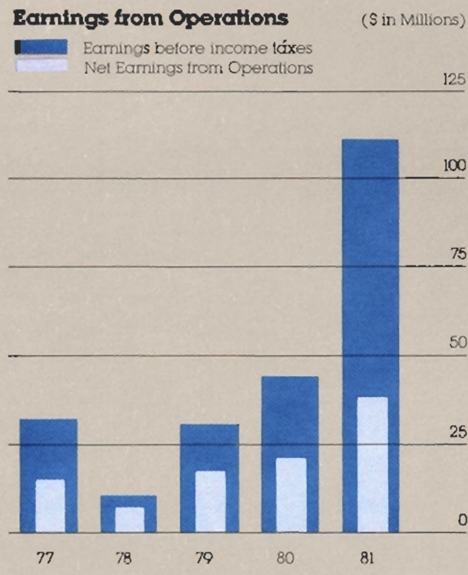
A An operator monitors and controls the flow of natural gas throughout Northwestern Utilities' inter-connected pipeline system from control centre in Edmonton, Alberta.

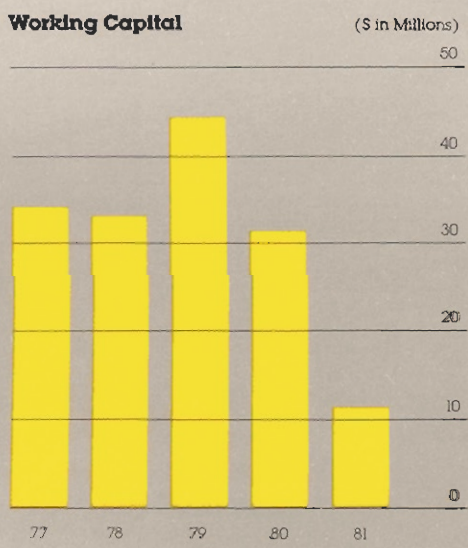
B. Northwestern Utilities and Canadian Western Natural Gas serve more than 520,000 customers in Alberta and Northeast British Columbia.

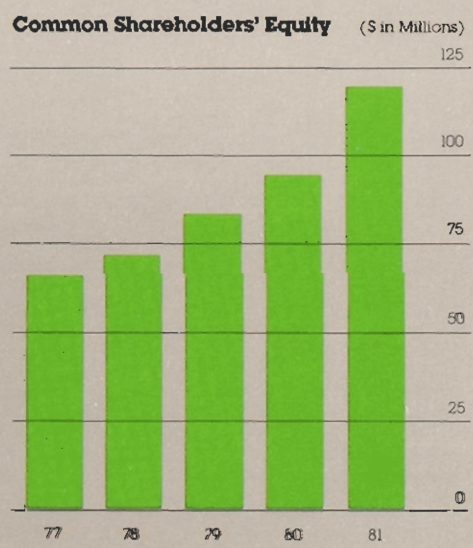
C Canadian Western Natural Gas upgraded a section of the natural gas distribution system supplying Calgary's downtown core.

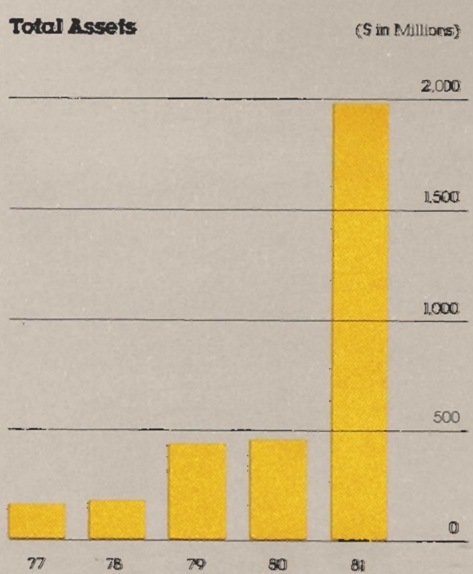
Financial Charts

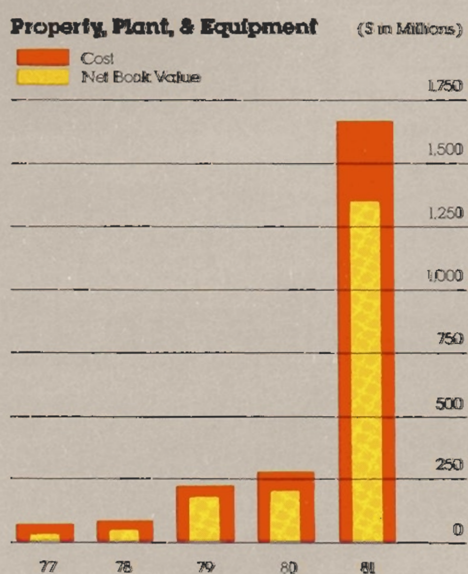












ATCO LTD.

Consolidated Summary of Earnings

(Thousands of Canadian dollars)

Years ended March 31

	1981	1980	1979	1978	1977
Total revenue	**$1,220,782**	$413,859	$368,269	$249,071	$261,156
Costs and expenses					
Natural gas supply	**416,783**	—	—	—	—
Operating and maintenance	**445,338**	285,969	255,348	190,330	188,110
Selling and administrative	**130,432**	46,615	45,081	35,848	30,037
Depreciation, depletion and amortization	**51,134**	22,605	20,096	9,821	8,938
Interest	**65,999**	14,195	16,987	2,759	1,986
	1,109,686	369,384	337,512	238,758	229,071
	111,096	44,475	30,757	10,313	32,085
Income taxes	**35,587**	22,440	11,958	1,672	15,103
	75,509	22,035	18,799	8,641	16,982
Minority interests	**33,171**	30	573	721	216
	42,338	22,005	18,226	7,920	16,766
Extraordinary item	**2,776**	—	—	—	—
Earnings for the year	**$ 39,562**	$ 22,005	$ 18,226	$ 7,920	$ 16,766
Earnings per common share					
Before extraordinary item	**$1.94**	$ .73	$ .88	$ .50	$1.06
After extraordinary item	**$1.77**	$ .73	$ .88	$ .50	$1.06

Consolidated Statement of Earnings

(Thousands of Canadian dollars)

Years Ended March 31

	Note Reference	1981	1980
Revenue			
Sales, rentals and service		**$1,200,889**	$399,207
Other	15	**19,893**	14,652
	18	**1,220,782**	413,859
Costs and expenses			
Natural gas supply	16	**416,783**	—
Operating and maintenance		**445,338**	285,969
Selling and administrative		**130,432**	46,615
Depreciation, depletion and amortization		**51,134**	22,605
Interest	17	**65,999**	14,195
		1,109,686	369,384
		111,096	44,475
Income taxes			
Current		**19,385**	13,952
Deferred		**16,202**	8,488
	19	**35,587**	22,440
		75,509	22,035
Minority interests	12	**33,171**	30
Earnings before extraordinary item		**42,338**	22,005
Costs of expired offer for shares of Calgary Power Ltd.		**2,776**	—
Earnings for the year		**39,562**	22,005
Dividends on redeemable preferred shares	13	**11,241**	10,328
Earnings attributable to common shares		**$ 28,321**	$ 11,677
Earnings per common share			
Before extraordinary item		**$1.94**	$.73
After extraordinary item		**$1.77**	$.73

Consolidated Statement of Retained Earnings

(Thousands of Canadian dollars)

Years Ended March 31

	Note Reference	1981	1980
Retained earnings at beginning of year		**$ 86,978**	$77,961
Earnings for the year		**39,562**	22,005
		126,540	99,966
Dividends			
Redeemable preferred shares	13	**11,241**	10,328
Common shares		**2,808**	2,660
		14,049	12,988
Retained earnings at end of year		**$112,491**	$86,978
Dividends paid per common share		**17.5¢**	16.7¢

ATCO LTD.

Consolidated Balance Sheet

(Thousands of Canadian dollars)

March 31

Assets	Note Reference	1981	1980
Current assets			
Cash and short term deposits		**$ 30,104**	$ 40,007
Accounts receivable	6	**230,864**	73,283
Inventories	3	**44,915**	29,001
Prepaid expenses		**5,252**	2,358
		311,135	144,649
Deposits	7	**31,850**	31,850
Investment in real estate development	4	**53,352**	49,113
Property, plant and equipment	5	**1,376,379**	212,963
Goodwill	2	**153,881**	15,363
Deferred charges and other assets	8	**21,987**	4,393
		$1,948,584	$458,331

Liabilities and Shareholders' Equity	Note Reference	1981	1980
Current liabilities			
Bank indebtedness		**$ 29,144**	$ 23,886
Accounts payable and accrued liabilities		**217,781**	54,109
Deposits		**11,066**	5,222
Income taxes payable		**16,305**	10,561
Long term debt due within one year		**25,433**	19,376
		299,729	113,154
Debt on real estate development	4	**37,700**	35,372
Notes payable	9	**17,100**	—
Long term debt	10	**657,565**	68,247
Contributions for extensions to utility plant		**91,556**	—
Other liabilities	11	**21,814**	—
Deferred income taxes		**44,501**	29,868
Minority interests	12	**396,806**	510
Redeemable preferred shares	13	**262,760**	118,100
Common shareholders' equity			
Common shares	14	**6,562**	6,102
Retained earnings		**112,491**	86,978
		119,053	93,080
		$1,948,584	$458,331

Approved by the Board:

Director

Director

ATCO LTD.

Consolidated Statement of Changes in Financial Position

(Thousands of Canadian dollars)

Years Ended March 31

	Note Reference	1981	1980
Sources of working capital			
Working capital provided by operations before extraordinary item		**$131,950**	$44,592
Financing of investment in Canadian Utilities Limited			
Redeemable preferred shares	2	**150,000**	—
Long term debt	2	**185,434**	—
Issue of other long term debt		**144,399**	10,580
Proceeds on disposal of property, plant and equipment		**23,149**	25,345
Issue of common shares	14	**460**	463
Deposits		**—**	4,956
Contributions for extensions to utility plant		**12,365**	—
Increase in debt on real estate development		**2,328**	2,430
Issue of preferred shares to minority interests, net of redemptions of $2,033		**52,967**	—
		703,052	88,366
Applications of working capital			
Additions to property, plant and equipment		**257,238**	52,410
Acquisition of 58.1% of the common shares of Canadian Utilities Limited, including working capital deficiency assumed	2	**332,693**	—
Financing expenses on acquisition of Canadian Utilities Limited	2	**7,611**	—
Other acquisitions, less working capital acquired	2	**9,406**	—
Costs of expired offer for shares of Calgary Power Ltd.		**2,776**	—
Reduction in notes payable		**43,600**	—
Reduction in long term debt		**35,155**	24,273
Investment in real estate development		**2,357**	5,993
Redemption of preferred shares		**5,340**	—
Dividends			
Redeemable preferred shares		**11,241**	10,328
Common shares		**2,808**	2,660
Minority interests		**12,511**	—
Other		**405**	3,301
		723,141	98,965
Decrease in working capital		**$ 20,089**	$10,599

March 31, 1981

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles which conform in all material respects with the International Accounting Standards adopted by the International Accounting Standards Committee.

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 Canadian Utilities Limited ("CUL") which is 58.1% owned, and ATCO Saudi Arabia Ltd., which is 75% owned. The operating subsidiaries and divisions are shown on pages 44 to 46.

Investments in real estate development joint ventures and partnerships are recorded on the equity basis.

Goodwill is recorded at cost and amortized on a straight line basis generally over 40 years.

Regulation
Matters such as rates, construction, operation and accounting in connection with the utility subsidiaries are subject to the jurisdiction of certain regulatory bodies. Utility rates are determined primarily by the Public Utilities Board of Alberta based on rate base, rate of return and cost of service

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

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

Exchange adjustments arising on the issue of preferred shares in United States dollars are included in preferred shares on the balance sheet and are reduced in proportion to redemptions. Any exchange adjustments arising because of differences in the exchange rates at date of issue and date of redemption will be included in retained earnings.

Property, Plant and Equipment
Additions to natural gas and electric utility plant and equipment include an allowance for funds used during construction based on the debt and equity cost of capital components. Certain of these additions are made with the assistance of cash contributions where the estimated revenue is less than the cost of providing service or where special equipment is needed to supply the customers' specific requirements. These contributions are amortized on the same basis as the assets to which they relate. All other property, plant and equipment additions are recorded at cost.

Depreciation Methods and Rates Per Annum

	Straight Line	Declining Balance
Natural gas and electric utility plant and equipment	2.1% to 6.6%	
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.	

On retirement of depreciable natural gas and electric utility plant, the accumulated depreciation is charged with the cost of the retirement unit less net salvage.

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.

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 Exploratory dry hole, lease rental and geophysical and geological costs are charged to expense as incurred, except in the gas utility subsidiaries where, subject to the approval of the Public Utilities Board of Alberta, it is the intention to charge the costs of unsuccessful exploration against the monies available under The Natural Gas Price Administration Act (Note 11) 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.

The utility subsidiaries are permitted to claim deferred income taxes with respect to acquisition of natural gas rights, deferred gas costs, rate case expenses and share issue costs. In respect of all other differences between tax and accounting income, the utility subsidiaries, in fixing rates, recover only taxes payable currently and accordingly these amounts are charged against current earnings.

Natural Gas Supply
The Province of Alberta enacted The Natural Gas Rebates Act effective January 1, 1974 to shelter the majority of Alberta natural gas consumers from the full impact of significant price increases for natural gas. Under the provisions of the Act, the gas utility subsidiaries are reimbursed for the excess price paid to their suppliers over the support price. The consolidated statement of earnings is charged with the net cost of natural gas.

Equipment Leases
The regulatory process in Alberta requires that utilities make application for the capitalization of leases in the determination of consumer rates. The utility subsidiaries will seek approval of the Public Utilities Board of Alberta to capitalize leases in accordance with generally accepted accounting

principles. Prior to such approval, leases that would otherwise be treated as capital leases are accounted for as operating leases.

Deferred Charges
Expenses of issue of long term debt are amortized over the periods that the debt is outstanding and expenses of issue of preferred shares are amortized over the lesser of the expected life of the issue or 30 years.

Other deferred charges are subject to amortization over various periods not exceeding 40 years.

2. ACQUISITIONS

Canadian Utilities Limited
Effective June 19, 1980, ATCO LTD., through a subsidiary company, acquired 12,093,670 common shares (58.1%) of CUL for $317,414,000 cash.

CUL is a holding company whose principal subsidiaries are engaged in the generation, transmission, distribution and sale of electric energy and in the production, purchase, distribution and sale of natural gas.

The acquisition was financed by the issue of floating rate preferred shares by a subsidiary for $150,000,000 and floating rate bank loans of $185,434,000. The funds borrowed in excess of the costs of acquisition were applied to the financing expenses (Notes 10 and 13).

The acquisition has been accounted for by the purchase method and the details of the transaction are as follows:

	(Thousands of dollars)
Value attributed to property, plant and equipment	$949,087
Other non-current assets	45,317
Working capital deficiency assumed	(15,279)
Long term debt assumed	(355,340)
Contributions for extensions to utility plant	(81,223)
Other non-current liabilities assumed	(37,325)
Minority interests in net assets purchased	(324,555)
Goodwill on acquisition	136,732
Total cost of acquisition	$317,414

Other
During the year ATCO purchased for cash the shares or operating assets of other corporations. The cumulative details of the transactions are as follows:

	(Thousands of dollars)
Value attributed to property, plant and equipment	$ 4,141
Working capital acquired	1,404
Goodwill on acquisitions	5,265
Total cost of acquisitions	$10,810

3. INVENTORIES

	1981	1980
	(Thousands of dollars)	
Materials, parts and supplies	**$12,865**	$ 9,930
Manufacturing work in progress	**4,437**	4,119
Finished units	**10,006**	14,952
Utility materials and supplies	**17,607**	—
	$44,915	$29,001

4. REAL ESTATE DEVELOPMENT

	1981	1980
	(Thousands of dollars)	
Investment:		
Land held for development	**$22,497**	$12,114
Properties under development	**11,938**	18,768
Equity in Alberta Land Development Company (a partnership)	**14,780**	14,701
Equity in joint venture	**4,137**	3,530
	$53,352	$49,113

ATCO's share of the joint venture's and partnership's earnings amounted to $1,882,000 (1980 - $2,095,000) and is included in "Sales, rentals and service" revenue.

Effective April 1, 1981 ATCO entered into another joint venture and contributed land with a carrying value of $8,850,000 which is included above in land held for development.

	1981	1980
	(Thousands of dollars)	
Debt:		
Land and construction mortgages payable	**$21,880**	$14,238
Bank loans, $2,700,000 at prime plus ½%, $9,644,000 due 1993 at prime plus 2¾%, secured mainly by assignment of partnership interest in Alberta Land Development Company	**12,344**	16,983
Interim financing on projects, at prime plus ½% to ¾%, secured by charges on specific development projects, to be repaid from proceeds of long term financing upon completion of specific projects	**3,476**	4,151
	$37,700	$35,372

Under certain limited circumstances, the bank loan of $9,644,000 related to the partnership interest in Alberta Land Development Company is payable on demand.

5. PROPERTY, PLANT AND EQUIPMENT

	1981		1980	
	Cost	Accumulated Depreciation and Depletion	Cost	Accumulated Depreciation and Depletion
	(Thousands of dollars)			
Electric utility plant and equipment	**$ 763,393**	**$109,594**	$ —	$ —
Natural gas utility plant and equipment	**556,749**	**134,552**	—	—
Drilling and well servicing rigs and related equipment	**176,280**	**26,110**	167,196	24,022
Rental assets	**61,725**	**9,992**	44,673	8,673
Other plant and equipment	**54,126**	**12,264**	12,196	8,120
Gas and oil properties	**35,138**	**6,370**	16,282	4,122
Land, buildings and improvements	**28,387**	**8,537**	26,168	8,615
Undertakings, franchise and gas rights	**8,000**	**—**	—	—
	$1,683,798	**$307,419**	$266,515	$53,552
	$1,376,379		$212,963	

6. ACCOUNTS RECEIVABLE

	1981	1980
	(Thousands of dollars)	
Trade accounts	**$166,142**	$52,107
Accrued revenue on contracts, less payments received	**14,305**	15,658
Receivable from the Province of Alberta	**25,794**	—
Other receivables and deposits	**24,623**	5,518
	$230,864	$73,283

7. DEPOSITS

Use of these funds, which are held as certificates of deposit with banks, is restricted to capital expenditures and acquisitions approved by certain preferred shareholders (Note 13).

8. DEFERRED CHARGES AND OTHER ASSETS

	1981	1980
	(Thousands of dollars)	
Debt and preferred share issue expense	**$18,491**	$ —
Other	**3,496**	4,393
	$21,987	$4,393

9. NOTES PAYABLE

CUL has arranged a bank loan agreement to provide up to $50,000,000 to March 14, 1982. CUL issues commercial paper and assumes bank loans relying upon these commitments. CUL will at all times segregate sufficient unused lines of credit to make payment of not less than 50% of the short term promissory notes outstanding. At March 31, 1981 the notes payable, which are renewed at maturity for thirteen months, amounted to $17,100,000 at interest rates varying from 17.2% to 18.0% with maturities to March 14, 1982.

10. LONG TERM DEBT

	1981	1980
	(Thousands of dollars)	
227095 HOLDINGS LTD.		
Term loans, at prime plus ⅝%, due April 1, 1993, secured by the common shares of CUL owned by ATCO (Note 2)	**$185,434**	$ —
ATCO DRILLING HOLDINGS LTD.		
Income debentures, at approximately 52% of prime plus 1⅛% on U.S. funds and 52% of prime plus 1% on Canadian funds, due 1986, secured by fixed and floating charges on the company's assets.		
Payable in U.S. dollars ($24,955; 1980 — $37,485)	**28,698**	43,384
Payable in Canadian dollars	**12,230**	17,540
CUL AND SUBSIDIARIES		
Sinking fund debentures, at 7¼% to 12%, due at various dates to 2002.	**337,589**	—
First mortgage sinking fund bonds, at 4⅛% to 9¾%, due at various dates to 1994.	**58,053**	—
OTHER		
Mortgage and other loans, at 7% to 19¾%, due at various dates to 1996, secured mainly by charges on specific operating assets.	**60,994**	26,699
	682,998	87,623
Less: Amounts due within one year	**25,433**	19,376
	$657,565	$68,247

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

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

The CUL and subsidiaries long term debt outstanding and current maturities thereof have been reduced by bonds and debentures purchased for future sinking fund payments. Sinking fund requirements on certain first mortgage bonds may also be satisfied by certification of property additions.

The minimum annual repayments of long term debt (including sinking fund requirements) over each of the next five fiscal years are as follows (based on March 31, 1981 exchange rates):

1982	1983	1984	1985	1986
$25,433	$32,525	$28,446	$28,131	$30,368

11. OTHER LIABILITIES

As Alberta gas producers, the gas utility subsidiaries receive a pro rata share of monies available under The Natural Gas Price Administration Act. These monies, net of royalties and income taxes, have been included in other liabilities and amount to $18,428,000.

12. MINORITY INTERESTS

	1981	1980
Equity of minority interests:	(Thousands of dollars)	
In preferred shares of CUL and its subsidiaries	**$255,063**	$ —
In common shares of CUL	**140,649**	—
In common shares of ATCO Saudi Arabia Ltd.	**1,094**	510
	$396,806	$510
In CUL earnings for the year	**$ 32,587**	$ —
In ATCO Saudi Arabia Ltd. earnings for the year	**584**	30
	$ 33,171	$ 30

13. REDEEMABLE PREFERRED SHARES

	1981	1980
Issued by wholly-owned subsidiary companies:	(Thousands of dollars)	
ATCO Holdings (N.A.) Ltd.	**$ 95,000**	$100,000
474243 Ontario Ltd. (Note 2)	**150,000**	—
Issued by ATCO LTD.	**10,000**	10,000
Foreign exchange	**7,760**	8,100
	$262,760	$118,100

Issued by Wholly-owned Subsidiary Companies

ATCO Holdings (N.A.) Ltd.

Series A, First Preferred		
380,000 shares with a par value of $100 each	**$ 38,000**	$ 40,000
Series B, First Preferred		
380,000 shares with a par value of $100 each	**38,000**	40,000
Series 1, Second Preferred		
190,000 shares with a par value of $100 each	**19,000**	20,000
	$ 95,000	$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 $3,000,000 and U.S. $2,000,000 from April 1, 1981 to April 1, 1990.

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

Of the total funds received, $31,850,000 has not been expended and use is restricted to approved capital expenditures and acquisitions (Note 7).

The subsidiary has indemnified holders of the preferred shares to the extent of any reduction in the holders' net after tax return from 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. $90,000,000 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. $90,000,000 floating charge debenture of the subsidiaries (excepting ATCO Drilling Holdings Ltd., CUL and their subsidiaries).

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.

474243 Ontario Ltd.	**1981**	1980
	(Thousands of dollars)	
Preference shares with a par value of $1,000 each		
20,000 Class A	**$ 20,000**	$ —
20,000 Class B	**20,000**	—
20,000 Class C	**20,000**	—
15,000 Class D	**15,000**	—
13,000 Class E	**13,000**	—
12,000 Class F	**12,000**	—
50,000 Class G	**50,000**	—
	$150,000	$ —

Commencing May 1, 1985, 5% of the issued preference shares are redeemable annually, at par, in equal quarterly installments to February 1, 1992, with the balance redeemable, at par, on May 1, 1992. The preference shares may be redeemed earlier subject to certain restrictions and penalties.

Dividends are payable quarterly commencing June 1, 1981 at the following rates, calculated daily:

Classes A - D inclusive	50% of prime plus 2%
Classes E - F inclusive	50% of prime plus 1⅞%
Class G	52% of prime plus 2¼% to October 26, 1981 and 52% of prime plus 1½% thereafter.

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

Issued by ATCO LTD.	**1981**	1980
	(Thousands of dollars)	
Authorized:		
8,000,000 Preferred Shares with a par value of $25 each		
8,000,000 Junior Preferred Shares with a par value of $25 each		
Issued:		
Preferred Shares		
400,000 Series 2, cumulative redeemable	**$10,000**	$10,000

The Series 2 preferred shares are redeemable in ten annual installments of U.S. $1,000,000 commencing June 30, 1984 (or earlier under certain circumstances). Dividends are payable monthly, in U.S. dollars, calculated daily at one-half the prime rate plus 2%.

Foreign Exchange

The Series A, First Preferred Shares of ATCO Holdings (N.A.) Ltd. and the Series 2, Preferred Shares of ATCO LTD. were issued, are redeemable and dividends are payable in United States dollars. The exchange adjustments resulting from the translation of the U.S. dollar amounts received were $6,800,000 and $1,300,000 respectively.

The first installment of the U.S. $2,000,000 on the Series A, First Preferred Shares was paid during 1981 and the exchange adjustment of $340,000 on this payment was charged against this account.

14. COMMON SHARES

Common shares without nominal or par value:

	Number of Shares	
	Authorized	**Issued**
Class I Shares	100,000,000	10,727,875
Class II Shares	50,000,000	5,360,435
		16,088,310

On January 22, 1981 the shareholders approved a three-for-one share reorganization whereby each previously issued Class A and Class B share was converted to two Class I non-voting and one Class II voting shares. Each Class II share may be converted to one Class I share at the shareholder's option. The two classes of shares rank equally in all other respects.

Share Options and Equivalents

ATCO has a share option plan under which options to purchase 528,000 Class I and 264,000 Class II 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 510,160 Class I and 217,580 Class II shares have been granted under the plan, of which 345,300 and 135,150, respectively, were outstanding at March 31, 1981 at prices ranging from $4.05 to $8.22 per share.

In the year ended March 31, 1981 options for 68,520 Class I and 34,260 Class II shares were exercised for $460,000 (1980 - $463,000).

In conjunction with the above plan ATCO has a long term incentive compensation plan under which 907,500 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 ATCO's common shares plus deemed dividends. $733,000 was charged to earnings in connection with this plan (1980 -$164,000).

15. OTHER REVENUE

	1981	1980
	(Thousands of dollars)	
Interest income	**$11,329**	$ 8,627
Gain on disposal of property, plant and equipment	**2,347**	1,852
Exchange gains (losses)		
Operating	**2,435**	41
Translation	**(1,848)**	845
Other	**5,630**	3,287
	$19,893	$14,652

16. NATURAL GAS SUPPLY EXPENSE

The natural gas supply expense includes the newly imposed federal excise tax of $50,495,000, and is net of the Alberta government rebate amounting to $73,330,000.

	1981	1980
	(Thousands of dollars)	
Incurred	**$88,729**	$17,847
Capitalized	**(22,730)**	(3,652)
Expensed	**$65,999**	$14,195
Expensed on non-current liabilities	**$56,593**	$ 9,292

(Thousands of dollars)

By Industry

	Electrical Generation	Gas Distribution	Contract Drilling and Well Servicing	Other Energy	Manufacturing	Real Estate & Property Development	Other	Consolidated
Revenues:								
Trade	$121,401	$556,504	$176,862	$24,859	$281,803	$49,382	$ 9,971	$1,220,782
Inter-segment	334	13,490	104	25	3,578	563	1,834	—
Total segment revenues	121,735	569,994	176,966	24,884	285,381	49,945	11,805	1,220,782
Expenses:								
Natural gas supply	—	429,964	—	—	—	—	—	416,783
Operating & maintenance	41,954	26,271	104,094	6,337	216,100	38,893	2,573	445,338
Selling & administrative	21,837	58,819	12,134	12,892	31,222	3,920	2,328	130,432
Depreciation, depletion and amortization	12,390	9,673	13,275	3,441	8,608	110	3,501	51,134
Total segment expenses	76,181	524,727	129,503	22,670	255,930	42,923	8,402	1,043,687
Segment operating profit	$ 45,554	$ 45,267	$ 47,463	$ 2,214	$ 29,451	$ 7,022	$ 3,403	177,095
Interest								65,999
Income taxes								35,587
Minority interests								33,171
Extraordinary item								2,776
Earnings for the year								$ 39,562
Identifiable assets	$765,590	$646,181	$219,192	$48,364	$157,388	$59,997	$62,426	$1,948,584

By Geographical Location

	Canada	United States	Other	Consolidated
Revenues:				
Trade	$ 999,839	$ 91,728	$129,215	$1,220,782
Inter-segment	50,906	9,509	1,574	—
Total segment revenues	1,050,745	101,237	130,789	1,220,782
Expenses:				
Natural gas supply	416,783	—	—	416,783
Operating & maintenance	320,831	70,958	109,200	445,338
Selling & administrative	110,374	7,439	10,457	130,432
Depreciation, depletion and amortization	43,486	5,053	2,185	51,134
Total segment expenses	891,474	83,450	121,842	1,043,687
Segment operating profit	$ 159,271	$ 17,787	$ 8,947	177,095
Interest				65,999
Income taxes				35,587
Minority interests				33,171
Extraordinary item				2,776
Earnings for the year				$ 39,562
Identifiable assets	$1,794,270	$118,665	$ 54,396	$1,948,584

Export sales made directly from Canada to unaffiliated persons amounted to $14,941,000 during year ended March 31, 1981.

19. INCOME TAXES

The income tax provision differs from that computed using the Canadian corporate tax rate of 48.8% for the following reasons:

	Tax
	(Thousands of dollars)
Earnings before income taxes, minority interests and extraordinary item, at statutory tax rate	$54,215
Effect of utility subsidiaries claiming tax deductions in respect of property, plant and equipment in excess of book depreciation and depletion as noted in Summary of Significant Accounting Policies	(16,188)
Crown royalties and other non-deductible government payments	5,792
Earned depletion and resource allowance	(5,120)
Non-deductible charges related to amounts allocated to assets in excess of tax values on share acquisitions	3,442
Tax exempt earnings of subsidiaries	(3,223)
Investment tax credits	(2,017)
Income debenture interest	1,919
Provincial rebates	(1,627)
Other	(1,606)
	$35,587
Effective rate	32.0%

20. REMUNERATION OF OFFICERS AND DIRECTORS

The aggregate direct remuneration of directors and senior officers amounted to $2,470,000 (1980 - $2,010,000).

21. COMMITMENTS AND CONTINGENCIES

ATCO has contractual obligations in respect of long term operating leases for manufacturing facilities, office premises and equipment. The rentals amounted to $13,600,000 for 1981 (1980 — $2,800,000). Future minimum lease payments are as follows:

(Thousands of dollars)					
1982	**1983**	**1984**	**1985**	**1986**	**Total of all subsequent years**
$13,100	$12,400	$11,700	$11,000	$11,100	$30,300

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 $4,900,000 (1980 - $11,800,000). 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.

The cost of the utility subsidiaries' planned construction and expansion program for 1982 will amount to approximately $272,000,000, of which $76,764,000 was under contract at March 31, 1981. Total commitments under contract for 1982 and future years were approximately $296,362,000.

The utility subsidiaries have a pension plan covering substantially all their employees. The aggregate unfunded past service liability amounted to approximately $9,276,000 at March 31, 1981. Of this amount $1,483,000 must be funded by December 31, 1981 and the balance over a period not exceeding 13 years from that date. There is no unfunded past service liability in the pension plans covering the employees of ATCO LTD. and its other subsidiaries.

As part of the financing of the acquisition of shares of CUL, ATCO has agreed to pay the lenders 7% of the increase in value of the CUL shares from acquisition to date of demand, to a maximum amount of $21,000,000. The amount is payable on demand if ATCO sells or transfers any of the shares of CUL, or at any time from December 31, 1985 to December 31, 1992. Payment may be made in cash or by the issue of an appropriate number of Class I shares of ATCO LTD. based on their then quoted market price.

22. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for 1981.

Auditors' Report

To the Shareholders of ATCO LTD.

We have examined the consolidated balance sheet of ATCO LTD. as at March 31, 1981 and the consolidated statements of earnings, 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, 1981 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
June 1, 1981

Price Waterhouse & Co.

Chartered Accountants

Corporate Information

Directors

W.L. Britton
Partner, Bennett Jones
Calgary

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

E.N. Farch
President, ATCO International

G.A. Freeman**
Corporate Secretary
ATCO Ltd.

G.P. Kiefer* **
Sr. Vice President
Manufacturing, ATCO Ltd.

E.W. King
President & Chief Executive
Officer, Canadian Utilities
Limited

K.B. Purdie**
Vice President, Controller
ATCO Ltd.

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

C.S. Richardson**
Sr. Vice President, Finance
ATCO Ltd.

N.W. Robertson**
Sr. Vice President & Chief
Operating Officer, ATCO Ltd.

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

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

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

O. Steiner**
President, ATCO Housing &
Development Ltd.

J.D. Wood**
President, ATCO Industries
(N.A.) Ltd.

*Member — Audit Committee
**Member — Executive Committee

Officers

S.D. Southern
Chairman of the Board

R.D. Southern
President & Chief Executive
Officer

M. Durdle
Assistant Secretary

E.N. Farch
President, ATCO International

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

O. Steiner
President, ATCO Housing &
Development Ltd.

P.G. White
Vice President, Human
Resources

D.P. Wood
Assistant Secretary

J.D. Wood
President, ATCO Industries
(N.A.) Ltd.

Counsel

Bennett Jones
Calgary, Alberta

Auditors

Price Waterhouse
Calgary, Alberta

Transfer Agents

National Trust Co. Ltd.
Calgary, Toronto, Montreal

Stock Exchange

**The Toronto Stock
Exchange**

Directory of Operations

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Telex: 03-822697

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
T.G. Johnson
Manager, Advertising & Public Relations

Division Head Offices

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Canadian Drilling Division
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Canadian Utilities Limited
Utilities Division
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Edmonton, Alberta T5J 2V6
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TWX: 610-831-1142

Energy

Arrow Oilfield Rentals
Oilfield equipment rentals & sales
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Corpus Christi, Texas 78408
Tel: (512) 289-1801

ATCO Drilling Inc.
Rocky Mountain Division
Oil and gas drilling
3525 South Tamarac
Suite 110
Denver, Colorado 80237
Tel: (303) 770-2490
TWX: 910-935-0103
Field Office:
Casper, Wyoming

ATCO Drilling Inc.
Southern Division
Oil and gas drilling
9100 Southwest Freeway
Suite 111
Houston, Texas 77074
Tel: (713) 777-9199
TWX: 910-881-5454
Field Office:
Bryan, Texas

ATCO Drilling Ltd.
Engineering & technical training centre
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ATCO Gas and Oil Ltd.
Oil & gas exploration & development
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ATCO Oilfield Services
Oilfield services group head office
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7774 - 47th Ave. Close
Red Deer, Alberta T4N 5H3
Tel: (403) 343-7646
Telex: 03-83237

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

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

Mustang Drilling
Oil & gas drilling
700, 800 - 6th Avenue S.W.
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Field Office:
Nisku, Alberta

Target Well Servicing
Oil & gas well workover & completion rigs
P.O. Box 890
7774 - 47th Avenue Close
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Telex: 03-83237
Field Office:
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Target Well Servicing (1978) Inc.
Oil & gas well workover & completion rigs
7454 Leopard, P.O. Box 9198
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Manufacturing

ATCO Components
Cabinetry systems, millwork & interiors contracting
5115 Crowchild Trail S.W.
Calgary, Alberta T3E 1T9
Tel: (403) 246-1111
Telex: 03-824514
Branch Sales Office:
Edmonton, Alberta

ATCO Eastern
Rental of office & industrial units and sale of new & used mobile office & industrial equipment
7213 Cordner
Lasalle, Quebec H8N 2J7
Tel: (514) 363-4430
Telex: 05-566175
Branch Sales Offices:
Dartmouth, Nova Scotia
Ottawa, Ontario
Toronto, Ontario

ATCO Homes
Manufacture of modular housing
32 - 35 Barfield Crescent
Elizabeth West
South Australia 5112
Tel: (08) 255-1422
Telex: 71-82455
Branch Sales Office:
Gepps Cross, South Australia

ATCO Industries (Aust) Pty. Ltd.
Australian group head office
32 - 35 Barfield Crescent
Elizabeth West
South Australia 5112
Tel: (08) 255-1422
Telex: 71-82455

ATCO International
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: 00-730007
Branch Sales Office:
Houston, Texas

ATCO Metal Ltd.
Manufacture of roll-form cladding & decking, pre-engineered metal buildings & the fabrication of metal products for resource industries
5115 Crowchild Trail S.W.
Calgary, Alberta T3E 1T9
Tel: (403) 246-1151
Telex: 03-824871
Branch Sales Offices:
Edmonton, Alberta
Vancouver, B.C.
Spruce Grove, Alberta

ATCO Pacific
Manufacture of relocatable industrial shelter products, commercial offices, class-rooms, site offices and mobile & modular homes
1704 Government Street
Penticton, B.C. V2A 7A1
Tel: (604) 493-3303
Telex: 04-888232
Branch Sales Offices:
Prince George, B.C.
Surrey, B.C.
Vancouver, B.C.

ATCO Project Consultants
Design, engineering, costing & project management for shelter requirements
58 Ord Street, West Perth
West Australia 6005
Tel: (09) 321-7788
Telex: 71-92819

ATCO Saudi Arabia Ltd.
Industrial camps, community structures, offices, metal buildings, schools, houses & construction services
P.O. Box 2631
Dammam
Kingdom of Saudi Arabia
Tel: (03) 857-7393
Telex: (495) 601712
Branch Sales Office:
Riyadh, Kingdom of Saudi Arabia

ATCO Structures
Manufacture, rental & sales of industrial, commercial & community relocatable structures
5115 Crowchild Trail S.W.
Calgary, Alberta T3E 1T9
Tel: (403) 246-6200
Telex: 03-822852
Branch Sales Offices:
Spruce Grove, Alberta
Regina, Saskatchewan
Saskatoon, Saskatchewan
Winnipeg, Manitoba

ATCO Structures (Australia)
Manufacture of industrial, commercial & community structures & metal buildings
32 - 35 Barfield Crescent
Elizabeth West
South Australia 5112
Tel: (08) 255-1422
Telex: 71-82455
Branch Sales Offices:
Melbourne, Victoria
Sydney, New South Wales

ATCO Structures (Queensland)
Manufacture of industrial, commercial & community structures
4 Formation Street
Wacol, Brisbane 4076
Queensland
Tel: (07) 271-2288
Telex: 71-42006

ATCO Structures (WA)
Manufacture of industrial, commercial & community structures
41 - 47 Wellard Street
Spearwood, Perth
West Australia 6163
Tel: (09) 418-3444
Telex: 71-94966

ATCO Structures Inc.
Manufacture, rental & sales of industrial, commercial & community relocatable structures
2161 E. 88th Avenue
Anchorage, Alaska 99507
Tel: (907) 349-4531
Telex: 03-0525212
Branch Sales Office:
Denver, Colorado

ATCO Development Corporation
Land & property development
615 - 18th Street S.E.
Calgary, Alberta T2E 6J5
Tel: (403) 248-1122

ATCO Housing Corp. (Alberta North)
Single & multi-family housing
11628 - 149 Street
Edmonton, Alberta T5M 3R3
Tel: (403) 452-2480

ATCO Housing Corp. (Alberta South)
Single & multi-family housing
615 - 18th Street S.E.
Calgary, Alberta T2E 6J5
Tel: (403) 248-1122

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

ATCO Housing & Development Ltd.
Housing and development group head office
615 - 18th Street S.E.
Calgary, Alberta T2E 6J5
Tel: (403) 248-1122

MISMAT Corporation Limited
Real estate management
1243 McKnight Blvd. N.E.
Calgary, Alberta T2E 5T2
Tel: (403) 276-1101
Telex: 03-822697

Alberta Power Limited
Generation & distribution of electricity
10040 - 104 Street
Edmonton, Alberta T5J 2V6
Tel: (403) 420-7310
Telex: 03-72848
TWX: 610-831-1142

Canadian Western Natural Gas Company Limited
Production, transmission & distribution of natural gas
140 - 6th Avenue S.W.
Calgary, Alberta T2P 0P6
Tel: (403) 245-7110
Telex: 03-824521

CU Engineering Limited
Engineering services
10040 - 104 Street
Edmonton, Alberta T5J 2V6
Tel: (403) 420-7310
Telex: 03-72848

CU Ethane Limited
Petrochemical feedstocks
10040 - 104 Street
Edmonton, Alberta T5J 2V6
Tel: (403) 420-7310
Telex: 03-72848
TWX: 610-831-1142

CU Resources Limited
Resource development
10040 - 104 Street
Edmonton, Alberta T5J 2V6
Tel: (403) 420-7310
Telex: 03-72848

Northland Utilities (B.C.) Limited
Distribution of natural gas
1208 - 102 Avenue
Dawson Creek, B.C., V1G 2C4
Tel: (604) 782-2721

Northwestern Utilities Limited
Production, transmission & distribution of natural gas
10040 - 104 Street
Edmonton, Alberta T5J 2S3
Tel: (403) 420-7211
Telex: 03-72848
TWX: 610-831-1142

The Yukon Electrical Company Limited
Yukon Hydro Company Limited
Generation & distribution of electricity
1100 First Avenue
Whitehorse, Yukon Territory
Y1A 1A2
Tel: (403) 668-5211
Telex: 04-98229

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Financial holding company
World Trade Centre
134 Meent, Suite 217/218
P.O. Box 30055
3001 DB Rotterdam
The Netherlands
Tel: (010) 116613
Telex: 26678 ITCONL
Branch Office:
Fribourg, Switzerland

Southco Customs Brokers
Customs brokerage & freight forwarding
P.O. Box 2960
Rm. 270, 220 - 4th Ave. S.E.
Calgary, Alberta T2P 3C3
Tel: (403) 265-5015
Branch Offices:
Edmonton, Alberta
Medicine Hat, Alberta
Coutts, Alberta

Southco Travel
Travel agency
1243B McKnight Blvd. N.E.
Calgary, Alberta T2E 5T2
Tel: (403) 276-9991
Telex: 03-822697

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