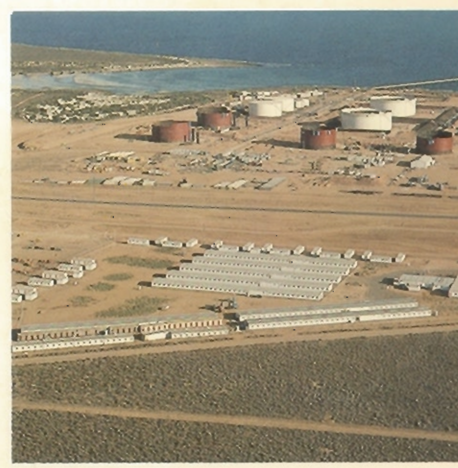
ATCO LTD.
1983 ANNUAL REPORT






Divisions and affiliated companies of ATCO Ltd. are active worldwide in gas and oil exploration and development, contract drilling, well servicing and oilfield equipment; in utilities through the generation and production, transmission and distribution of electricity and natural gas; in manufacturing through industrial portable shelter, metal fabrication, interiors contracting and petrochemicals; and in real estate through commercial, residential and land development.

ANNUAL REPORT
TO THE SHAREHOLDERS

ATCO 1983

FINANCIAL HIGHLIGHTS

Years ended March 31 (Thousands except share data)	1983	1982	Change
Revenues	$ 1,722,985	$ 1,668,835	+ 3%
Earnings for the year	$ 40,615	$ 54,483	− 25%
Earnings attributable to Class I and Class II shares	$ 14,614	$ 25,936	− 44%
Earnings per Class I and Class II share	$ .90	$ 1.60	− 44%
Dividends paid per Class I and Class II share	20.0¢	20.0¢	
Working capital provided by operations	$ 185,464	$ 173,157	+ 7%
Working capital	$ 91,653	$ 143,254	− 36%
Investment in property, plant and equipment	$ 318,670	$ 288,716	+ 10%
Total assets	$ 2,779,529	$ 2,365,013	+ 18%
Class I and Class II shareholders' equity	$ 156,527	$ 145,067	+ 8%
Class I and Class II shares outstanding	16,317,505	16,234,600	—
Weighted average Class I and Class II shares outstanding	16,276,136	16,209,467	—

MARKET PRICE OF SHARES

	1983		1982	
	High	Low	High	Low
Class I				
1st quarter	8¼	5¼	11	8
2nd quarter	7⅞	5	11¼	7⅞
3rd quarter	9⅜	6¾	9¾	6½
4th quarter	11½	9	8¾	6½
Class II				
1st quarter	8	5¼	11	8
2nd quarter	7½	5	11⅛	8
3rd quarter	9½	6¾	9½	6½
4th quarter	11¼	8⅞	8⅞	6½

TO OUR SHAREHOLDERS

In the face of a worldwide recession unequalled in severity since the 1930's, the ATCO Group recorded earnings of $40,615,000 or 90¢ per Class I and Class II share on revenue of $1,722,985,000 for the twelve months ended March 31, 1983. Comparative figures for the previous year were earnings of $54,483,000 or $1.60 per Class I and Class II share on revenue of $1,668,835,000. Earnings per Class I and Class II share for the current period have been calculated after preferred share dividends of $26,001,000 (1982 — $28,547,000).

In addition to the recession, the Company's earnings were adversely affected by one of the warmest winters on record which reduced the utility subsidiaries' income. Fiscal 1983 profit was reduced by approximately 22¢ per share from 1982 as a result of the extraordinarily mild weather in the first quarter of calendar 1983.

Fiscal 1983 was indeed a difficult year but the Company's financial results are, nevertheless, a source of satisfaction. We are pleased that the management decisions taken two years ago have allowed the Company to remain financially healthy while continuing to record acceptable profits. Exclusive of the utility operations, the number of employees has been reduced by approximately 35%, salaries have been frozen since April, 1981 and discretionary spending has been reduced in some areas and eliminated entirely in others. In addition, capital expenditures have been reduced dramatically by limiting them to "Must Do" items. On the sales side, the Company has continued to stress quality products and services while using its competitive posture to increase its share of declining markets.

Because of their strong performance in a declining economy, the importance to ATCO of its utility subsidiaries has become more evident during the past year. We are also pleased with the progress of ATCOR Resources Limited and suggest that investors take the time to become more familiar with its operations and potential for growth.

A special general meeting of the shareholders of Canadian Utilities, held on August 10, 1982, approved a capital reorganization creating two new classes of shares designated as Class A non-voting shares and Class B common shares. This capital reorganization has a special significance to ATCO shareholders since future Canadian Utilities equity financing will be accomplished through the issue of Class A non-voting shares thereby providing ATCO with maximum flexibility in its approach to these issues.

In August, 1982 an agreement was signed providing for the divestiture of interlocking ownership positions held by Canadian Utilities and TransAlta Utilities. The agreement calls for a divestiture period of three years with the provision for an extension to five years subject to market conditions.

S. D. Southern was awarded an honorary Doctor of Engineering degree May 7th, 1983 by the Technical University of Nova Scotia, Halifax "for his exceptional contributions to Canadian leadership (and) for his practical and positive efforts to find solutions to world problems."
Below: Recognizing "continuous and outstanding achievements in international marketing", the first annual Alberta Export Achievement Award was presented last November to S. D. Southern, Board Chairman, and R. D. Southern, President, of ATCO Ltd., by the Hon. H. A. Schmid, Alberta's Minister of State for Economic Development — International Trade.

During the divestiture period, and for three years beyond, neither ATCO nor Canadian Utilities will attempt to gain voting control of TransAlta Utilities and TransAlta Utilities will not attempt to gain voting control of Canadian Utilities or ATCO. We are pleased with this agreement in that it will allow the companies to concentrate on the business at hand to the benefit of both their shareholders and customers.

As a result of this agreement, Canadian Utilities has committed to dispose of its entire TransAlta holding through an issue of Preferred Shares to which a warrant was attached entitling the warrant holder to purchase one Class A common share of TransAlta owned by Canadian Utilities. TransAlta has disposed of approximately 30% of its Canadian Utilities holding via a rights offering.

The value of ATCO's subsidiary boards has been clearly demonstrated in ATCO Housing and Development where, at the Board's instigation, management reduced the scope of its operations prior to the downturn in activity in Alberta. As a result of this timely action, inventory is virtually non-existent and unleased commercial space is less than 2% of the portfolio.

While North American manufacturing was down in the past year, Australia and Saudi Arabia performed well. In both cases this can be attributed to an increased market share directly resulting from an improved level of expertise in the production and marketing functions.

In no area were the difficulties of fiscal 1983 more strongly felt than in the drilling and well servicing units. Uncertainties over the price of oil, coupled with the National Energy Program in Canada, reduced rig utilization significantly. Cost reduction programs have been instituted as have several initiatives to increase the Company's capability in specialized areas such as heavy oil pad drilling. These efforts, combined with an expected increase in activity, indicate improved results in the year ahead.

There are a number of signs that the economy is recovering on a worldwide basis and that inflation is becoming less of a problem. The negative factors at work are record high real rates of interest and continuing high unemployment. Interest rates remain high because of investor concern over the size of government deficits while unemployment is reducing consumer confidence and delaying the pick-up in the momentum of retail sales. The timing and pace of the recovery will remain uncertain until these problems are dealt with.

Nevertheless, the economy will recover and the next decade will present unparalleled opportunities. At the same time, management will be faced with problems requiring innovative solutions. The pace of change will quicken while becoming increasingly uncertain. As a result, long range planning will become more difficult calling for managers to be creative, flexible and resilient. We believe ATCO's philosophy of subsidiary boards with interlocking directors from the parent company, combined with continued preemptive management, will provide the basis for significant internal growth in the coming years.

Financially, ATCO remains strong with uncommitted cash reserves in excess of $100 million. These reserves are the result of a program established some three years ago to ensure the Company can meet its obligations, even if the difficulties in the economy continue. If, on the other hand, the economy, as expected, begins to recover in the near future, ATCO will be well financed to participate in that recovery.

In addition to Canadian Utilities' financing in September, 1982, ATCO raised $50,000,000 through the sale of 2,000,000 11½% Cumulative Redeemable Junior Preferred Shares at $25 per share. Also, subsequent to the fiscal year end, changes were made in the Company's long term debt structure in order to increase liquidity and cash reserves while decreasing interest rates. In the coming year, the Company will continue to emphasize maintenance of its cash reserves while reducing financing costs and replacing a portion of its floating rate debt with fixed rate instruments.

On May 2, 1982, two ATCO employees were taken hostage by Kurdish rebels in Iraq. These men were returned unharmed to their families in September and we would like to publicly express our thanks to the many people who contributed to the happy ending of this traumatic event.

Of special note was the receipt in May of 1983 by ATCO's Founder and Chairman, Mr. S. D. Southern, of a Degree of Doctor of Engineering, Honoris Causa from the Technical University of Nova Scotia. This presentation was fitting recognition for the originator of the relocatable housing industry.

In October of 1982, ATCO was awarded the Alberta Provincial Government sponsored International Marketing Award for "continuous and outstanding achievement" in export performance.

Last year marked the retirement of two Directors who served the company in key executive positions for many years. Mr. E. N. Farch, Senior Vice President of ATCO Structures Inc., retired after 32 years of exemplary service. Of interest is the fact that Mr. Farch served in all of those areas of the world where ATCO operates manufacturing facilities; that is Canada, Australia, Saudi Arabia and the United States. Mr. G. A. Freeman left the Company after 31 years of service, the majority of which were spent as Corporate Secretary. His business acumen and experience will be missed by all his colleagues. In recognition of their invaluable contribution to the Company, each of these gentlemen has been appointed Director Emeritus and we wish them continued health and happiness.

Mr. D. P. Wood has been appointed Vice President of Corporate Services and Corporate Secretary. Mr. B. K. French, President of Karusel Management Ltd., joined the Board in November and we look forward to his contributions to the Board's deliberations.

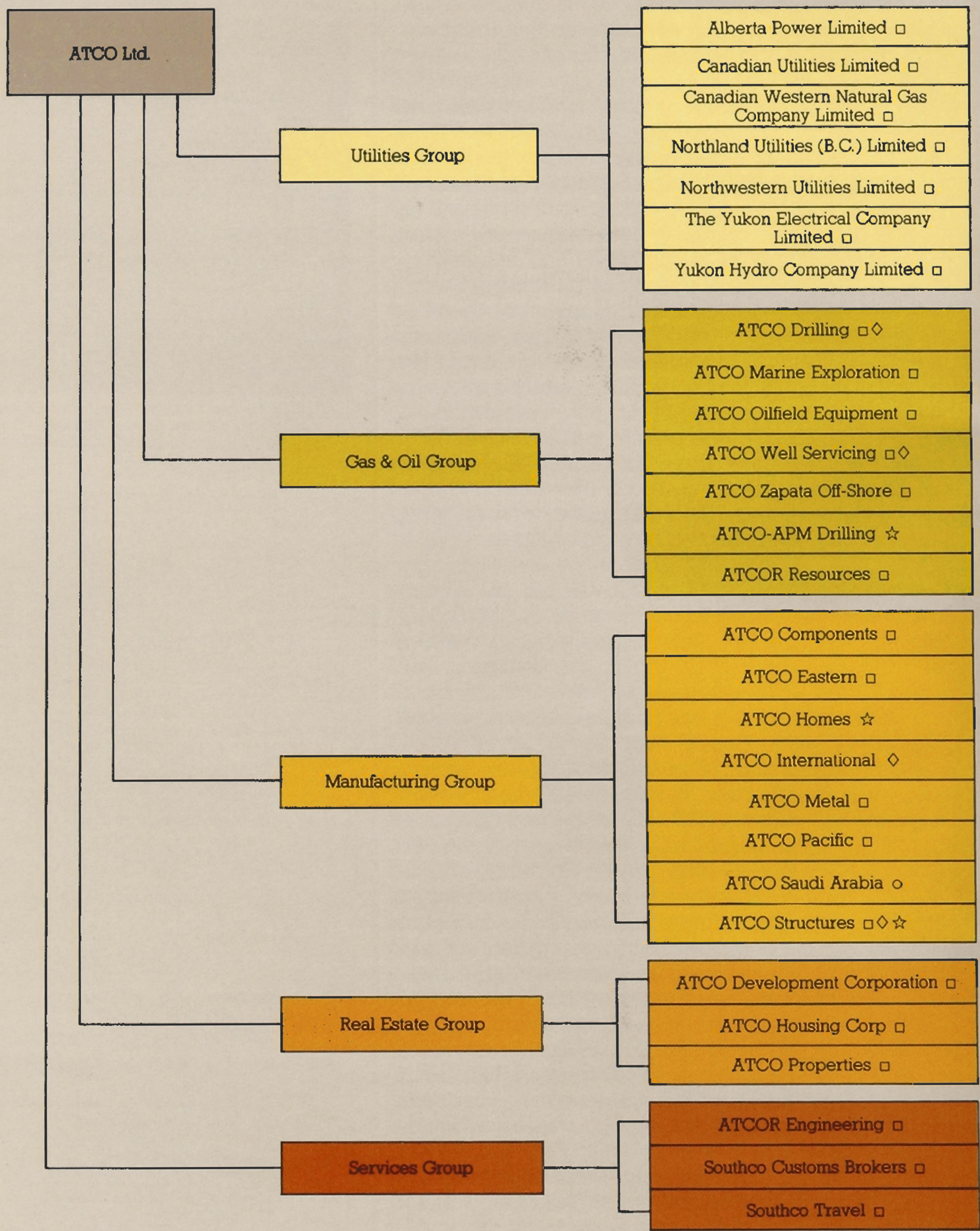
We wish to thank our loyal, hardworking staff, our customers and our suppliers for their contributions to ATCO's continuing success. In addition, our genuine thanks to our Board of Directors for their guidance and counsel in this difficult period. Finally, a special thank you to our shareholders without whose support none of our accomplishments would be possible.

N. W. Robertson, Executive Vice President and Chief Operating Officer (left) and R. D. Southern, President and Chief Executive Officer

R. D. Southern, President & Chief Executive Officer

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

THE ATCO ORGANIZATION



LEGEND

□ Canada ◇ United States ☆ Australia ○ Saudi Arabia

ATCO/UTILITIES GROUP

Canadian Utilities Limited established new records in both earnings and number of customers served during the past year despite a decline in the Alberta economy. The higher earnings were the direct result of an 18% increase in capital assets required to meet consumer demand.

Because Canadian Utilities' fiscal year corresponds with the calendar year, all references in the following narrative to this year and last year refer to 1982 and 1981 calendar years respectively.

CU Natural Gas Operations

Natural gas is provided to southern Alberta by Canadian Western Natural Gas Company Limited, and to north-central Alberta by Northwestern Utilities Limited. A Northwestern subsidiary, Northland Utilities (B.C.) Limited, serves the Dawson Creek district in northeastern British Columbia.

Consolidated revenues of these companies were $959 million, an increase of $180 million over 1981. Despite the recession, 18,400 customers were added to make a total of 568,200. Net fixed assets increased by 24.1% to $598 million.

Sales to residential and commercial customers were substantially higher than last year because of comparatively

Above: Crews lay transmission pipeline, one of the projects totalling $37 million during the year to meet growing service obligations of Canadian Utilities Limited. *Left, below:* A natural gas regulating station in Calgary, typical of numerous installations operated to provide utility service.

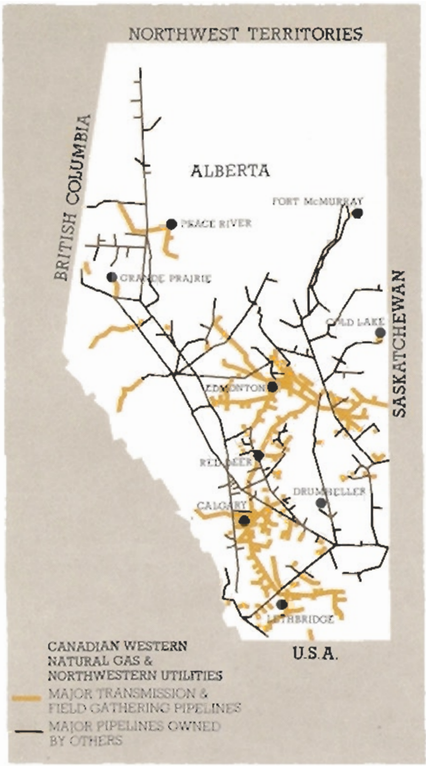
Natural Gas Sales Summary

	Terajoules	% of Total
Industrial	139,548	40.2
Commercial	98,948	28.5
Residential	98,505	28.3
Other	10,294	3.0
Total	347,295	100.0

The table above shows 1982 natural gas sales to the various categories of customers.

Natural Gas System Capital Expenditures
(millions of dollars)

1977	1978	1979	1980	1981	1982
$38.8	$48.2	$64.5	$75.6	$80.9	$135.5



Above A network of more than 30,000 kilometres of pipeline is used to provide natural gas service to the 570,000 customers of Northwestern Utilities and Canadian Western Natural Gas
Right above Northwestern Utilities' marketing engineer consulting with Stelco Steel Works in Edmonton on efficient gas utilization Industrial users like Stelco represent 40% of total sales for the gas utilities.

colder temperatures in 1982. Despite this increase, overall sales declined by 16,900 terajoules (TJ) to 347,300 TJ, due in part to reduced purchases by Edmonton Power and other industrial customers. The amount of gas transported for other companies increased to 62,600 TJ from 51,200 TJ the previous year.

Capital expenditures necessary to assure security of supply during peak demand periods totalled a record $135 million, including $37 million spent on production, transmission and distribution projects.

Northwestern Utilities commenced construction of a salt cavern natural gas storage project near Fort Saskatchewan, Alberta. The project will result in the most cost-effective method of meeting future peak demand. Development of the first phase, to cost $32.2 million, will be completed in time for the 1984-85 heating season.

Other capital expenditures related to natural gas operations included the drilling of 80 wells, 59 of them successful gas producers, and the purchase of six producing wells.

Canadian Western's new head office, Canadian Western Centre at 909 - 11th Ave. S.W., Calgary, was occupied during September, 1982. The Centre, which provides space for anticipated growth, will increase efficiency through the consolidation of personnel.

CU Electric Power Operations

Canadian Utilities' major electric power subsidiary, Alberta Power Limited, serves 369 communities in east-central and northern Alberta, two in Saskatchewan and five in the Northwest Territories. A subsidiary, The Yukon Electrical Company Limited, provides electricity to 19 communities in the Yukon Territory while Yukon Hydro Company Limited, operates two small hydroelectric plants in the Yukon.

During 1982, 2,000 customers were added to the system, bringing the total served to 136,600. Direct energy sales to

Electric Sales Summary

	Thousands of Kilowatt Hours	% of Total
Industrial	1,726,808	50.0
Commercial	683,891	19.8
Residential	643,512	18.7
REA and others	398,101	11.5
Total	3,452,312	100.0

The table above shows 1982 electric sales to the various customer categories (not including 1,196 million kilowatt hours sold to other utilities)

Electrical System Capital Expenditures
(millions of dollars)

[illegible]	1978	1979	1980	1981	1982
$44.1	$48.1	$110.7	$190.1	$153.5	$157.2

consumers increased 7.3% to 3,450 million kilowatt hours. As well, 1,200 million kilowatt hours were sold to other utilities. Peak load increased to 693 megawatts from 652 megawatts last year.

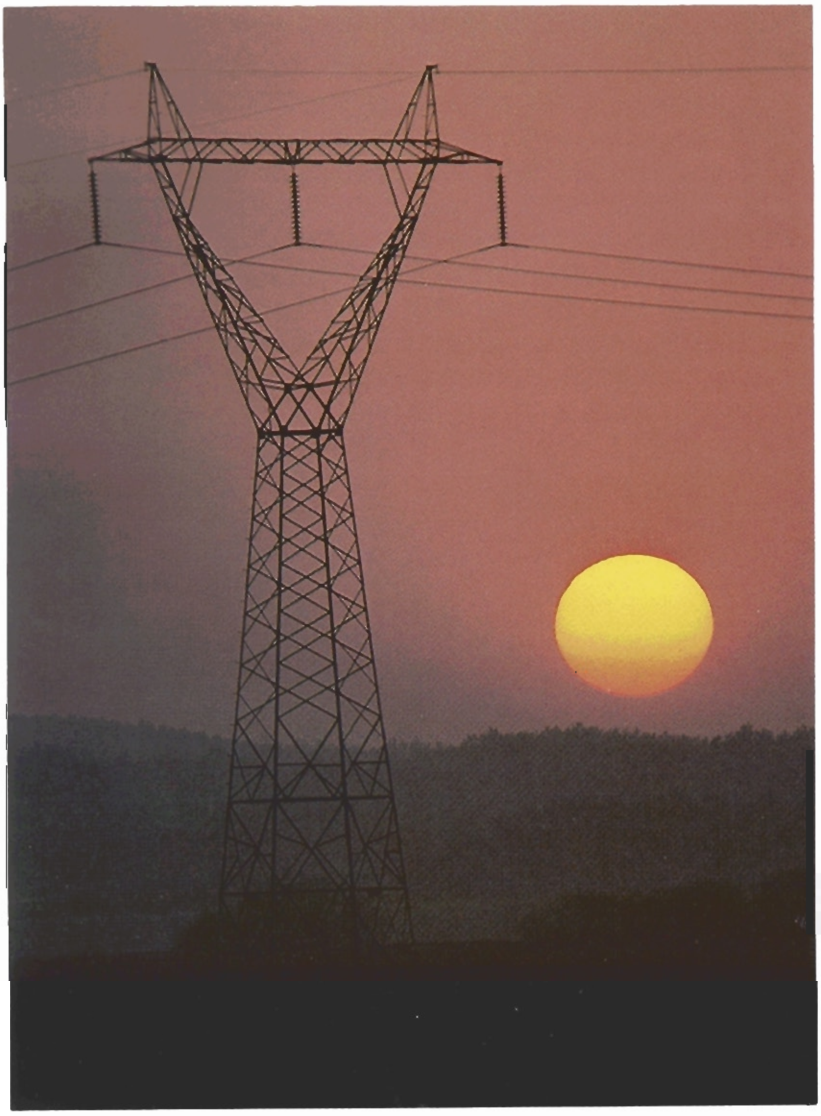
Expenditures for property, plant and equipment during the year totalled $157 million. The largest single project is the 750-megawatt Sheerness Generating Station in central Alberta, 50% owned by Alberta Power, on which $80 million was spent. The first unit of the coal-fired generating plant is scheduled to be commissioned in 1985, followed in 1986 by a second unit.

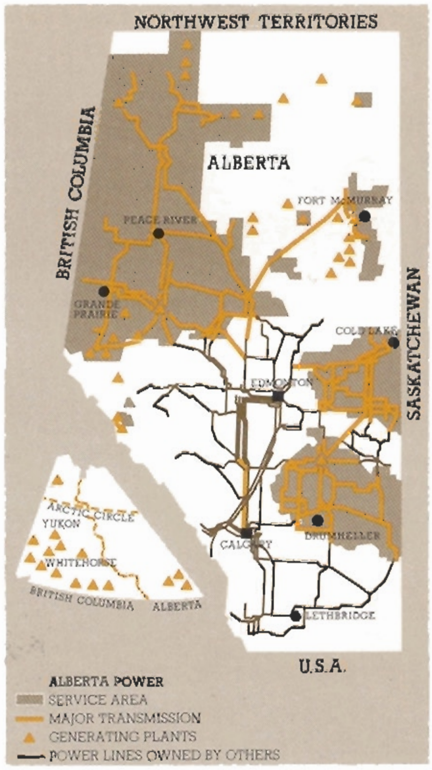
Additions to transmission facilities totalled $29.7 million.

Planned capital expenditures during 1983 are $223 million, of which $120 million will be invested in the Sheerness Generating Station and $59 million will be spent on construction of new transmission facilities.

In October, 1982, the Alberta Government announced its intention to proceed with environmental and feasibility studies prior to seeking approval for the Slave River hydroelectric project in northern Alberta. Alberta Power is participating as a one-third partner.

Yukon Hydro Company received approval during 1982 to construct a 750-kilowatt hydroelectric unit on McIntyre Creek. Construction plans have not yet been finalized.





Above: Alberta Power and its subsidiaries serve 137,000 customers in various areas throughout the Province of Alberta. *Below:* Construction continues on the massive coal-fueled Sheerness Generating Station in central Alberta, 50% owned by Alberta Power. Capital expenditures for this project totalled $80 million in calendar 1982 and are planned to be $120 million in calendar 1983. Electrical power will begin flowing from the station in 1985. *Left:* Additions to transmission facilities for Alberta Power's customers amounted to $30 million during the year.

ATCO/GAS & OIL GROUP

ATCO is active in many facets of the petroleum industry in Canada, the United States and Australia. In addition to being one of North America's leading land-based drilling contractors, ATCO is a partner in an Australian-based drilling company. Offshore drilling capability is provided through ATCO's participation in a joint venture and other North American subsidiaries are involved in well servicing and oilfield equipment rentals.

Land-based exploration and development is conducted throughout western Canada and, in addition, ATCO is involved in a joint venture that has submitted a proposal to the Federal Government for exploration off the Canadian east coast.

Another division participates in natural gas processing and marketing in the Province of Alberta.


Geologists in the ATCOR Resources offices plan participation in an oil play. The Company has concentrated on exploration and development in western Canada

ATCOR Exploration and Production

The pace of ATCOR's exploration and development program slowed in calendar 1982 because many of the company's partners in drilling programs were either unable or unwilling to fund these programs in the face of declining markets and an uncertain price structure. Despite this problem, the company participated in 58 wells resulting in 36 oil wells, 11 gas wells and 11 dry and abandoned wells.

Daily average production for calendar 1982 was 163 gross cubic metres of oil (122 net) and 169,722 gross cubic metres of natural gas (117,776 net).

Measures introduced early in calendar 1982 by the Alberta and Federal Governments improved cash flow from gas and oil production, primarily through the temporary reduction of the Federal Petroleum and Natural Gas Revenue Tax, a temporary increase in the Alberta Royalty Tax Credit and a reduction in royalties on high-productivity wells. Projected July crude oil price increases agreed to by both levels of government on September 1, 1982 probably will not take effect as planned because of recent declines in world crude oil prices. In addition, prices of natural gas for export to the United States have been reduced by 54 cents per MCF, although a price increase for producers is still scheduled to take effect on August 1, 1983.

Despite the current problems in the industry resulting from a combination of the worldwide recession and massive government intervention, the company remains convinced of the long term value of crude oil and natural gas reserves. Despite the trend to more efficient uses of energy, hydrocarbon reserves are being depleted at a faster rate than they are being found. For this reason, and until significant economic alternate sources of energy are developed, probably in the next century, the long term trend of prices will continue upward and gas and oil assets will become increasingly valuable.

ATCOR Natural Gas Marketing

Natural gas marketing continues to be an integral part of ATCOR's operations. This service involves the acquisition and transportation of natural gas for large volume commercial users.

During calendar 1982, ATCOR marketed 935 million cubic metres of natural gas for nine customers, largely industrial plants in the Edmonton area. Other customers included oil producing companies injecting natural gas into reservoirs to increase oil production. Because of the increased incentives provided to enhanced-recovery projects, this latter market appears to have significant growth potential.

ATCOR Petrochemicals Processing

ATCOR owns a 50% interest in an extraction plant located in south Edmonton, where ethane and heavier hydrocarbons are removed from natural gas flowing through transmission lines owned by Northwestern Utilities.

During calendar 1982, the plant processed an average of 5.7 million cubic metres per day, recovering 1,560 cubic metres of ethane and 1,364 cubic metres of other liquids.

Under the plant operating agreement, ATCOR receives a guaranteed cost-of-service return for the ethane produced. In addition, ATCOR receives a share of the other liquids produced. This share amounted to 184 cubic metres per day during calendar 1982. These liquids, largely propane and butane, are sold primarily in eastern Canada and the United States at prevailing market prices.

ATCOR Resources Limited Reserves
at Dec. 31, 1982

	Proven	Probable	Total
Crude Oil (Thousands cubic metres)			
Year end 1982	348.7	355.7	704.4
Year end 1981	320.5	262.2	582.7
Natural Gas (Million cubic metres)			
Year end 1982	623.1	227.2	850.3
Year end 1981	585.7	193.8	779.5

Petroleum and Natural Gas Rights Held
at Dec. 31, 1982

	Producing	Non Producing	Total
Gross Acres	199,083	360,131	559,214
Net Acres	36,762	85,742	122,504

ATCOR is 50% owner of an extraction plant in Edmonton, removing ethane and heavier hydrocarbons from natural gas entering pipelines owned by Northwestern Utilities.

ATCO Contract Drilling

During fiscal 1983 in both western Canada and the United States, ATCO Drilling faced declining rig demand arising from economic and political factors. In Canada, industry-wide rig utilization during calendar 1982 averaged 40%, however ATCO Drilling Ltd. outperformed the industry during this period. Because of the trend to shallower drilling in Canada, one of the smaller rigs was transferred to Canada from the Southern Division in Texas.

The Saskatchewan and Manitoba governments introduced programs to encourage gas and oil exploration, resulting in increased drilling in both provinces. Because of this activity, a field office was opened in Estevan to support the five rigs operating in Saskatchewan and Manitoba. The Alberta Petroleum Incentive Plan was an effective catalyst in creating additional drilling, however its expiration at the end of calendar 1982 resulted in a slowdown in activity.

In support of ATCO's desire to increase participation in frontier drilling, a joint venture, ATCO/Equtak Drilling Ltd., was formed in early 1983 by ATCO Drilling Ltd. and the Inuvialuit Development Corporation. The venture contemplates joint ownership of land-based rigs and the opportunity of employment for native people from the western Arctic on whose behalf the development corporation was formed.

Although the Canadian Association of Oilwell Drilling Contractors predicts a further reduction in rig activity during 1983, all of the indicators are not negative. Further development of heavy oil deposits in Alberta and Saskatchewan appears imminent, while natural gas export pricing problems have now been acknowledged by both levels of government and a solution should soon be reached. In Alberta, summer work levels will be aided by the recently announced Alberta drilling incentive program which is expected to add 7,000 drilling days to provincial activity.

In the United States, drilling activity declined during fiscal 1983 until at year end less than 2,000 rigs were working. In order to counter this situation, several rigs were relocated within the market area and cost reduction programs were introduced with the goal of sizing the company

Above A rig hand peers upward through a derrick drilling one of 58 wells in which ATCOR Resources participated during the past year. *Right* Aerial view of an ATCO rig drilling for oil in northern Alberta

Drilling Rig Locations and Capacities
As of April 1983 (Drilling depth capacity in feet)

Location	Up to 3,000	Up to 9,000	Up to 15,000	Up to 22,000	Total
U.S.A.	0	3	21	5	29
Canada	10	17	1	0	28
Australia	0	1	2	0	3
Total	10	21	24	5	60

to the market. Although international markets were examined with a view to expanding the company's horizons, with the exception of Australia, this strategy was rejected on a risk/reward basis.

During the past few months, the United States outlook has improved as a result of over 800 rigs leaving the marketplace through cannibalization and mothballing. This reduction in surplus rigs combined with the expected upturn in activity should result in a return to profitable operations.

The Australian joint-venture, ATCO-APM Drilling Pty. Ltd., also operated in an environment of reduced activity. Nevertheless, the company has become firmly established in the marketplace and a third rig was added to the fleet in April, 1982, providing capacity for shallower drilling to 8,000 feet. In March, 1983, the company introduced a well completion and service rig and all four rigs have achieved satisfactory utilization. While tight market conditions are expected to continue during calendar 1983, further growth of ATCO-APM is anticipated as its customer base solidifies.

ATCO Zapata Off-Shore Ltd., a joint venture of ATCO Drilling Ltd. and Zapata Off-Shore Company of Houston, Texas, was formed in 1982 to seek drilling contracts particularly off Canada's east coast. There have been few opportunities for a new contractor to enter the market on a sound commercial basis in the past year, however marketing efforts continue.

ATCO Marine Exploration

ATCO Marine Exploration Ltd. is a joint-venture involving ATCO and Shell Canada Resources Ltd. The objective of the company is to explore off the Canadian east coast. Proposals were submitted to the Federal Government and the Province of Newfoundland, but, because of the ongoing jurisdictional dispute, no exploration licenses have been granted.

Left above: ATCO-APM Drilling Pty. Ltd.'s rig A2 on site in South Queensland. The joint venture established a year ago, now has three contract drilling rigs serving companies exploring for gas and oil in Australia. *Below:* A joint venture formed by ATCO Drilling Ltd. and Zapata Off-Shore Company of Houston, ATCO Zapata Off-Shore Ltd. is awaiting opportunities to handle drilling contracts in coastal waters, particularly off eastern Canada.

Above Making certain it's right before it's rented ATCO Oilfield Equipment shop mechanics inspect a blowout preventer before it is sent to a customer. Throughout western Canada, drilling and well servicing companies rely on equipment from this division. *Below, right* An ATCO Well Servicing rig at work in southern Alberta. Similar equipment is located throughout western Canada and the U.S. and one rig now is operating in Australia enhancing recovery from existing wells and completing new ones.

ATCO Oilfield Equipment Rentals and Sales

In Canada, ATCO Oilfield Equipment continued its cost reduction programs in response to the decline in oilfield activity. In order to increase rental equipment utilization, slow moving items were sold and some new equipment was returned to the manufacturer. In the United States, the small inventory was sold and operations suspended.

As drilling activity returns to more normal levels, the oilfield equipment division will increase its sales of day-to-day running supplies. It is expected that this can be accomplished with no increase in overhead costs.

ATCO Well Servicing

The well servicing industry declined during fiscal 1983 in line with the balance of the North American petroleum industry. In both the United States and Canada, programs were introduced to reduce costs while increasing market share. The success of these programs helped to offset the lower margins resulting from increased competition within the industry.

In order to balance capital investment with opportunity, three rigs were moved out of the United States; two to Canada and one to Australia. At the same time, a regional office was established in Palestine, Texas to manage the four rigs moved into that area to take advantage of a strengthening market.

In Canada, the activity level was generally better than that of the United States and the company's broad customer base allowed it to maintain profitable utilization levels. In Alberta, the provincial incentive program helped considerably in generating activity during the fall and early winter. The program was just recently reinstated, albeit on a more restrictive basis and this will increase utilization in the coming months.

Increased drilling activity in southern Saskatchewan is creating a demand for additional service rigs and consideration is being given to the establishment of a regional office at Estevan.

While the outlook for well servicing is uncertain, it is expected that as the year progresses, the demand for well completion and workover services will improve.

Well Servicing Rig Locations and Capacities

As of April 30, 1983 (Operating depth capacity in feet)

Location	Up to 10,000	Up to 15,000	Up to 20,000	Up to 25,000	Total
U.S.A.	1	16	1	1	19
Canada	3	5	4	1	13
Australia	1	0	0	0	1
Total	5	21	5	2	33

ATCO/MANUFACTURING GROUP

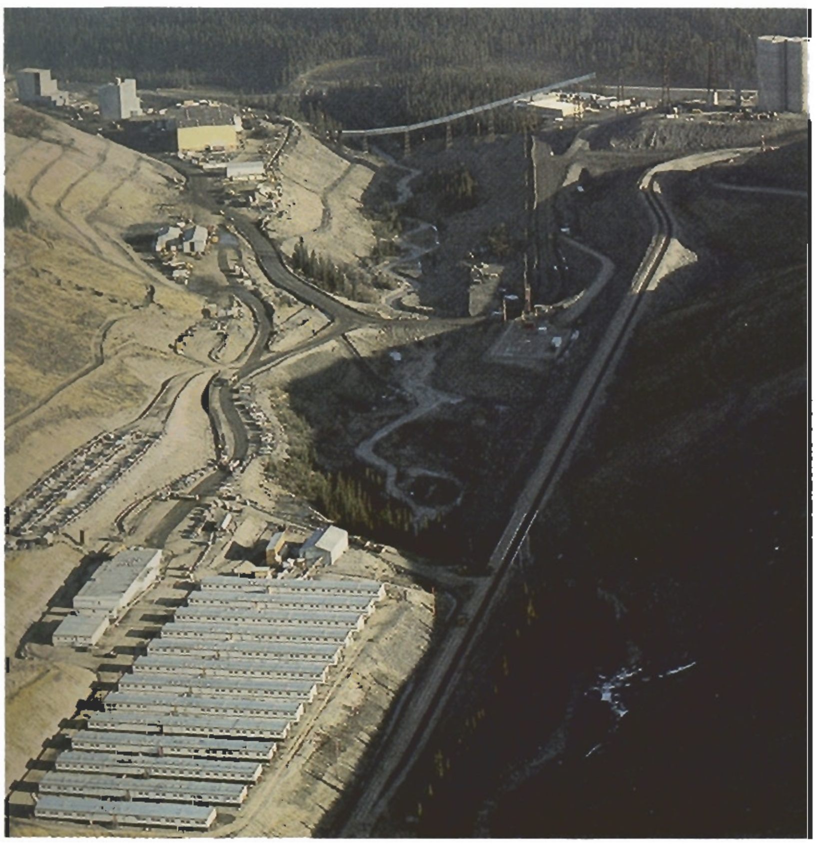
ATCO introduced the factory-built, relocatable, modular shelter concept more than three decades ago, and continues to lead the industry worldwide, with factories in Canada, the United States, Australia and Saudi Arabia.

Other manufactured products have since been added to ATCO's product line, including metal buildings, siding and other components for agricultural, commercial, institutional and resource applications, custom woodwork, cabinetry and building interiors.

ATCO Industrial Housing

Despite the global recession, ATCO's manufacturing operations experienced a relatively good year as the Company used its position as the market leader to maintain production levels.

Major contracts supplied from the Calgary plant included a 500-man camp for Esso Resources Canada at Norman Wells, N.W.T. and a 500-man camp for the Union Oil Company of Canada coal mine development in the Marsh-Obed area of Alberta. A unique use of ATCO's structures was the provision of accommodation for 62 minimum-security penitentiary inmates by the Saskatchewan Department of Social Services.



Left A camp supplied to Loram/Techman to house 550 workers developing the Gregg River open-pit coal mine, 50 miles from Hinton, Alberta. *Below* ATCO's fleet of owner-operated trucks logged more than three million miles in the past year hauling shelter units throughout the world.

The ATCO Structures leasing division provided large camps for Dome Petroleum Limited's ethane extraction plant at Empress, Union Carbide of Canada Limited's ethylene glycol plant near Prentiss and Novacor Limited's polyethylene extraction plant at Joffre.

Other important orders included a 75-man geophysical camp for use in China's Gobi Desert, and 190 mobile homes supplied to the Alberta Government to house needy families.

In Manitoba, office complexes were installed for the CBC's radio and television personnel in Winnipeg, and at the Atomic Energy of Canada Whiteshell Nuclear Research Establishment, Pinawa.

ATCO Structures Inc. of Anchorage, Alaska manufactured and installed a 650-man construction camp for Arco Oil and Gas Inc.'s production facilities in the Kuparuk oilfield, west of Prudhoe Bay. In yet another example of ATCO's ability to react on a timely basis, Anchorage personnel installed 20 classrooms for the Anchorage School District in just 45 days.

ATCO Pacific of Penticton, B.C., produced housing for over 3,000 workers during the year, with most of the facilities

Right: Leased camps generated steady revenue for ATCO Structures, Calgary, during fiscal 1983. This camp was leased to Fluor to house 850 workers building an ethylene glycol petrochemicals plant for Union Carbide of Canada Limited in southern Alberta. *Above:* Novacor Limited leased this camp for workers at their polyethylene extraction plant at Joffre, Alberta.

provided for the massive coal mining developments in northeastern British Columbia. The contracts included 1,100-man and 336-man installations at Denison Mines Limited's Quintette mine, a 288-man camp for Teck Corporation's Bullmoose mine and three camps accommodating 730 workers boring railway tunnels for B.C. Rail. Related road construction camps housed an additional 300 workers.

Housing for 600 men was supplied for crews expanding grain-shipping facilities at Prince Rupert, British Columbia.

In eastern Canada, activity centred on the sale and rental of urban space and commercial steel structures to the construction industry. Export orders were completed for camps in Pakistan, Nigeria and Egypt.

ATCO's competitive advantages in Australia facilitated the receipt of several large contracts and resulted in one of the most profitable years in the history of our Australian operations.

The Western Australia plant supplied camps for 600 men constructing a natural gas pipeline from Perth to Dampier. A 200-man expansion to existing facilities was completed at the Worsley Alumina Refinery, and sandwich-panel construction was used for a camp on the Harding River Dam construction site.

Orders totalling more than $8 million related to construction of processing and terminal facilities for the LNG pipeline from Moomba to Stony Point were filled by the South Australian factory. This plant also handled export orders to the Peoples' Democratic Republic of Yemen and to the Ok Tedi copper/gold project in Papua New Guinea. In addition, housing was installed in the Philippines for the first time in ATCO's history.

The Queensland facility manufactured more than 100 buildings as official supplier for the XIIth Commonwealth Games.

ATCO International of Waco, Texas faced severe market disruptions during the past year including the Iran-Iraq war, falling energy prices and a strong United States dollar. These factors, coupled with government-subsidized foreign

Left, above The terminal of the Moomba-to-Stony Point LNG Pipeline in South Australia More than $8 million in shelter contracts related to the project have been filled by ATCO's factory in that state *Below:* The final shipment of building components for the Carbocol coal mining project in Colombia leaves Texas after manufacture at ATCO International's Waco factory Industrial housing requirements of the project have been provided over the past two years

competition, meant reduced volume and margins, however ATCO International was able to obtain a number of important contracts.

The final shipment of housing produced for Morrison-Knudsen's workforce on the Carbocol Coal project in Colombia was completed early in the year. Howe-Baker Engineers chose ATCO International to supply housing for 300 men building asphalt plants at Samawa and Nasiriya in Iraq. The Waco plant also produced specialized products for delivery to Saudi Arabia as well as for United States projects. In this latter category, an office complex was manufactured and installed on a mining project near Grants, New Mexico.

Expanded facilities and increased production expertise allowed ATCO Saudi Arabia Ltd. to realize record profits despite a lack of large projects in the Kingdom. With the exception of very specialized units, all housing supplied to the Saudi market is now produced locally in the Dammam facility. A 750-man kitchen complex and camp expansion were provided to the catering and the maintenance contractor at the Dammam airport and a 534-man kitchen and mosque were supplied to the Ministry of Defense and Aviation for the naval base at Jeddah, Saudi Arabia.

Leasing activities were initiated in the Kingdom with the lease of a 3,000-man kitchen/washroom complex to Browning Ferris Industries.

An aesthetically pleasing modular family home built to North American standards was successfully introduced to the Saudi Arabian market during the past year. This home allows ATCO to be competitive in filling a demand that has until now been met by the supply of housing from offshore companies.

Despite reduced petroleum revenues, the development of the Kingdom's industrial infrastructure continues and the outlook for ATCO's operations is highly positive.

ATCO Metal Fabrication

In Australia, the depressed economy increased competitiveness in the normally active New South Wales structural steel market, while in South Australia, ATCO's pre-engineered Supertruss building continued to sell well. A major order was received for the supply of pipe racks on the Moomba-to-Stony Point pipeline project while exports included a $1 million order for a steel building for use at a Papua New Guinea copper/gold mining project.

Although the western Canadian market for metal products generally declined, sales of the patented Fold-A-Way relocatable buildings were strong. Fold-A-Ways valued at more than $1 million were supplied to coal developments in northeastern British Columbia, and buildings valued in excess of $750,000 were manufactured for the Esso Resources Canada Ltd. Norman Wells project.

ATCO Metal continued to expand its line of commercial/industrial buildings, with the major project undertaken being a 43,000 square foot structure for the Brandon, Manitoba stockyards complex.

While the western Canadian market is expected to

A truck maintenance shop owned by Crone Bros Ltd., Calgary, built of structural steel and cladding manufactured by ATCO Metal.

remain soft in the coming year, ATCO Metal is maintaining its diversified manufacturing capability in order to serve its customers' needs as they arise and be positioned for the anticipated upswing in activity.

ATCO Cabinetry, Millwork and Interiors Contracting

ATCO Components' interior finishing sales reached record levels during fiscal 1983 despite a decline in the overall market. Significant projects undertaken in Calgary included the interior finishing of luxury condominium apartments built as an adjunct to the Ranchmen's Club; the interior of the Canadian Western Centre, head office of Canadian Western Natural Gas Company Limited, and an auditorium and restaurant in the new head office of Nova, an Alberta Corporation.

A good backlog of interior finishing contracts has been established for the current year, including three hospitals, a major school, the Olympic Saddledome and the Lindsay Park Aquatic Centre.

Because of the reduced demand for kitchen cabinets, the emphasis in the cabinetry area was placed on the sale of casework for institutional customers. This emphasis will continue in the coming year.

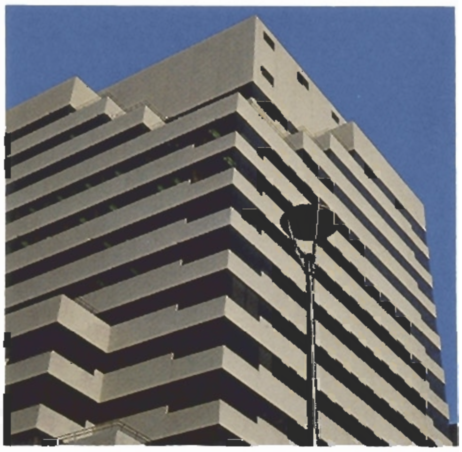
Left: The Calgary Ranchmen's Club luxury condominiums, one of the projects that helped to establish a record year for the value of interior finishing contracts completed by ATCO Components. *Above:* Cabinetry manufacturing in ATCO Components' Calgary factory was concentrated on institutional contracts.

ATCO/REAL ESTATE GROUP

Commercial and residential real estate activities were severely affected by economic conditions in the past year. The Alberta market suffered an abrupt turn-around as oil development slowed, the victim of Federal Government policy and the recession. The office space shortage turned into a surplus, apartment vacancy rates soared and many new homes remained unsold.

Commercial developments are built for sale as well as for ATCO's investment portfolio, while residential housing features the sale of single-family structures. Although ATCO's strategy dictates a long term view of the real estate marketplace, the severity of the downswing resulted in projects in the planning stage being put on hold.

ATCO is a partner in ALDC Partnership, a land development partnership owning a very attractive inventory of residential and commercial land in Alberta.



Above: Canadian Western Centre, head office of Canadian Western Natural Gas, at 11th Avenue and 8th Street S.W., Calgary. *Below:* Towerlane Mall in Airdrie, north of Calgary, is a major suburban shopping centre opened by ATCO in fiscal 1982.

ATCO Commercial Development

The Canadian Western Centre in Calgary was completed within budget and on schedule for September, 1982 occupancy by the staff of Canadian Western. This most attractive building is a significant addition to ATCO's real estate portfolio. In Edmonton, construction of the Canadian Utilities Centre is proceeding on schedule and indications are that the final costs will be below budget. Occupancy will take place in October, 1983. A major refinancing of these buildings in April, 1983 replaced interim financing with a new package of long term loans at substantially lower rates.

Towerlane Mall, in Airdrie, continues to add new retailers and prospects for a second major tenant are very good. With the economic recovery slowly gaining momentum, future prospects for the mall are encouraging.

The market value of ATCO's real estate portfolio, including joint ventures, is currently estimated to be $144,795,000 as compared to an original cost of $107,692,000. This unrealized gain of $37,103,000 should increase substantially as economic conditions improve.

Because of market conditions, ATCO has not yet commenced development of the ATCO Tower, at 4th Avenue and 2nd Street, S.W. in Calgary, nor the second phase of Canadian Western Centre. These projects will be deferred until the market improves or significant pre-leasing commitments are obtained.

Although the immediate outlook for further commercial development in Alberta is not encouraging, ATCO Development's property management division finds itself in a strong position with a 2% vacancy rate in its 1 million

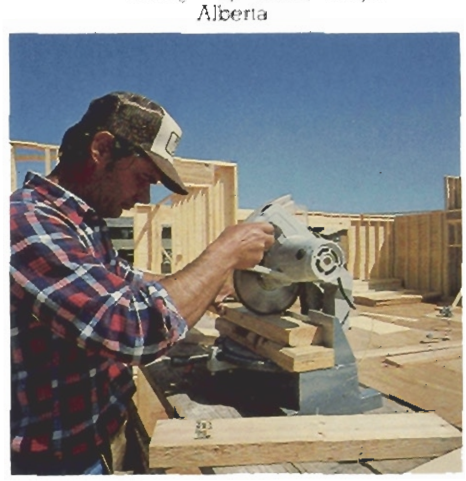
square foot portfolio of office, industrial and retail space. Until the current environment improves, the emphasis in ATCO Development will be on the provision of quality property management services. Concurrently, efforts are being made to expand the property management activity to include buildings owned by other investors.

ATCO Residential Housing

The Canadian housing industry experienced another depressed year during fiscal 1983. In recognition of this situation, ATCO rationalized its operations by virtually eliminating all inventory of houses and lots and adopting a policy of building only pre-sold homes. Without the burden of a large inventory of unsold homes the Company has the flexibility to react to market opportunities as they present themselves. This situation, combined with the outlook for lower interest rates, indicates that the upcoming year will see a much improved performance in residential housing operations.

In Australia, ATCO entered the market for site-built permanent housing. The initial project involved 150 houses and 48 apartments of brick veneer and concrete slab construction, for the Fluor/EZ Industries silver/lead/zinc project at Elura, New South Wales. Completed three months ahead of schedule, this project clearly established ATCO's capability in this new market. A follow-up contract for 50 houses and four apartments at Collinsville, Queensland for Fluor/Mount Isa Mines has also been successfully completed.

Left: ATCO's real estate portfolio is growing with the addition of Canadian Utilities Centre in Edmonton, scheduled for opening in October, 1983. *Above*: ATCO's gas and oil exploration and drilling companies' head offices are located in ATCO's Place 800, Calgary. *Below*: A policy of building only pre-sold houses was maintained by ATCO Housing Corp. during the year in Alberta.



Southco Travel maintained a steady sales volume despite poor economic conditions

ATCO/SERVICES GROUP

The divisions in the ATCO services group have developed a high degree of expertise in the areas of consulting engineering, customs brokerage and business and holiday travel. They serve their customers, including other ATCO companies, with a degree of efficiency and professionalism unsurpassed in their various fields.

Southco Travel

Southco Travel, one of the largest single-office agencies in Calgary, ticketed volumes equal to the previous year in spite of a general decline throughout the travel industry. Business travellers continued to make extensive use of the agency for their domestic and international trips. Industry forecasts indicate that competitive air fares will stimulate the lagging vacation market in the coming year.

Southco Customs Brokers

As customs brokerage throughput is directly related to the importation of goods, the revenues of Southco Customs Brokers fell as imports declined. Special emphasis was placed on processing the movement of drilling rigs into Canada and to Australia, an extension of the normal brokerage services. A group of highly skilled customs and excise tax specialists now serve importers from four Alberta locations.

ATCOR Consulting Engineering

The engineering division of ATCOR Resources Limited provides consulting services primarily related to energy development projects. The focus is on energy transportation and processing with the division playing a key role in the development of rural gas distribution systems in Alberta.

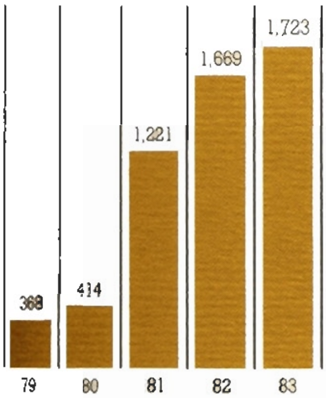
During the past year, contracts were completed in the areas of gas transmission, gas well connections and the installation of compression, telemetry and control systems. In addition, a program was conducted on behalf of the Alberta Department of Utilities and Telecommunications training operators for gas cooperatives.

ATCO Ltd.

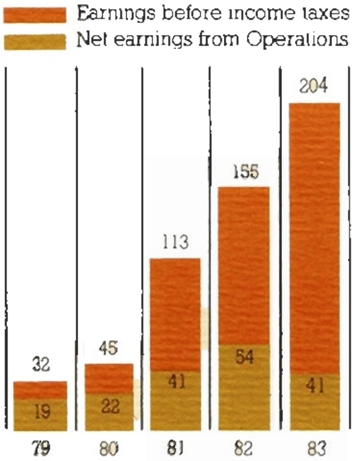
FINANCIAL CHARTS

($ in Millions)

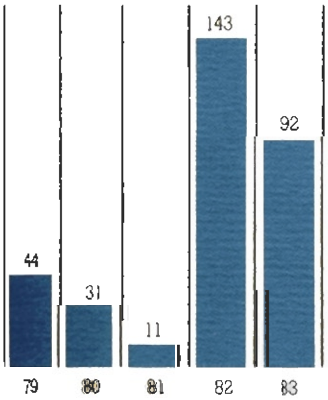
Revenue



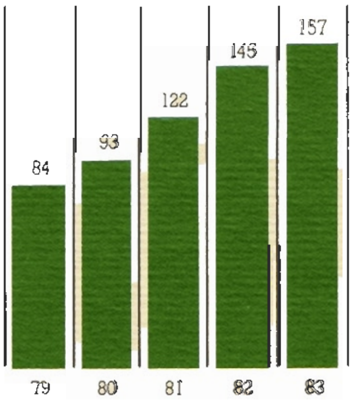
Earnings from Operations



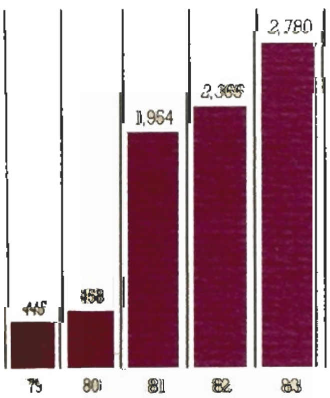
Working Capital



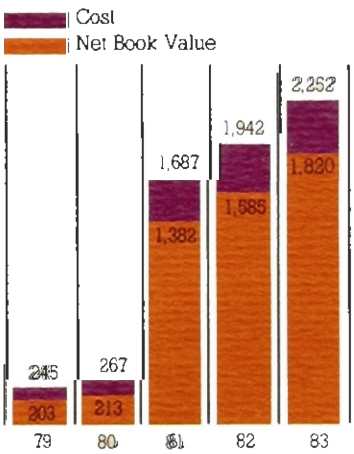
Class I and Class II Shareholders' Equity



Total Assets



Property, Plant & Equipment



FINANCIAL REVIEW

ATCO Ltd.

CONSOLIDATED SUMMARY OF EARNINGS

Years ended March 31

(Thousands of Canadian dollars)	1983	1982	1981	1980	1979
Revenues	$1,722,985	$1,668,835	$1,220,782	$413,859	$368,269
Costs and expenses	1,518,591	1,514,088	1,107,778	368,772	336,017
	204,394	154,747	113,004	45,087	32,252
Income taxes	68,260	42,973	36,501	22,735	12,676
	136,134	111,774	76,503	22,352	19,576
Minority interests	95,519	57,291	33,171	30	573
	40,615	54,483	43,332	22,322	19,003
Extraordinary item	—	—	2,776	—	—
Earnings for the year	40,615	54,483	40,556	22,322	19,003
Dividends on redeemable preferred shares	26,001	28,547	11,241	10,328	4,274
Earnings attributable to Class I and Class II shares	$ 14,614	$ 25,936	$ 29,315	$ 11,994	$ 14,729
Earnings per Class I and Class II share					
Before extraordinary item	$.90	$1.60	$2.00	$.75	$.93
After extraordinary item	$.90	$1.60	$1.83	$.75	$.93

ATCO Ltd.

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

Years ended March 31

(Thousands of Canadian dollars)	Note Reference	1983	1982
Revenues	12	$1,722,985	$1,668,835
Costs and expenses			
Natural gas supply		431,316	451,914
Taxes — other than income	13	317,356	264,938
Operating and maintenance		447,146	507,125
Selling and administrative		128,869	128,212
Depreciation, depletion and amortization		91,770	70,593
Interest	14	102,134	91,306
		1,518,591	1,514,088
		204,394	154,747
Income taxes			
Current		96,224	44,515
Deferred		(27,964)	(1,542)
	16	68,260	42,973
		136,134	111,774
Minority interests	9	95,519	57,291
Earnings for the year		40,615	54,483
Dividends on redeemable preferred shares	10	26,001	28,547
Earnings attributable to Class I and Class II shares		14,614	25,936
Retained earnings at beginning of year		137,870	115,279
		152,484	141,215
Dividends on Class I and Class II shares		3,256	3,241
Exchange adjustments on redemptions of preferred shares		260	104
Retained earnings at end of year		$ 148,968	$ 137,870
Earnings per Class I and Class II share		$.90	$1.60
Dividends paid per Class I and Class II share		20.0¢	20.0¢

ATCO Ltd.

CONSOLIDATED BALANCE SHEET

March 31

(Thousands of Canadian dollars)	Note Reference	1983	1982
Assets			
Current assets			
Cash and short term deposits		$ 162,739	$ 150,363
Investment	3	—	19,713
Accounts receivable		217,934	274,972
Inventories	5	36,286	48,409
Prepaid expenses		8,833	6,408
		425,792	499,865
Deposits		21,590	26,100
Investment in real estate development	6	85,954	68,202
Investment in TransAlta Utilities Corporation	4	244,550	—
Property, plant and equipment	7	1,819,549	1,584,756
Goodwill		143,724	156,067
Deferred financing charges and other assets		38,370	30,003
		$2,779,529	$2,365,013

(Thousands of Canadian dollars)	Note Reference	1983	1982
Liabilities and Shareholders' Equity			
Current liabilities			
Bank indebtedness		$ 6,163	$ 31,401
Accounts payable and accrued liabilities		273,326	268,518
Deposits		4,730	5,548
Income taxes payable		22,680	27,751
Long term debt due within one year		27,240	23,393
		334,139	356,611
Debt on real estate development	6	54,781	42,997
Notes payable		—	30,000
Long term debt	8	808,179	789,725
Contributions for extensions to utility plant		136,724	115,222
Deferred credits		36,603	31,987
Deferred income taxes		23,802	45,532
Minority interests	9	932,374	550,792
Redeemable preferred shares	10	296,400	257,080
Class I and Class II shareholders' equity			
Class I non-voting shares	11	5,247	4,886
Class II voting shares	11	2,312	2,311
Retained earnings		148,968	137,870
		156,527	145,067
		$2,779,529	$2,365,013

Approved by the Board.

Director

Director

ATCO Ltd.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Years ended March 31

(Thousands of Canadian dollars)	Note Reference	1983	1982
Sources of working capital			
Working capital provided by operations		$185,464	$173,157
Release of deposits		5,000	5,750
Increase in debt on real estate development	6	11,784	5,297
Proceeds on disposal of property, plant and equipment		12,716	19,338
Increase in notes payable		150,431	136,400
Issue of long term debt		57,221	181,288
Contributions for extensions to utility plant		25,988	26,895
Increase in deferred credits		4,616	10,173
Increase in minority interests from sale of gas & oil properties to CUL	3	—	20,004
Issue of shares by CUL			
Common		74,550	2,460
Preferred, net of redemptions		284,587	118,878
Issue of shares by the Company			
Class I and Class II	11	362	635
Preferred		50,000	5,000
Other		9,403	(2,782)
		872,122	702,493
Applications of working capital			
Investment in real estate development	6	17,712	14,850
Investment in TransAlta Utilities Corporation	4	244,550	—
Investment in property, plant and equipment		318,670	288,716
Increase in deferred financing charges		15,254	11,504
Reduction in notes payable		180,431	123,500
Reduction in long term debt		38,767	49,128
Redemption of preferred shares		10,680	10,680
Dividends			
Redeemable preferred shares	10	26,001	28,547
Class I and Class II shares		3,256	3,241
Minority interests		68,402	40,479
		923,723	570,645
Increase (decrease) in working capital		$(51,601)	$131,848

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1983

Note 1 — Summary of Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and 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 50.5% owned, and ATCO Saudi Arabia Ltd., which is 75% owned. The operating subsidiaries and divisions are shown on pages 42 to 44

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

Since the utility operating subsidiaries are regulated, their accounting records and policies reflect decisions made by regulatory bodies, principally the Public Utilities Board of Alberta, as part of the rate making process.

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 redeemable preferred shares in United States dollars are included in redeemable 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 dates of issue and redemption are 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 from customers and governments 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 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%

On retirement of depreciable natural gas and electric utility plant, the accumulated depreciation is charged with the cost of the retired 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

In accounting for its non-regulated gas and oil exploration and development activities, ATCO follows the full cost method whereby all costs relating to the exploration for and the development of gas and oil reserves are capitalized. These costs are depleted by the unit of production method based on estimated proven gas and oil reserves.

As Alberta gas producers, the natural 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, are included in deferred credits The natural gas utility subsidiaries, subject to the approval of the Public Utilities Board, charge the costs of unsuccessful gas exploration, net of income taxes, against these amounts

Income Taxes

Alberta Power Limited and Canadian Western Natural Gas Company Limited provide for current income taxes by claiming as deductions for tax purposes only amounts recorded in the accounts. This method is referred to as the "Normalization — All Taxes Paid" method of income tax accounting. As a result, for these companies, there will be no further increase in the amount of unrecorded deferred taxes which arose in past years when the "Flow Through" method of income tax accounting was followed.

The other utility subsidiaries follow the "Flow Through" method of income tax accounting whereby income taxes currently payable are recorded in their accounts. Deductions claimed in calculating the amount of current taxes exceed costs charged in the accounts with the result that income taxes payable are reduced and unrecorded deferred taxes are increased.

The utility subsidiaries are permitted to record deferred income taxes with respect to deferred gas exploration and share issue costs

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

Deferred Financing 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.

Note 2 — Change in Accounting Policy

Prior to January 1, 1983, the natural gas utility subsidiaries charged natural gas supply costs to monthly earnings based on a standard unit cost applied to the volume of gas sold on a cycle billing basis. The costs recorded were adjusted at December 31 to actual.

Effective January 1, 1983, natural gas supply costs are being charged to earnings on the basis of actual costs for volumes consumed in the calendar month, while revenues continue to be recorded on a cycle billing basis

The change increased consolidated earnings by $1,856,000. The effect on prior years earnings is not significant; accordingly earnings in those years have not been restated and the cumulative effect has been recorded in the current year.

Note 3 — Sale of CUL Shares to Nu-West Group Limited

On December 15, 1981, the gas and oil properties owned by three ATCO subsidiaries were sold to CUL for 2,434,882 common shares of CUL. 950,000 of the CUL shares received were recorded as an investment in the amount of $19,713,000 in the consolidated balance sheet at March 31, 1982 and were subsequently sold on June 1, 1982 to Nu-West Group Limited for $20,235,000 cash. The difference of $522,000 between the proceeds and the carrying value has been recorded as a reduction in goodwill, the transaction being considered part of a series of transactions the purpose of which was to ensure ATCO's ability to maintain ongoing control of CUL (see Note 4)

Note 4 — Investment in TransAlta Utilities Corporation

On June 1, 1982, CUL acquired 11,431,651 common shares, 1,540,295 Convertible Second Preferred Shares, 15,000 Second Preferred Shares and 3,852 First Preferred Shares of TransAlta Utilities Corporation from Nu-West Group Limited for $170,000,000 cash and 3,500,000 common shares of CUL issued at an assigned value of $74,550,000 ($21.30 per share) In conjunction with these transactions, Nu-West and ATCO entered into a voting trust agreement which provides ATCO with voting control over at least two-thirds of the issued Class B common shares of CUL until June 1, 1983, and later in certain circumstances

The effects of the issue of 3,500,000 shares by CUL to Nu-West were to increase minority interests by $69,900,000 and to decrease goodwill by $18,000,000 as a result of the decrease in ATCO's interest in CUL from 58.1% to 50.5%. The difference between the total of these two amounts and the $74,550,000 increase in assets is considered to be a further cost to ATCO of its investment in CUL which ensures ATCO's ability to maintain ongoing control of CUL. Accordingly, the difference of $13,350,000 was recorded as goodwill.

On August 3, 1982, ATCO Ltd., CUL and TransAlta Utilities entered into an agreement providing for the divestiture of the interlocking equity ownership positions held by CUL and TransAlta Utilities. Subject to market conditions prevailing from time to time, the intended divestiture period is three years, with a provision for extension of up to two additional years.

On December 1, 1982, CUL issued for each CUL Series H Preferred Share (12,971,900 outstanding at December 1, 1982 and March 31, 1983) a warrant entitling the bearer to purchase one Class A common share of TransAlta Utilities owned by CUL at a price of $22.25 per share on or before November 1, 1987. Any gain resulting from the exercise of the warrants will be recorded at the exercise date.

The investment in TransAlta Utilities is being accounted for by the cost method, whereby income is recorded only to the extent of dividends declared.

Note 5 — Inventories

(Thousands of dollars)	1983	1982
Materials, parts and supplies	$ 7,293	$11,823
Manufacturing work in progress	4,019	5,163
Finished units	6,611	11,853
Utility materials and supplies	18,363	19,570
	$36,286	$48,409

Note 6 — Real Estate Development

(Thousands of dollars)	1983	1982
Investment		
Land held for development	$ 3,544	$ 5,659
Properties under development	25,538	29,052
Canadian Western Centre	22,661	—
Equity in ALDC Partnership	15,100	16,641
Equity in joint ventures	19,111	16,850
	$85,954	$68,202

The Canadian Western Centre is Canadian Western Natural Gas Company Limited's head office in Calgary. Properties under development include the Canadian Utilities Centre which will be CUL's head office in Edmonton.

ATCO's share of the joint ventures' and partnership's earnings amounted to $419,000 (1982 — $3,562,000) and is included in sales, rentals and service revenue.

(Thousands of dollars)	1983	1982
Debt related to		
Land held for development:		
Land inventory payables	$ 143	$ 900
Properties under development		
Construction mortgages payable	2,356	5,149
Bank loans at prime plus ½% secured by housing inventories	710	4,300
Interim financing on development projects, at prime plus ¼% secured by charges on the specific projects	10,200	10,350
	13,266	19,799
Canadian Western Centre:		
Term loan, at prime, due December 31, 1997, secured by a first charge on the building. No principal payments are required over the next five years	18,000	—
ALDC Partnership		
Bank loan, at prime plus 2¾%, due December 31, 1992, secured by assignment of partnership interest in ALDC Partnership	9,188	9,619
Joint ventures		
Interim and long term financing on projects, at prime to prime plus ¾%, due at various dates to December 31, 1987, secured by charges on specific joint venture projects	14,184	12,679
	$54,781	$42,997

Under certain limited circumstances, the bank loan of $9,188,000 related to the partnership interest in ALDC Partnership is payable on demand.

Note 7 — Property, Plant and Equipment

(Thousands of dollars)	1983		1982	
	Cost	Accumulated Depreciation and Depletion	Cost	Accumulated Depreciation and Depletion
Electric utility plant and equipment	$1,061,993	$167,790	$ 902,854	$135,024
Natural gas utility plant and equipment	766,325	166,547	641,052	147,976
Drilling and well servicing rigs and related equipment	185,393	42,914	185,705	30,488
Rental assets	87,002	19,028	75,295	14,394
Other plant and equipment	41,950	14,541	42,346	11,362
Gas and oil properties	40,629	9,333	31,328	6,411
Deferred gas exploration	29,400	—	28,567	—
Land, buildings and improvements	39,393	12,383	35,129	11,865
	$2,252,085	$432,536	$1,942,276	$357,520
	$1,819,549		$1,584,756	

Note 8 — Long Term Debt

(Thousands of dollars)	1983	1982
227095 Holdings Ltd.		
Term loans, at prime plus ⅞%, due April 1, 1993, secured by Class A non-voting and Class B common shares of CUL owned by the company and its subsidiaries and by a second charge on the assets of ATCO Drilling Holdings Ltd.	$200,000	$200,000
ATCO Drilling Holdings Ltd.		
Income debentures, at approximately 52% of prime plus 1¼% 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 ($14,439, 1982 — $20,055)	17,077	23,514
Payable in Canadian dollars	7,131	9,904
CUL and Subsidiaries		
Sinking fund debentures at 7¼% to 17¼%, due at various dates to 2002	461,792	435,357
First mortgage sinking fund bonds, at 5½% to 9¾%, due at various dates to 1994	49,714	51,057
Capitalized lease obligation	22,570	23,233
Other		
Mortgage and other loans, at 8% to prime plus 1%, due at various dates to 1996, secured mainly by charges on specific operating assets	77,135	70,053
	835,419	813,118
Less: Amounts due within one year	27,240	23,393
	$808,179	$789,725

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, intercompany loans, fees, guarantees and performance bonds and letters of credit. Covenants also require maintenance of voting control of CUL, specified working capital and debt to equity ratios and continued ownership, either directly or indirectly, by 474243 Ontario Ltd. of the CUL shares purchased on March 31, 1981.

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.

CUL leases, with an option to purchase, a dragline costing $24,818,000 which is included in electric utility plant and equipment. The future minimum payments are $2,421,000 per year for the next five years and $27,119,000 thereafter to June 30, 1996. The imputed interest included in these future minimum rentals at 7.62% implicit in the lease is $16,653,000.

The minimum annual repayments of long term debt over each of the next five fiscal years are as follows:

(Thousands of dollars)				
1984	1985	1986	1987	1988
$27,240	$33,152	$38,188	$42,718	$76,884

Note 9 — Minority Interests

(Thousands of dollars)	1983	1982
Equity of minority interests in:		
Preferred shares of CUL and subsidiaries	$654,360	$369,773
Class A non-voting and Class B common shares of CUL	276,882	179,931
Common shares of ATCO Saudi Arabia Ltd.	1,132	1,088
	$932,374	$550,792
CUL earnings for the year	$94,902	$56,712
ATCO Saudi Arabia Ltd. earnings for the year	617	579
	$95,519	$57,291

Note 10 — Redeemable Preferred Shares

(Thousands of dollars)	1983	1982
Issued by:		
ATCO Ltd.	$ 66,300	$ 16,300
ATCO Holdings (N.A.) Ltd.	80,100	90,780
474243 Ontario Ltd.	150,000	150,000
Total issued (detailed below)	$296,400	$257,080

ATCO Ltd.

1983 1982	Issued Shares	 Amount	Average Prime Rate	Dividends
Preferred Shares				
Par value $25 each				
Authorized 8,000,000 shares				
Series 2, issued in				
U.S. dollars	**400,000**	**$11,300**	**14.0%**	**$1,118**
	400,000	$11,300	18.5%	$1,354
Junior Preferred Shares				
Par value $25 each				
Authorized 8,000,000 shares				
Series 1	**200,000**	**5,000**	**14.8%**	**470**
	200,000	5,000	19.0%	458
Series 2	**2,000,000**	**50,000**	**N/A**	**2,781**
	—	—	—	—
		$66,300		**$4,369**
		$16,300		$1,812

The Series 2 Preferred Shares were redeemed on April 4, 1983 (see Note 19).

The Series 1 Junior Preferred Shares are redeemable June 16, 1991 (or earlier under certain circumstances). Dividends are payable quarterly, calculated daily at one-half the prime rate plus 2%

The Series 2 Junior Preferred Shares are redeemable from October 1, 1987 (or earlier under certain circumstances) and may be converted into 2.86 Class I non-voting shares for each convertible preferred share prior to September 29, 1989. 5,720,000 Class I non-voting shares have been reserved for this purpose. The redemption price is $26.25 from October 1, 1987 to September 30, 1988 and declines $.25 per share per year to $25.00 on October 1, 1992, and thereafter. Dividends are payable quarterly at a fixed rate of $.71875 per share

ATCO Holdings (N.A.) Ltd.

1983 1982	Issued Shares	 Amount	Average Prime Rate	Dividends
First Preferred Shares				
Par value $100 each				
Authorized 800,000 shares				
Series A, issued in				
U.S. dollars	**300,000**	**$35,100**	**14.0%**	**$ 3,396**
	340,000	$39,780	18.5%	$ 4,681
Series B	**300,000**	**30,000**	**14.8%**	**2,860**
	340,000	34,000	19.0%	3,994
Second Preferred Shares				
Par value $100 each				
Authorized 400,000 shares				
Series 1	**150,000**	**15,000**	**14.8%**	**1,430**
	170,000	17,000	19.0%	1,999
		$80,100		**$ 7,686**
		$90,780		$10,674

The Series A and B First Preferred Shares, which may be redeemed earlier subject to certain restrictions and penalties, are redeemable, at par, in equal semi-annual installments of U.S. $2,000,000 and Canadian $2,000,000 to April 1, 1990

The Series 1, Second Preferred Shares were redeemed on April 4, 1983 (see Note 19).

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

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, intercompany 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.

1983 / 1982	Issued Shares	Issued Amount	Average Prime Rate	Dividends
Preference Shares				
Par value $1,000 each				
Authorized 150,000 shares				
Classes A-G	**150,000**	**$150,000**	**14.8%**	**$13,946**
	150,000	$150,000	18.9%	$16,061

Commencing May 1, 1985, the issued preference shares are redeemable, at par, at 1.25% per quarter 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 at the following rates, calculated daily

Classes A-D ($75,000,000)	50% of prime plus 2%
Classes E-F ($25,000,000)	50% of prime plus 1⅞%
Class G ($50,000,000)	52% of prime plus 1½%

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

Note 11 — Class I and Class II Shares

Shares without nominal or par value.

	Class I Non-Voting		Class II Voting		Total	
	Shares	Consideration	Shares	Consideration	Shares	Consideration
Authorized	100,000,000		50,000,000		150,000,000	
Issued:						
March 31, 1981	10,727,875	$4,376,000	5,360,435	$2,186,000	16,088,310	$6,562,000
Employee share option plans	101,860	441,000	44,430	194,000	146,290	635,000
Conversions	159,081	69,000	(159,081)	(69,000)	—	—
March 31, 1982	10,988,816	4,886,000	5,245,784	2,311,000	16,234,600	7,197,000
Employee share option plans	53,270	232,000	29,635	130,000	82,905	362,000
Conversions	284,016	129,000	(284,016)	(129,000)	—	—
March 31, 1983	11,326,102	$5,247,000	4,991,403	$2,312,000	16,317,505	$7,559,000

Each Class II voting share may be converted to one Class I non voting share at the shareholder's option. The two classes of shares rank equally in all other respects.

Share Options and Equivalents

ATCO has share option plans under which options to purchase 994,740 Class I non-voting and 217,260 Class II voting shares may be granted to selected directors, officers and key employees. The options are exercisable cumulatively over periods up to ten years from the date of grant.

Options to purchase 659 520 Class I non voting and 217 260 Class II voting shares have been granted under the plan, of which 359 530 and 60 765, respectively, were outstanding at March 31, 1983 at prices ranging from $4.05 to $8.25 per share.

In conjunction with the above plan ATCO has a long term incentive compensation plan under which 876 180 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 Class I and Class II shares plus deemed dividends. In 1983 $875 000 was charged to earnings in connection with this plan (1982 — $233,000).

Note 12 — Revenues

(Thousands of dollars)	1983	1982
Sales, rentals and service	$1,677,778	$1 638,829
Interest income	26,188	15,721
Dividends from TransAlta Utilities Corporation	13,740	—
Gain on disposal of property, plant and equipment	385	3,760
Gain on purchase of long term debt	1,137	4,129
Exchange gains (losses)		
Operating	1,346	2,417
Translation	(1,210)	(974)
Other	3,621	4,953
	$1,722,985	$1 668,835

Note 13 — Taxes — Other Than Income

(Thousands of dollars)	1983	1982
Federal natural gas and gas liquids taxes	$198,759	$157,334
Federal petroleum and natural gas revenue taxes	5,847	5,101
Federal Canadian ownership taxes	43,128	44,808
	247,734	207,243
Franchise taxes	52,779	43,513
Other	16,843	14,182
	$317,356	$264,938

Note 14 — Interest

(Thousands of dollars)	1983	1982
Incurred	$127,011	$118,530
Capitalized	(13,071)	(15,349)
Allowance for equity funds used during construction	(11,806)	(11,875)
	(24,877)	(27,224)
Expensed	$102,134	$ 91,306
Expensed on non-current liabilities	$ 85,982	$ 75,298

Note 15 — Segmented Information

(Thousands of dollars)

By Industry **1983** 1982	Electric Utility Operations	Gas Utility Operations	Drilling and Well Servicing	Other Energy	Manu-facturing	Real Estate & Property Develop-ment	Other	Con-solidated*
Revenues								
Trade	**$320,977**	**$951,048**	**$ 85,802**	**$119,065**	**$189,643**	**$15,722**	**$ 40,728**	**$1,722,985**
	$235,106	$865,352	$165,646	$ 68,615	$280,619	$34,196	$ 19,301	$1,668,835
Inter-segment	**215**	**18,818**	**3,845**	**4,668**	**1,134**	**10,104**	**4,639**	—
	557	18,654	864	18	2,888	3,494	3,150	—
Total segment revenues	**321,192**	**969,866**	**89,647**	**123,733**	**190,777**	**25,826**	**45,367**	**1,722,985**
	235,663	884,006	166,510	68,633	283,507	37,690	22,451	1,668,835
Expenses:								
Operating costs	**138,490**	**854,815**	**77,350**	**102,624**	**163,730**	**23,287**	**6,580**	**1,324,687**
	114,553	811,154	119,150	57,202	236,813	33,279	9,085	1,352,189
Depreciation, depletion and amortization	**32,742**	**20,162**	**15,893**	**4,646**	**11,050**	**330**	**3,491**	**91,770**
	23,764	14,142	14,518	3,528	10,265	142	561	70,593
Total segment expenses	**171,232**	**874,977**	**93,243**	**107,270**	**174,780**	**23,617**	**10,071**	**1,416,457**
	138,317	825,296	133,668	60,730	247,078	33,421	9,646	1,422,782
Segment operating profit (loss)	**$149,960**	**$ 94,889**	**$ (3,596)**	**$ 16,463**	**$ 15,997**	**$ 2,209**	**$ 35,296**	**$ 306,528**
	$ 97,346	$ 58,710	$ 32,842	$ 7,903	$ 36,429	$ 4,269	$ 12,805	$ 246,053
Identifiable assets	**$937,773**	**$785,569**	**$169,214**	**$ 69,555**	**$141,659**	**$87,275**	**$458,485**	**$2,779,529**
	$823,125	$659,158	$198,185	$ 61,088	$177,616	$73,070	$217,137	$2,365,013
Capital expenditures	**$157,841**	**$136,608**	**$ 3,230**	**$ 9,176**	**$ 26,486**	**$17,712**	**$244,565**	**$ 580,932**
	$146,628	$ 84,850	$ 31,228	$ 8,926	$ 31,796	$15,117	$ 446	$ 303,566

By Geographical Location **1983** 1982	Canada	Other	Consolidated*
Revenues:			
Trade	**$1,564,508**	**$158,477**	**$1,722,985**
	$1,415,181	$253,654	$1,668,835
Inter-segment	**7,877**	**(2,953)**	—
	16,506	4,042	—
Total segment revenues	**1,572,385**	**155,524**	**1,722,985**
	1,431,687	257,696	1,668,835
Expenses:			
Operating costs	**1,199,264**	**133,751**	**1,324,687**
	1,165,417	193,653	1,352,189
Depreciation, depletion and amortization	**77,756**	**14,754**	**91,770**
	59,010	12,450	70,593
Total segment expenses	**1,277,020**	**148,505**	**1,416,457**
	1,224,427	206,103	1,422,782
Segment operating profit	**$ 295,365**	**$ 7,019**	**$ 306,528**
	$ 207,260	$ 51,593	$ 246,053
Identifiable assets	**$2,461,714**	**$192,003**	**$2,779,529**
	$1,958,223	$253,173	$2,365,013

*Inter-segment transactions have been eliminated in the consolidated columns.

	1983	1982
Segment operating profit	$306,528	$246,053
Interest	102,134	91,306
Income taxes	68,260	42,973
Minority interests	95,519	57,291
	265,913	191,570
Earnings for the year	$ 40,615	$ 54,483

Note 16 — Income Taxes

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

(Thousands of dollars)	1983	1982
Earnings before income taxes and minority interests	$204,394	$154,747
Income taxes at statutory rate	$ 99,336	$ 75,516
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	(15,281)	(23,774)
Crown royalties and other non-deductible government payments	12,247	11,579
Earned depletion and resource allowance	(9,997)	(8,130)
Taxes related to amounts allocated to assets in excess of tax values on share acquisitions	2,770	4,603
Foreign tax rate differences	(8,494)	(7,393)
Non-taxable portion of capital gains	(656)	(3,610)
Investment tax credits	(2,071)	(4,639)
Income debenture interest	1,112	1,740
Provincial rebates	(4,269)	(3,469)
Non-taxable dividends	(6,740)	—
Other	303	550
	$ 68,260	$ 42,973
Effective rate	33.4%	27.8%

As described in the Summary of Significant Accounting Policies, a provision for certain deferred taxes is not recorded by the utility subsidiaries. Unrecorded deferred taxes of the utility subsidiaries increased during the year by $11,536,000 (1982 — $14,885,000) to an accumulated amount of $133,797,000.

Note 17 — Remuneration of Officers and Directors

The aggregate direct remuneration of directors and senior officers amounted to $2,323,000 (1982 — $3,296,000).

Note 18 — 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 $6,604,000 for 1983 (1982 — $9,566,000). Future minimum lease payments are as follows

(Thousands of dollars)

1984	1985	1986	1987	1988	Total of All Subsequent Years
$6,838	$5,082	$4,145	$3,602	$3,006	$3,995

United States treasury officials are investigating the basis followed by ATCO in determining certain 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 above those amounts already provided in the accounts 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 $2,764,000 (1982 — $8,100,000). 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.

Alberta Power Limited has a 50% joint ownership in the Sheerness Generating Station which is under construction. The project is forecasted to cost the company approximately $500,000,000 of which $127,350,000 has been expended to date. All phases of this project are expected to be completed by 1986.

ATCO has pension plans covering substantially all of its employees. The aggregate unfunded past service liability, all of which is attributable to CUL, amounted to approximately $27,986,000 at March 31, 1983 (1982 — $29,900,000) and is being funded over a period not exceeding 14 years.

As part of the financing of the June 19, 1980 acquisition of shares of CUL, ATCO has agreed to pay the lenders and preferred shareholders 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 15, 1992. Payment may be made in cash or, at ATCO's option, by the issue of an appropriate number of Class I shares of ATCO Ltd. based on their then quoted market price.

Note 19 — Subsequent Events

On April 4, 1983, ATCO redeemed all of the Series 2 Preferred Shares of ATCO Ltd. and the Series 1, Second Preferred Shares of ATCO Holdings (N.A.) Ltd. for U.S. $10,000,000 and $15,000,000, respectively. The $950,000 foreign exchange adjustment on the redemption of the Series 2 Preferred Shares will be charged to retained earnings. The deposits of $21,590,000 at March 31, 1983 were used towards these redemptions.

On April 4, 1983, an agreement was signed providing term loan facilities of $32,000,000 and U.S. $10,000,000. Loans of $8,950,000 bearing interest at prime minus ¾%, $2,000,000 bearing interest at 52% of prime plus 1½% and U.S. $10,000,000 bearing interest at 50% of U.S. prime plus 2% were drawn down on that date. The agreement provides for conversion of the $2,000,000 loan over a one year period and the U.S. $10,000,000 loan over a ten year period to Canadian dollar loans bearing interest at prime minus ¾% or, alternatively, repayment over the same periods. Except for $8,500,000 which is due December 1987, all converted loans and future drawdowns are due June 30, 1994. The loans are secured by a first charge on the Canadian Utilities Centre in Edmonton and a second charge on the Canadian Western Centre in Calgary. Pursuant to the agreement, an advisory fee aggregating $3,100,000 is payable in the calendar years 1983 to 1994, which advisory fee is subject to reduction based on prepayments and loan facility cancellations.

On April 12, 1983, ATCO filed a preliminary prospectus for a proposed issue of additional Class I non-voting shares. On June 13, 1983, CUL filed preliminary prospectuses for proposed issues of Class A non-voting shares and Cumulative Redeemable Second Preferred Shares Series 1.

Note 20 — Comparative Figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for 1983.

AUDITORS' REPORT

To the Shareholders of ATCO Ltd.

We have examined the consolidated balance sheet of ATCO Ltd. as at March 31, 1983 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at March 31, 1983 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. Except for the change in the method of accounting for natural gas supply costs as explained in Note 2 to the financial statements, these principles have been applied on a basis consistent with that of the preceding year.

Price Waterhouse

Chartered Accountants

Calgary, Alberta
June 1, 1983 (except as to
Note 19 for which the
date is June 13, 1983)

CORPORATE INFORMATION

DIRECTORS

W. L. Britton
Partner, Bennett Jones
Calgary

B. P. Drummond ●
Vice Chairman, Richardson
Greenshields of Canada Limited
Montreal

B. K. French
President
Karusel Management Ltd.
Calgary

G. P. Kiefer ●☆
President
ATCO Industries (N.A.) Ltd.

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

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

R. Rice ●
Senior Vice President, Citibank N.A.
New York

C. S. Richardson ☆
Senior Vice President, Finance
ATCO Ltd.

N. W. Robertson ☆
Executive 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
ATCO Ltd.

O. Steiner ☆
President
ATCO Housing & Development Ltd.

J. D. Wood ☆
President & Chief Executive Officer
ATCOR Resources

● Member — Audit Committee
☆ Member — Executive Committee

OFFICERS

S. D. Southern
Chairman of the Board

R. D. Southern
President & Chief Executive Officer

N. W. Robertson
Executive 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

D. P. Wood
Vice President, Corporate Services
& Corporate Secretary

M. Durdle
Assistant Secretary

CORPORATE HEAD OFFICE

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Tel. (403) 276-1101
Telex. 03-822697

S. D. Southern
Chairman of the Board

R. D. Southern
President and Chief Executive
Officer

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

C. S. Richardson
Senior Vice President, Finance

G. P. Kiefer
President, ATCO Industries
(N.A.) Ltd.

K. B. Purdie
Vice President, Controller

D. P. Wood
Vice President, Corporate Services
& Corporate Secretary

T. G. Johnson
General Manager, Advertising &
Public Relations

GROUP HEAD OFFICES

ATCO Drilling Ltd.
Canadian Drilling, Well Servicing
and Oilfield Equipment
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Telex: 03-821313

ATCO Energy Inc.
U.S. Drilling and Well Servicing
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Houston, Texas 77042
Tel. (713) 777-9199
Telex 774285

ATCO Housing & Development Ltd.
Housing and Development
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ATCO Industries (Aust.) Pty. Ltd.
Manufacturing and Australian
Drilling
33-35 Barfield Crescent
Elizabeth West, South Australia 5112
Tel: (08) 255-1422
Telex: 71-82455

Canadian Utilities Limited
Utilities
10040 - 104 Street
Edmonton, Alberta T5J 2V6
Tel. (403) 420-7310
Telex. 03-72848
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UTILITIES GROUP

Alberta Power Limited
Generation and Distribution of Electricity
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Canadian Western Natural Gas Company Limited
Production, Transmission and Distribution of Natural Gas
909 - 11th Avenue S.W.
Calgary, Alberta T2R 1L8
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Telex: 03-824521

Northwestern Utilities Limited
Production, Transmission and Distribution of Natural Gas
10040 - 104 Street
Edmonton, Alberta T5J 2S3
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Telex: 03-72848
TWX: 610-831-1142

The Yukon Electrical Company Limited
Yukon Hydro Company Limited
Generation and Distribution of Electricity
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Tel. (403) 668-5211
Telex: 04-98229

GAS AND OIL GROUP

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Rocky Mountain Division
Oil and Gas Drilling
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Field Office:
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ATCO Drilling Inc.
Southern Division
Oil and Gas Drilling
10590 Westoffice Drive
Suite 200
Houston, Texas 77042
Tel: (713) 777-9199
Telex: 774285
Field Offices:
Bryan, Texas
Elk City, Oklahoma

ATCO Drilling Ltd.
Bow Island Division
Oil and Gas Drilling (shallow)
Mustang Division
Oil and Gas Drilling (deep)
700, 800 - 6th Avenue S.W.
Calgary, Alberta T2P 0T8
Tel (403) 263-1215
Telex. 03-821313
Field Office:
Nisku, Alberta

ATCO Marine Exploration Ltd.
Oil and Gas Exploration and Development of Frontier Lands
700, 800 - 6th Avenue S.W.
Calgary, Alberta T2P 0T8
Tel (403) 263-1215
Telex: 03-821313

ATCO Oilfield Equipment
Oilfield Equipment Rentals and Sales
9755 - 51 Avenue
Edmonton, Alberta T6E 4Z5
Tel: (403) 436-2680
Telex. 037-3650
Sales Office
Grande Prairie, Alberta

ATCO Well Servicing
Northern Division
Oil and Gas Well Completion and Workover Rigs
7774 - 47 Avenue Close
P.O. Box 890
Red Deer, Alberta T4N 5H3
Tel: (403) 346-8921
Telex. 03-83237
Sales Office
Calgary, Alberta

ATCO Well Servicing Inc.
Southern Division
Oil and Gas Well Completion and Workover Rigs
7454 Leopard,
P.O. Box 9198,
Corpus Christi, Texas 78408
Tel: (512) 289-1606
Telex 00-767711
Sales Office: Houston, Texas

ATCO-APM Drilling Pty. Ltd.
Oil and Gas Drilling
Administration Office
33-35 Barfield Crescent
Elizabeth West, South Australia 5112
Tel. (08) 252-2633
Telex. 71-82455
Operations Office:
Toowoomba, Queensland

ATCO Zapata Off-Shore Ltd.
Joint Venture with Zapata Corporation in Offshore Drilling Activities
700, 800 - 6th Avenue S.W.
Calgary, Alberta T2P 0T8
Tel: (403) 263-1215
Telex: 03-821313

ATCOR Resources Limited
Natural Resources Development, Consulting Engineering Services and Petrochemicals
800, 800 - 6th Avenue S.W.
Calgary, Alberta T2P 0T8
Tel: (403) 264-7642
Telex: 03-821313

MANUFACTURING GROUP

ATCO Components
Cabinetry Systems, Millwork and Interiors Contracting
5115 Crowchild Trail S.W.
Calgary, Alberta T3E 1T9
Tel (403) 246-1111
Telex: 03-824514

ATCO Eastern
Rental of Office and Industrial Units and Sale of New and Used Mobile Office and Industrial Equipment
7213 Cordner
Lasalle, Quebec H8N 2J7
Tel (514) 363-4430
Telex: 05-566175
Branch Sales Offices.
Dartmouth, Nova Scotia
Ottawa, Ontario
Quebec City, Quebec
Toronto, Ontario

ATCO Homes (South Australia)
Manufacture of Modular Housing
33-35 Barfield Crescent
Elizabeth West, South Australia 5112
Tel: (08) 255-1422
Telex 71-82308
Branch Sales Office.
Gepps Cross, South Australia

ATCO International
Manufacture of Industrial Camps, Community Structures, Offices, Metal Buildings, Schools, Houses and 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
Manufacture of Roll-Form Cladding and Decking, Pre-Engineered Metal Buildings and 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:
Vancouver, B.C.
Spruce Grove, Alberta

ATCO Pacific
Manufacture Rental and Sales of Industrial, Commercial and Community Structures
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 Saudi Arabia Ltd.
Manufacture of Industrial Camps, Community Structures, Offices, Metal Buildings, Schools, Housing and Construction Services
P O Box 2631
Dammam
Kingdom of Saudi Arabia
Tel (03) 857 7393
Telex (495) 601712

ATCO Structures
Manufacture, Rental and Sales of Industrial, Commercial and Community Relocatable Structures
5115 Crowchild Trail S W
Calgary, Alberta T3E 1T9
Tel (403) 240-6200
Telex 03-822852
Branch Sales Offices
Spruce Grove, Alberta
Regina, Saskatchewan
Saskatoon, Saskatchewan
Winnipeg Manitoba

ATCO Structures (Queensland)
Manufacture Rental and Sales of Industrial, Commercial and Community Structures
4 Formation Street
Wacol, Brisbane 4076
Tel (07) 271-2288
Telex 71-42006

ATCO Structures (South Australia)
Manufacture, Rental and Sales of Industrial, Commercial and Community Structures Metal Buildings and Fabrication
33-35 Barfield Crescent
Elizabeth West, South Australia 5112
Tel (08) 255-1422
Telex 71-82308
Branch Sales Offices
Melbourne, Victoria
Sydney New South Wales
Steel Division,
15 Fisher Street
Salisbury, South Australia 5108
Tel (08) 258-4017
Telex 71-82308

ATCO Structures (West Australia)
Manufacture, Rental and Sales of Industrial, Commercial and Community Structures
41-47 Wellard Street
Spearwood Perth
West Australia 6163
Tel (09) 418-3444
Telex 71 94966

ATCO Structures Inc.
Manufacture Rental and Sales of Industrial, Commercial and Community Structures
2161 E. 88th Avenue
Anchorage, Alaska 99507
Tel (907) 349-4531
Telex 03-0525212
Branch Sales Office
Denver Colorado

REAL ESTATE GROUP

ATCO Development Corporation
Land and Property Development
615 - 18th Street S E
Calgary, Alberta T2E 6J5
Tel (403) 248-1122

Branch Office
Milner Building
10040 - 104 Street
Edmonton, Alberta T5J 2V6
Tel (403) 452-2480

ATCO Housing Corp
(Alberta South)
Single and Multi-Family Housing
615 - 18th Street S E
Calgary Alberta T2E 6J5
Tel (403) 248-1122

ATCO Housing Corp
(Alberta Central)
Single and Multi-Family Housing
#3, 7619 - 50 Avenue
Red Deer Alberta T4P 1M6
Tel (403) 343-7877

SERVICES GROUP

ATCOR Resources Limited
Natural Resources Development, Consulting Engineering Services and Petrochemicals
800, 800 - 6th Avenue S W.
Calgary, Alberta T2P 0T8
Tel (403) 264-7642

Southco Travel
Travel Agency
1243B McKnight Blvd N E
Calgary Alberta T2E 5T2
Vacation Dept (403) 230 2911
Bus Travel Dept (403) 276-9991
Telex 03-822697

Southco Customs Brokers
Customs Brokerage and Freight Forwarding
P O Box 2960, Stn M
Rm 270 220 4th Avenue S E
Calgary, Alberta T2P 3C3
Tel (403) 265-5015
Telex 038-24667
Branch Offices
Edmonton Alberta
Medicine Hat, Alberta
Coutts, Alberta

OTHER

InterATCO BV
InterATCO Drilling BV
Financial Holding Companies
World Trade Centre
134 Meent, Suite 508
P O Box 30055
3001 DB Rotterdam
The Netherlands
Tel (010) 116613
Telex 26678 ITCONL
Branch Office
Fribourg, Switzerland

ReATCO Ltd.
Insurance
Dorchester House
P O Box 2020
Hamilton 5, Bermuda
Tel (809) 295-0265
Telex 3311 INMAN BA

SHAREHOLDERS INFORMATION

Shareholder and security analyst inquiries should be directed to:

SENIOR VICE PRESIDENT, FINANCE
ATCO Ltd.
1243 McKnight Blvd. N.E.
Calgary, Alberta T2E 5T2
Telephone (403) 276-1101

Dividend information and other inquiries concerning your shares should be directed to:

STOCK TRANSFER DEPARTMENT
National Trust Company, Limited
150 Toronto Dominion Square
320 - 8th Avenue S.W.
Calgary, Alberta T2P 3B2

The common shares of ATCO Ltd. are listed under the ticker symbols
ACO.X (Class I — non-voting)
ACO.Y (Class II — voting)
ACO.Pr.A (11½% Cumulative Redeemable Convertible Junior Preferred Shares, Series 2)
on the Toronto Stock Exchange.

ATCO's fiscal year ends on March 31. Dividends are mailed approximately the end of September, December, March and June.

ATCO Ltd. is incorporated under the laws of the Province of Alberta.

CORPORATE OFFICE
ATCO Ltd., Calgary, Alberta

AUDITORS
Price Waterhouse, Calgary, Alberta

COUNSEL
Bennett Jones, Calgary, Alberta

The annual shareholders' meeting will be held at 10 a.m. M.D.T. on Wednesday, August 17, 1983 in the Calgary Convention Centre, Calgary, Alberta.

ATCO

ATCO Ltd.
World Headquarters
1243 McKnight Blvd. N.E.
Calgary, Alberta, Canada
T2E 5T2

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