Silcorp Limited

Mac's

mike's mart

NORTHMAR DISTRIBUTORS

1995 Annual Report

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Corporate Information

Head Office
10 Commander Boulevard
Scarborough, Ontario M1S 3T2

Tel: (416) 291-4441
Fax: (416) 291-4947

Transfer Agent
The R-M Trust Company
Montreal, Toronto, Calgary and Vancouver

Listed - Sil
Common Shares - The Toronto Stock Exchange

Former Class "A" Non-Voting Shares and Class "B" Shares were changed effective May 17, 1993 into Common Shares

Auditors
Ernst & Young
Chartered Accountants
Toronto, Ontario

The Annual and Special Meeting of Shareholders will be held on Friday, May 3, 1996 at 11:00 a.m. at the Glenn Gould Studio, Canadian Broadcasting Centre, 250 Front Street West, Toronto, Ontario.

Corporate Profile

Silcorp Limited, headquartered in Scarborough, Ontario, is one of the largest convenience store operators in Canada, with 520 convenience stores in Ontario and Western Canada operating under the **Mac's** and **Mike's Mart** banners. **Northmar Distributors** plays an important role in the distribution of merchandise to the Company's Ontario convenience store network. In Michigan, the Company operates a profitable chain of 50 convenience stores under the **Hop-In** banner as well as **Gal Corp**, a distributor of gasoline, home fuel oil and related products.

Corporate Vision

Our corporate purpose and governing direction for the future is:

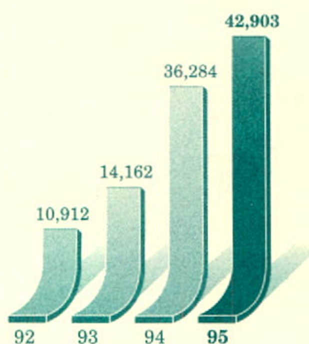
"To create a customer focused network
where every retail associate is a success story."

Corporate Mission

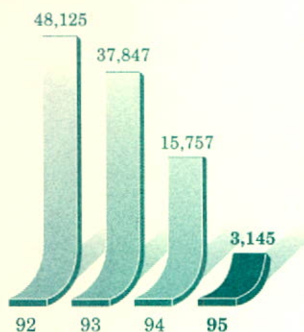
Our business is the convenience store business, serving North Americans through conveniently located retail outlets, which offer friendly, time-saving shopping for everyday needs, products and services.

Financial Highlights

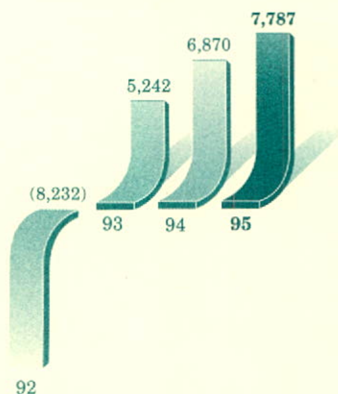
($000's except per share data)	**1995** (53 weeks)	1994 (52 weeks)	1993 (52 weeks)	1992 (52 weeks)
Sales	**$590,788**	$573,986 [1]	$601,546	$668,601
Income (loss) before unusual items and income taxes	**7,787**	6,870	5,242	(8,232)
Net income (loss)	**7,787**	6,870	2,242	(63,739)
Basic earnings (loss) per share [2]	**$ 1.89**	$ 1.71	$ 0.78	$ (21.07)
Fully diluted earnings (loss) per share	**$ 1.79**	$ 1.60	$ 0.77	$ (21.07)
Cash flow from operating activities	**14,893**	14,374	14,217	(23,553)
Capital expenditures	**9,052**	8,288	4,759	2,486
Debt (net of cash)	**3,145**	15,757	37,847	48,125
Shareholders' equity	**42,903**	36,284	14,162	10,912



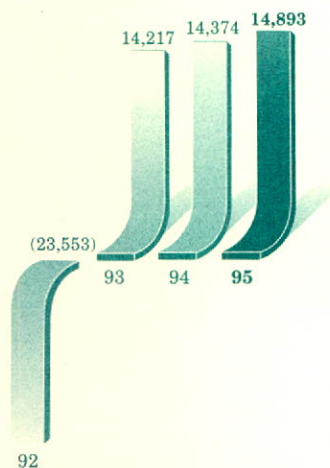
Shareholders' Equity



Debt (Net of Cash)



Income (Loss) Before Unusual Items and Income Taxes



Cash Flow From Operating Activities

(1) The sales decline results from tobacco tax deflation in February 1994 and sale of Quebec business in November 1993.

(2) Assumes 2,870,013 common shares outstanding for 1992 and 1993, 4,013,557 for 1994, 4,129,910 for 1995 and the elimination of debenture interest expense of $3,309,000 in 1992.

Letter to Shareholders

Fiscal 1995 was our third consecutive year of solid improvement in financial performance and was highlighted in December when the Company announced that it had successfully met all obligations to its CCAA creditors and exited the Plan of Arrangement and Compromise six months ahead of schedule. This marked the end of a three and one-half year period during which Silcorp re-organized, re-engineered and re-structured its affairs with both secured and unsecured lenders from June of 1992 to May of 1993 when "the Plan" was finally approved.

One need only take a quick look at the year-end balance sheet for 1995 to understand the quantum improvement in the Company's financial structure. Among the highlights, Silcorp's debt to total capital ratio is 14%, shareholders' equity is approximately $43 million or $10 per share, year-end cash balances were in excess of $3.8 million and the Company's return on average equity for 1995 was 19.7%. Our share price continues to reflect this strong recovery having almost tripled in value from the early trading days following Plan approval in the spring of 1993.

On the operating side, while the fourth quarter results were weaker than originally expected, overall results for the year were very encouraging. Same store merchandise sales for the fiscal year improved by 7.5%, reflecting the continuing maturity of the tailored marketing program, the successful roll-out of our branded food service program, a number of other new product and service initiatives, and increases in tobacco unit sales. As well, our overall merchandising efforts were enhanced by the introduction of a new, more disciplined approach to the category promotional activity grid.

Silcorp's strategic move into the branded food service area presently features 52 Subway™ in-store offerings, several Pizza Hut™ test locations and, more recently, our first Second Cup™ test location in Collingwood, Ontario. Additional branded food service programs are in various stages of negotiations prior to being introduced into the test market. Operating practices continue to be fine tuned as we become more familiar with the unique requirements of successfully operating these new franchise programs in our store system.

Service revenue increased by 9.5% in 1995 to $13.8 million led by the commissions earned on the sale of break-open tickets. This growing business segment also includes income from the sale of lottery tickets, and revenue from the rental of video tapes, video game machines and automated banking machines.

Gasoline revenue of approximately $200 million declined by 4% due to the closure of several Canadian locations selling gasoline in 1995 and a decline in the wholesale segment of our Michigan operations. Gross margin rate, however, increased to 10.6% (to $21 million) from 10.4% in 1994, reflecting a more stable competitive environment in Michigan.

The Ontario operating division turned in a very strong performance during 1995 assisted, in part, by the provincial change in tobacco legislation, prohibiting the sale of tobacco products in drug stores. Our Michigan operating results increased by 2%, a very positive reinforcement of our turnaround in that market, particularly given that the year-ago (1994) fourth quarter results were supported by gasoline margins of 16¢ per gallon versus more normal/historical averages of between 11¢ and 12¢ per gallon as experienced in 1995. We continue to be very enthusiastic about our recent U.S. successes and plan to commit an increasing amount of capital to expand our presence in the months and years ahead.

Overall operating income for our consolidated U.S. and Canadian results was below year-ago levels by 3%, principally reflecting disappointing results in Western Canada. Merchandising initiatives designed to reduce our dependancy on tobacco, and improve our competitive position, were successful in maintaining overall sales, although at a lower than originally planned gross margin rate. New short-term and longer-term initiatives are now well advanced as we focus on returning our important Western divisional business to acceptable profit levels.

Net income per share of $1.89 exceeded our original target for the year. This, in combination with continuing strong cash flow from operating activities of $14.9 million or $3.60 per share, continues to re-enforce our belief that while we are in an extremely competitive retailing channel, Silcorp has a strategic and operating plan capability which will allow us to grow profitably in the years ahead.

By way of both verifying and further challenging our strategic thinking, in the spring of 1995, our senior management and Board of Directors combined to work on the development of a new three-year Strategic Plan which, after much deliberation and thought, was finally completed and approved by the Board of Directors in October. This Plan sets the course for a number of new initiatives designed to further enhance the competitiveness of Silcorp's retail trademarks (Mac's, Mike's Mart and Hop-In) in literally every area from store design to distribution. The growth segment of the Plan also includes a commitment to carefully consider in-channel or contiguous market acquisitions, designed to strengthen our core convenience store business. It should also be noted that the Company is aware of the need to maintain a high degree of vigilance on its capital structure and is committed to a targeted debt to total capital ratio of no more than 40%.

Examples of the high level of activity which has already been put behind a number of the Strategic Plan initiatives mentioned above, include the following:

- The acquisition in November, 1995 of a seven store chain in Timmins, Ontario, formerly Pinto Stores, now operating under the Mike's Mart banner.

- The market testing of a totally new store design/retrofit concept, Store 2000, which features bold new graphics, a totally re-vamped and up-dated instore "look" featuring many new merchandising initiatives - in particular, an expanded food service commitment to our coffee, fountain and fresh pastry/muffin business. Initial test results are extremely positive and there are plans to accelerate the further testing and roll-out of this new "Mac's look" to each of our major Canadian markets in the next thirty-six months.

- A number of successful new product and service initiatives including, in Ontario, the Nevada break-open ticket program. During 1995, Mac's and Mike's Mart in Ontario raised several million dollars through the Nevada program which were re-directed to important charitable and community causes.

- Our focus on delivering superior customer service which received a significant boost in 1995 as very senior corporate resources were appointed to direct new efforts aimed at both delivering superior customer service on a sustainable basis and, measuring on a consistent basis, our progress in this direction. Recent customer survey results suggest our retail trademarks in both Canada and the U.S. are gaining higher customer satisfaction levels.

- A number of new initiatives within our Corporate Information Systems Group, all designed to enhance our long-term efficient consumer response (ECR) objectives, as well as our mandate to continue to initiate process re-engineering in order to enhance the productivity of our corporate and operating structure.

- Human Resource development initiatives, particularly in the areas of communication, team building, as well as more specific skill building in areas designed to enhance our ability to deliver superior customer service to our more than three million shoppers per week.

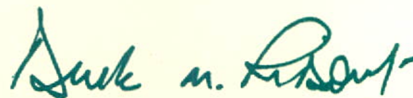
There are many challenges and uncertainties within the North American food retailing industry. Our channel is no exception and continues to be encouraged by the potential for more free market availability of everyday products and services. We are active in a number of forums from the National Association of Convenience Stores' (NACS) Advisory Group in Washington, through to efforts at local constituencies, in order to ensure that there is a balanced approach to the consideration of changes in the marketing and distribution of legally available products to a well informed customer.

At the end of our letter to the shareholders, it is normal that we make reference to the many people whose efforts are critical to the success of our Company. This acknowledgement is more important than ever at this time. We have suppliers that are, very simply, the best in their respective categories and who were crucial to our restructuring success. We owe them a special thanks. Most importantly, there are more than three hundred employees and 4,000 dealers and staff throughout our retail system who work long hours and without whose "extra effort" on a consistent basis, Silcorp's recovery and continued success would simply not be possible.

Finally, we owe a special thanks to our extremely capable Board of Directors, whose vision and wisdom continues to provide a valuable source of support and direction for our strategic and operating undertakings.

Silcorp has come a long way in the past three years and there is still much to do. We will continue to exceed our consumers' and stakeholders' expectations with our creativity, resilience, hard work and thoughtfulness as we go forward.

Robert W. Martin
Chairman of the Board



Derek M. Ridout
President and Chief Executive Officer

Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

The following analysis compares the results of operations for the year ended December 31, 1995 with the results of operations for the year ended December 25, 1994. The 1995 and 1994 fiscal years were comprised of 53 weeks and 52 weeks respectively.

Net income of $7.8 million in fiscal 1995 was $0.9 million (13.3%) higher than the fiscal 1994 level of $6.9 million. This improvement was primarily the result of a substantial reduction in interest costs, the continued development and maturity of the branded food service program, the introduction of new services and the impact of the extra sales week in 1995, offset, in part, by a decline in the gross margin of traditional merchandise sales and increases in store dealer and labour costs.

Sales

Sales during 1995 were $590.8 million, an increase of 2.9% from 1994. This increase is the result of the extra sales week in 1995 (accounting for a significant portion of the overall increase), the expansion of the branded food program (most notably, Subway™) and improved tobacco unit sales, offset, in part, by a decline in wholesale gasoline revenue. Retail price changes in gasoline, merchandise and service sales were an insignificant component of the overall sales increase.

During 1995, the Company opened five new locations and on November 30, 1995, acquired seven locations in Timmins, Ontario. The Company closed 21 locations during the year, the majority of which were unprofitable. There were 570 stores open at December 31, 1995, a net decline of nine (1.6%) from 579 at the end of fiscal 1994.

Consolidated Sales Summary

($ millions)	**1995**	1994	Percent Change
Gasoline Revenue			
Retail	**$ 167.1**	$ 162.8	
Wholesale	**31.5**	43.9	
	198.6	206.7	(3.9)%
Merchandise Sales	**378.4**	354.7	6.7%
Service Revenue	**13.8**	12.6	9.5%
	$ 590.8	$ 574.0	2.9%

Merchandise sales include retail sales through corporate and dealer operated stores, while service revenues include rental of video tapes, commissions on the sale of lottery and break-open tickets and revenue from automated banking machines and video game machines.

Tobacco products is the largest merchandise category comprising approximately 33% of the Company's merchandise sales in 1995 (1994 - 31%). Tobacco sales increased 12.7% over 1994 levels, in large part, due to the introduction of Bill 119 in Ontario, effective January 1, 1995, which prohibited the sale of tobacco products in pharmacies, and the implementation of a more aggressive pricing strategy in the Alberta market which resulted in increased customer traffic.

In 1995, management continued its efforts to reduce the Company's dependence on the sale of tobacco products by concentrating on improving sales in all merchandise categories and through the introduction of new products and services such as Subway™. During the year, the Company remodelled 33 of its convenience stores to introduce Subway™ locations. In addition, the Company opened two non-convenience store Subway™ locations in the Calgary Saddledome. By year end, the Company had 51 Subway™ locations in operation. The branded food service category now comprises 2.4% of total merchandise sales (1994 - 0.4%) and has had a positive impact on overall merchandise sales, through increased customer traffic.

On a comparable store basis (adjusted to eliminate the impact of the extra week in 1995), merchandise sales increased 7.5%, reflecting the growth in tobacco products and branded food services, as well as the positive impact of improved promotional and customer service programs.

The service revenue increase was due to the introduction of break-open tickets to the majority of locations in Ontario. Commissions on break-open and lottery tickets account for approximately 85% of service revenue.

In 1995, gasoline revenue decreased $8.1 million or 3.9% compared to 1994 which was the result of a volume decline of 2.7% or 14.5 million litres. The volume decline is the result of the lower number of Canadian locations selling gasoline in 1995, as compared to 1994 and the decline of seven million litres in the wholesale segment.

Gasoline Volumes

(millions of litres)	**1995**	1994	Percent Change
Retail	**406.7**	414.2	(1.8)%
Wholesale	**121.0**	128.0	(5.5)%
	527.7	542.2	(2.7)%

At the end of 1995, 110 locations sold gasoline compared with 117 locations at the end of 1994. The percentage of the Company's convenience stores selling gas declined marginally at the end of 1995 as compared to the end of 1994.

Gross Margin

Total gross margin dollars increased $5.0 million or 3.3% from $153.2 million in 1994 to $158.2 million in 1995. The primary reasons for the increase are the impact of the extra sales week experienced in 1995 and the growth of both the branded food service category and service revenue. Gross margin percent increased marginally to 26.8% in 1995 from 26.7% in 1994.

Consolidated Gross Margin Summary

($ millions)	**1995**		1994	
		Gross Margin Rate		Gross Margin Rate
Gasoline Revenue Margin	**$ 21.0**	**10.6%**	$ 21.6	10.4%
Merchandise Sales Margin	**124.4**	**32.9%**	121.1	34.2%
Service Revenue Margin	**12.8**	**92.8%**	10.5	83.2%
	$ 158.2	**26.8%**	$ 153.2	26.7%

The decline in the merchandise sales margin rate to 32.9% in 1995 from the 1994 level of 34.2% is the result of competitive activity and a strategic repositioning of several key product categories, in order to improve customer traffic, offset, in part, by the increased penetration of branded food service sales which has a higher gross margin rate.

The relatively high service margin rate is the result of accounting for the majority of service revenue on a commission rather than a gross sales basis.

On a segmented basis, the 1995 gross margin was $29.8 million in the United States and $128.4 million in Canada. The U.S. operations contributed 18.8% of the total gross margin from approximately 10% of the store count. Compared with the Canadian operations, the U.S. operations are more dependent on petroleum sales to generate gross margin dollars. Of the $29.8 million gross margin earned by the U.S. operations in 1995, $10 million was contributed by gasoline revenue from the 41 gasoline outlets in Michigan and $4.6 million was contributed by the petroleum wholesale business. The U.S. convenience store operations produced 11.7% of the total merchandise gross margin dollars from approximately 10.0% of the store count.

General, Administrative and Operating Expenses and Depreciation and Amortization

The total of general, administrative and operating expenses and depreciation and amortization increased 3.7% from $144.5 million in 1994 to $149.8 million in 1995. This increase was primarily attributable to the impact of the extra sales week in 1995 and increases in store dealer and employee compensation (in large part, to staff the additional Subways™ that opened in 1995) and the investment in staff resources to support new programs, offset, in part, by productivity improvements.

As a result of the foregoing, operating income in 1995, before any allocation of corporate overhead, was $2.9 million in the United States. Canadian operating income, after fully absorbing the cost of corporate overhead, was $5.6 million.

Interest Expense

Total interest expense in 1995 declined $1.2 million from the 1994 level. This reduction was comprised of a $0.4 million decline in interest expense related to discounted accounts payable under the Plan of Arrangement and Compromise (the "Plan") and $0.8 million decline in all other interest. The decline in other interest is the result of utilizing repayments received on certain notes receivable and the proceeds on the sale of several properties to lower term and operating loans during the year.

Income Taxes

At December 31, 1995, the potential benefit related to accounting losses from prior years of $91.4 million (1994 - $95.8 million) has not been recorded in the consolidated financial statements. The potential benefit related to the losses will be realized in future years when taxable income is reduced by the application of these losses. This benefit has not been recorded for accounting purposes since, at the time the losses were incurred, it was not certain that there would be future taxable income sufficient to fully utilize them.

Included in the $91.4 million of losses are $36.7 million that have been claimed for income tax purposes and expire over the period 1999 to 2008. These losses can be carried forward and utilized in future years to reduce taxable income, subject to such losses not being disallowed. The Company expects to utilize the losses that have been claimed for income tax purposes prior to their expiration.

The following table summarizes the Company's loss carryforward profile.

(Canadian $ millions)	Canada	Expiry Date	U.S.	Expiry Date	Total
Losses for income tax purposes	$ 15.8	1999	$ 20.9	2000-2008	$ 36.7
Losses for accounting purposes that can be claimed for tax purposes in future years					
(a) write-downs, depreciation and amortization recorded in the accounts greater than capital cost allowance claimed for income tax purposes	37.1	indefinite	9.6	indefinite	46.7
(b) other expenses recorded in the accounts greater than claimed for income tax purposes	5.7	indefinite	2.3	indefinite	8.0
	42.8		11.9		54.7
Total loss carryforward	$ 58.6		$ 32.8		$ 91.4

Foreign Currency Translation Adjustment

The foreign currency translation adjustment balance of $0.7 million, which is included in shareholders' equity, declined by $1.4 million in 1995. This decline is the result of the repatriation of funds from the Company's U.S. operations and a lower U.S./Canadian exchange rate at the 1995 year end. During 1995, the U.S. operation generated a significant amount of excess cash over capital expenditure and working capital requirements. These funds were used to repay outstanding bank debt and finance additional capital expenditures in Canada.

Analysis of Fourth Quarter Results - 17 Weeks Ended December 31, 1995 Compared With 16 Weeks Ended December 25, 1994

Consolidated sales for the 17-week period ended December 31, 1995 (fourth quarter) were $184.6 million versus $176.5 million in the 16-week period ended December 25, 1994. This represented an increase of $8.1 million (4.6%) and is primarily attributable to the extra week in 1995 and growth in the tobacco and branded food service categories. Comparable store merchandise sales (adjusted to eliminate the impact of the extra week in 1995) increased 6.6% in the fourth quarter over the same period in 1994.

Net income for the fourth quarter of 1995 was $2.1 million as compared to $2.4 million for the same period in 1994. The decline is primarily the result of increased competitive activity, particularly in the drug store and gas bar segments in Western Canada, offset by the impact of the extra sales week in 1995 and a reduction in interest costs. Additionally, Western Canada operating results were negatively impacted by the growth in contraband tobacco sales, primarily in the British Columbia market.

Environmental Matters

Environmental matters associated with the petroleum business in both Canada and the United States continue to be significant as regulatory authorities continue to impose standards with respect to contamination detection and remediation. Due to the complexities involved, estimating the extent of any underground contamination and the potential cost of remediation requires significant time and analysis and even the most careful estimate involves a significant degree of uncertainty. The Company utilizes the services of outside consultants to assist in this process and consults in a co-operative capacity with regulatory authorities.

The Company has been remediating and will continue to remediate certain gasoline facilities in Canada, Michigan, Virginia and North Carolina. The Company has estimated the cost of remediation and has provided for its share of such costs. The Company believes certain U.S. state environmental trust funds ("State Funds"), contractual obligations of third parties and various insurance policies will absorb any additional costs. In the event that State Funds are insufficient to fund the remediation costs or that third parties become unable to complete remediation, the Company could, by previous or current association, be liable for the full cost of the remediation.

On April 3, 1995, the State of Michigan regulatory authorities, as required by law, advised all underground storage tank owners and operators that the Michigan Underground Storage Tank Financial Assurance Fund was determined to be insolvent and that, pending any increase in funding through government action, the State would not be in a position to accept any new claims or work invoices after June 29, 1995. To date, no refinancing proposal has been adopted by the Michigan State legislature and it is uncertain whether one will be agreed upon in the future. Since the State is no longer accepting claims, the Company has assumed reimbursement for only those expenditures which were submitted prior to June 29, 1995. The recent passage of two State of Michigan bills has confirmed the government's intent to reimburse operators, during the course of 1996, for all outstanding expenditures submitted prior to June 29, 1995. The industry lobby group, with full support from the Company, continues to seek an acceptable refinancing solution for claims or work invoices incurred after June 29, 1995.

On April 12, 1995, the State of Michigan adopted a risk-based corrective action ("RBCA") approach for addressing contamination issues which resulted in a reduction in remediation requirements at many Michigan sites. The Company and its consultants have completed a review of all Michigan sites utilizing the RBCA approach. As a result of this review, estimated future gross remediation costs for Michigan sites were reduced by an average of 30%.

As a result of these events, the Company has estimated gross remediation costs in both the U.S. and Canada to be $9.0 million over the next four years. A provision of $7.2 million (1994 - $6.1 million) has been established and is disclosed separately on the Company's consolidated balance sheet. Recoveries from State Funds and insurance policies are estimated to be $1.8 million (1994 - $10.6 million).

Pursuant to United States federal and state legislative requirements, owners and operators of underground storage tank systems are required to upgrade facilities to comply with certain specifications by the end of 1998. The Company, in conjunction with its environmental consultants, has estimated that the capital expenditures required for the period from 1996 to 1998 will amount to approximately $2.4 million (U.S. $1.8 million). Similarly, pursuant to Canadian provincial legislative requirements, owners of underground storage tank systems are required to upgrade facilities by the end of 1998. The Company has estimated that the capital expenditures required for the period from 1996 to 1998 will amount to approximately $0.9 million for the 40 affected gasoline locations in Canada. The Company has committed, as part of its annual capital budget, to upgrade the underground storage tank systems in both the U.S. and Canada and believes the upgrades will be completed within the required time.

Liquidity and Capital Resources

Sources of Funds

The major sources of funds over the last two years have been cash flow from operating activities, proceeds from the special warrants issue completed January 27, 1994 and proceeds from the realization and disposal of non-core assets.

On an ongoing basis, it is the nature of the Company's business that cash requirements for working capital are relatively low in comparison to sales, as inventories and most accounts receivable are rapidly converted to cash. Historically, a high percentage of inventories has been financed from normal trade credit. The Company, over the past two years, has significantly improved its capital structure in order to provide a more stable environment for growth and risk management. Cash flow from operating activities is anticipated to be in the range of $15 million for the next few years, which is sufficient to satisfy the Company's expected capital expenditure and debt service requirements.

Credit Agreement

On July 27, 1994, the Company entered into an amended credit agreement with the Canadian Imperial Bank of Commerce and the Royal Bank of Canada (the "Banks") which provided a total line of credit of $27.0 million. The line was divided into two segments: the first segment was a $17.0 million demand operating facility (reducing to $15.0 million on September 30, 1994) and the second segment was a term facility in the amount of $10.0 million. As a result of improved cash management, the realization of notes receivable and proceeds from the sale of non-core assets during 1995, the Company repaid all of the term loan by September 18, 1995 and negotiated an increase in the operating facility to $18.0 million. On December 18, 1995, the Company and the Banks entered into an amended credit agreement which provided a total line of credit of $22.0 million - a $15.0 million demand operating facility and a $7.0 million term facility. The $7.0 million term loan was provided primarily for the purpose of repaying all existing accounts payable under the Plan. By satisfying this financial obligation, the Company was able to exit the Plan on December 15, 1995.

Borrowings under the operating facility, which are due on demand, including any outstanding letters of credit, are limited by a margin test based on 66.66% of the inventories in the Canadian operations. The term loan is due on January 18, 1997, subject to an extension to a date no later than January 18, 1998. There are no scheduled principal payments over the term of the loan. Virtually all of the assets of the Company are pledged as security against bank borrowings.

Capital Expenditures

Capital expenditures of $9.1 million in 1995 were financed by cash flow from operating activities of $14.9 million. Capital expenditures in 1996 are planned to total $11.4 million to continue the expansion of the branded food concepts, support the introduction of new technology, upgrade gasoline equipment, open new locations and, most importantly, support the introduction of a re-imaging initiative, under the program name "Store 2000". The Store 2000 program is a significant change in the design and image of the Company's traditionally positioned convenience stores to better satisfy the changing expectations of its customers. Approximately 60 locations are targeted to be renovated in 1996 at an estimated total cost of $3.0 million. The number of locations targeted to be renovated will increase to approximately 100 per year for 1997 and future years.

Plan of Arrangement and Compromise

On November 15, 1995, based on a significantly improved financial structure and the availability of term bank debt described earlier, the Company notified its creditors pursuant to the terms of

the Plan, that it intended to make the final two Plan payments on December 15, 1995. This payment of approximately $6.5 million was made on December 15, 1995 and, as a result, the Company exited the Plan approximately six months earlier than originally scheduled.

Capital Structure

The Company's capital structure at the end of 1995, 1994 and 1993 was financed by:

	1995		1994		1993	
($ millions)	$	%	$	%	$	%
Current liabilities	**0.0**	**0.0**	12.1	19.8	7.2	12.5
Long-term liabilities	**9.6**	**18.3**	12.6	20.7	36.3	62.9
Shareholders' equity	**42.9**	**81.7**	36.3	59.5	14.2	24.6
	52.5	**100.0%**	61.0	100.0%	57.7	100.0%

Based on the Company's business plan for 1996, there is adequate borrowing capacity to meet its needs. The Company had no outstanding borrowings, other than letters of credit, on its operating facility at December 31, 1995. The Company will continue to rely on reasonable trade terms with its suppliers to finance a portion of its inventories.

Outlook

The convenience store industry in Canada and in Michigan continues to operate in a highly competitive retail environment, as non-traditional competitors aggressively market traditional convenience store merchandise products. Management had anticipated this evolution of convenience store retailing three years ago when it developed its long-term strategic plan. The plan identified key strategies, such as the introduction of new products and services, the modernization of management information systems and most importantly, the introduction of a Tailored Marketing Program ("TMP"), which would allow each retail location to tailor its products and services to the local neighbourhood, as essential to continued improvement in operating results. The underpinnings of the strategic plan were built upon when, in conjunction with the Board of Directors, management completed a new strategic plan in the fall of 1995. This new strategic plan identified a series of critical initiatives, such as improving distribution logistics and a major store redesign program (Store 2000) to be implemented over the next several years. The Store 2000 program, which allows the TMP to be more effectively implemented, will reposition the Company to better satisfy the needs of its customers. Management is continuing with the implementation of these strategies by committing its resources to ensure their success.

The Company has, and continues to significantly improve the productivity of all sales categories through the development of an innovative category management program which clearly defines merchandising roles for all product groups. These roles, which focus on pricing and promotional activity, reflect the results of consumer focus groups and competitive activity. This initiative, in concert with the continued development of branded food service offerings, is designed to minimize the Company's reliance on the tobacco category. Government actions, principally in the area of tobacco, both in Canada and the United States, have confirmed the necessity of management's strategy to diversify the Company's product mix.

The acquisition of seven locations in Timmins, Ontario in November 1995, is a reflection of the Company's strategic direction. With a significantly improved financial structure, the Company will begin to carefully examine additional in-market acquisition opportunities in order to enhance shareholder value. The opportunities will be sourced from both the Canadian and Michigan market and will be complimentary and contiguous to existing local markets.

The Company expects its consolidated financial performance to continue to improve in 1996, the result of a stronger competitive position, a dedication to effective cash management and cost control and the continued introduction of new products and services as well as the next generation of the TMP, utilizing the Store 2000 program.

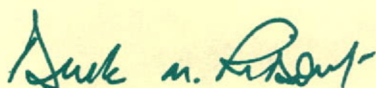
Management's Responsibility for Consolidated Financial Statements

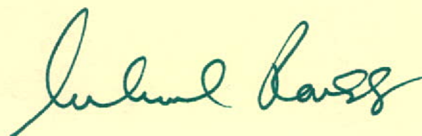
The preparation of the consolidated financial statements of Silcorp Limited is the responsibility of management. This responsibility includes the selection of appropriate accounting principles and the exercise of careful judgement in establishing reasonable and accurate estimates in accordance with generally accepted accounting principles applied on a consistent basis and as appropriate in the circumstances. Financial information shown elsewhere in this Annual Report is consistent with that contained in the consolidated financial statements.

Management of Silcorp Limited and its operating divisions has developed and maintains accounting systems and internal controls designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and that the financial records are reliable.

The Board of Directors approves these consolidated financial statements and carries out its responsibility in this regard principally through the Audit Committee of the Board, all members of which are outside directors. The Audit Committee meets periodically with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the consolidated financial statements, the external auditors' report, and Management's Discussion and Analysis of Financial Condition and Results of Operations. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited by Ernst & Young, Chartered Accountants. Their report stating the scope of their audits and their opinion on the consolidated financial statements is presented on the following page.





Derek M. Ridout
President and Chief Executive Officer

Michael S. Rousseau
Vice-President and Chief Financial Officer

Auditors' Report

To the Shareholders of Silcorp Limited

We have audited the consolidated balance sheets of Silcorp Limited as at December 31, 1995 and December 25, 1994 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1995 and December 25, 1994 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Toronto, Canada,
February 16, 1996.

Chartered Accountants

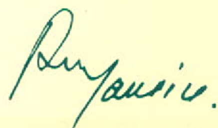
Consolidated Balance Sheets

As at December 31, 1995 and December 25, 1994

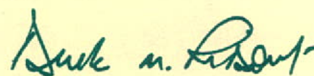
($000's)	1995	1994
ASSETS		
Current assets:		
Cash	**$ 3,855**	$ 4,833
Accounts receivable	**13,756**	14,384
Inventories	**33,129**	33,216
Prepaid expenses	**2,285**	1,811
Current portion of notes receivable *(note 4)*	**770**	6,358
	53,795	60,602
Fixed assets *(note 3)*	**38,260**	37,944
Other assets *(note 4)*	**8,120**	9,363
	$ 100,175	$ 107,909
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 40,474**	$ 40,785
Current portion of environmental liabilities *(note 14)*	**2,406**	1,963
Accounts payable under the Plan *(note 5)*	**–**	5,191
Current portion of term bank loan *(note 6)*	**–**	6,950
	42,880	54,889
Long-term liabilities:		
Term bank loan *(note 6)*	**7,000**	3,050
Environmental liabilities *(note 14)*	**4,781**	4,137
Accounts payable under the Plan *(note 5)*	**–**	5,399
Other *(note 7)*	**2,611**	4,150
	14,392	16,736
Commitments and contingencies *(notes 9, 14 and 15)*		
Shareholders' equity:		
Capital stock *(note 8)*	**25,317**	25,112
Retained earnings *(note 8)*	**16,899**	9,112
Foreign currency translation adjustment	**687**	2,060
	42,903	36,284
	$ 100,175	$ 107,909

(See accompanying notes)

On behalf of the Board:



Director



Director

Consolidated Statements of Earnings

Years ended December 31, 1995 and December 25, 1994

($000's except per share data)	**1995** *(53 weeks)*	1994 *(52 weeks)*
Sales	**$ 590,788**	$ 573,986
Less:		
Cost of sales	**432,545**	420,792
General, administrative and operating expenses	**142,084**	137,241
Depreciation and amortization	**7,695**	7,214
	582,324	565,247
Operating Income	**8,464**	8,739
Interest expense *(note 12)*	**677**	1,869
Income before income taxes	**7,787**	6,870
Income taxes *(note 10)*	**–**	–
Net income	**$ 7,787**	$ 6,870
Earnings per share		
Basic	**$ 1.89**	$ 1.71
Fully diluted *(note 8 (c))*	**$ 1.79**	$ 1.60

(See accompanying notes)

Consolidated Statements of Retained Earnings

Years ended December 31, 1995 and December 25, 1994

($000's)	**1995** *(53 weeks)*	1994 *(52 weeks)*
Balance, beginning of year	**$ 9,112**	$ 2,242
Net income	**7,787**	6,870
Balance, end of year	**$ 16,899**	$ 9,112

(See accompanying notes)

Consolidated Statements of Cash Flows

Years ended December 31, 1995 and December 25, 1994

Cash provided by (used in) ($000's)	**1995** *(53 weeks)*	1994 *(52 weeks)*
Operating activities:		
Net income	**$ 7,787**	$ 6,870
Depreciation and amortization	**7,695**	7,214
Gain on sale of Baskin-Robbins	**(1,000)**	–
Interest expense related to discounted accounts payable under the Plan	**625**	1,053
Funds provided from operations	**15,107**	15,137
Net change in non-cash working capital balances related to operations *(note 13)*	**(70)**	3,289
Increase (decrease) in environmental liabilities	**1,087**	(643)
Other	**(1,231)**	(3,409)
Cash flow from operating activities	**14,893**	14,374
Investing activities:		
Additions to fixed assets	**(9,052)**	(8,288)
Proceeds on disposal of fixed assets	**646**	471
Proceeds on sale of Quebec assets	**–**	82
Proceeds on sale of Baskin-Robbins	**1,000**	–
Repayment of notes receivable	**5,161**	636
Proceeds on disposal of properties held for sale	**1,755**	–
Change in foreign currency translation adjustment	**(1,373)**	1,052
Cash flow from investing activities	**(1,863)**	(6,047)
Financing activities:		
Issue of common shares	**205**	14,200
Net change in term bank loan	**(3,000)**	(8,680)
Repayment of accounts payable under the Plan	**(11,213)**	(6,074)
Cash flow from financing activities	**(14,008)**	(554)
Net increase (decrease) in cash position during the year	**(978)**	7,773
Cash (bank indebtedness), beginning of year	**4,833**	(2,940)
Cash, end of year	**$ 3,855**	$ 4,833

(See accompanying notes)

Notes to the Consolidated Financial Statements

December 31, 1995 and December 25, 1994 (Tabular amounts in $000's except for notes 8 and 10)

1. Summary of significant accounting policies

The consolidated financial statements present the financial position, results of operations and cash flows of Silcorp Limited (the "Company") in accordance with generally accepted accounting principles. The significant accounting policies are summarized as follows:

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and all subsidiary companies. Intercompany accounts and transactions have been eliminated.

The results of operations of all subsidiaries are included only from the dates of their respective acquisitions.

(b) Definition of fiscal year

The fiscal years of the Company ended on December 31, 1995 and December 25, 1994. The 1995 fiscal year comprised fifty-three weeks and the 1994 fiscal year comprised fifty-two weeks.

(c) Inventories

Inventories are valued at the lower of cost and estimated net realizable value. Cost is determined by the retail method (retail price less normal margin) for convenience store inventories and the first-in, first-out method for other inventories.

(d) Properties held for sale

Properties held for sale include land and buildings that are valued at the lower of cost and net realizable value.

(e) Fixed assets

Fixed assets are carried at depreciated cost less write-downs required to reflect an impairment in net recoverable value. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets, generally at rates of 2 1/2% for buildings, 10% for equipment, and over the term of the lease plus one renewal period for leasehold improvements.

(f) Income taxes

The Company follows the deferral method of tax allocation accounting. Under this method, future income tax recoveries relating to losses are provided for only when there is virtual certainty, in the year of the loss, that income in future years will be sufficient to make such recoveries possible.

(g) Pension plans

The Company participates in various defined benefit pension plans. The difference between the funding contributions and the amounts recorded as pension expense or credit is reflected as a deferred pension asset or liability. Pension expense or credit includes the amortization, on a straight-line basis, of the difference between the pension fund's assets and the estimated actuarial present value of the accrued pension benefits attributed to services rendered over the expected average remaining service life of the employee groups covered by each plan. Pension fund assets are valued at average market values determined over a three-year period.

(h) Earnings per share

Earnings per share are calculated using the weighted daily average number of shares outstanding during the year.

(i) Translation of foreign operations

The accounts of subsidiaries in the United States have been translated into Canadian dollars as follows: assets and liabilities at the year-end exchange rates; revenue and expenses at the average exchange rate for each accounting period. Foreign exchange gains or losses arising from translation of assets and liabilities are deferred and included in a separate component of shareholders' equity as "Foreign currency translation adjustment".

(j) Environmental liabilities

Environmental liabilities are defined as the estimated future costs associated with returning surface and subsurface conditions to applicable government standards at locations for which the Company has responsibility for remediation. Liabilities are recognized at the earlier of the discovery of contamination or the cessation of operation of the location. Estimates of future environmental liabilities are reviewed regularly based on current information and, if the expected future liabilities, less anticipated recoveries from third parties, exceed current provisions, a charge to earnings is taken in the year in which the shortfall is identified.

2. Reorganization of the Company

The Company received a Certificate of Arrangement on May 17, 1993, subsequent to receiving approval of a Plan of Arrangement and Compromise (the "Plan"). The period covered by the Plan was from May 17, 1993 to June 21, 1996 (the "Plan Period"). The Plan involved a significant capital reorganization of the Company (the "Reorganization"). As at December 27, 1992, the Company comprehensively revalued its assets and liabilities in

conjunction with a financial reorganization ("fresh start accounting"). Retained earnings were reduced by $1,530,000 to reflect the net effect of the Reorganization adjustment required to implement fresh start accounting. Subsequent to the Reorganization and the application of fresh start accounting, the Company's deficit was set at zero and the shareholders' equity was stated at $10,912,000 as at December 27, 1992. On December 15, 1995, the Company exited the Plan by discharging all remaining liabilities associated with the Plan.

3. Fixed assets

Fixed assets, which reflect fresh start accounting values determined as part of the Reorganization, consist of:

	1995		1994	
	Book value	**Net book value**	Book value	Net book value
Land	**$ 1,953**	**$ 1,953**	$ 2,039	$ 2,039
Buildings	**3,529**	**2,747**	3,749	3,199
Equipment	**36,957**	**21,337**	31,668	20,805
Leasehold improvements	**17,203**	**12,223**	14,888	11,901
	$ 59,642	**$38,260**	$ 52,344	$ 37,944

4. Other assets

Other assets consist of:

	1995	1994
Properties held for sale	**$ 3,114**	$ 4,864
Notes receivable	**2,084**	7,364
Funds held on deposit relating to sale of Baskin-Robbins *(note 7 (b))*	**-**	1,000
Management share purchase plan loans	**500**	500
Miscellaneous	**3,192**	1,993
	8,890	15,721
Less current portion of notes receivable	**770**	6,358
	$ 8,120	$ 9,363

(a) On February 1, 1995, a property in North Carolina was sold for cash consideration of $1,049,475 (U.S. $750,000). The book value of $979,510 (U.S. $700,000) was included in current portion of notes receivable in 1994.

(b) Notes receivable include a balance of $440,007 (U.S. $322,586) relating to the sale of certain U.S. properties in 1989. During 1995, principal payments totalling $2,618,984 (U.S. $1,920,076) were received. The outstanding balance is due in equal monthly

instalments of principal and interest in the amount of $53,952 (U.S. $39,554), with an interest rate of 11.5% per annum.

(c) During 1990, the Company sold substantially all of its assets and operations in the Commonwealth of Virginia for $13,877,000 cash and a U.S. $1,854,190 non-interest bearing note due in February 1995 with an original discounted value of $1,347,000 (U.S. $1,151,306). During 1995, $2,119,915 (U.S. $1,554,190) was paid and, pursuant to the terms of the note, the remaining $409,200 (U.S. $300,000) has been placed in trust pending resolution of certain environmental issues which existed at the date of the original sale. As certain properties are granted environmental clearance certificates from state authorities, the applicable trust fund amounts will be paid to the Company.

(d) Notes receivable include amounts due as a result of the sale of properties in the State of Michigan from 1991 to 1995 due at varying times from 1998 to 2003 at interest rates of 9% to 10% per annum. The balance remaining as at December 31, 1995 is $888,557 (U.S. $651,435) of which $198,405 (U.S. $145,458) is due within one year and has been included in current portion of notes receivable.

5. Accounts payable under the Plan

Accounts payable under the Plan included liabilities, the payment of which was provided for under the Plan. These liabilities, which were scheduled to be paid over the Plan Period, included provisions for payments relating to supplier liabilities and employee terminations. The amounts payable were originally discounted at a rate of 7% per annum to their respective maturity dates.

On December 31, 1994 and August 31, 1995, the Company made payments totalling $4,691,000 to creditors under the Plan. On December 15, 1995, the Company discharged all remaining liabilities under the Plan with payments totalling $6,522,000. These payments satisfied the obligation of $5,100,000 originally due December 31, 1995 and $1,500,000 due June 15, 1996.

6. Term bank loan

On December 18, 1995, the Company entered into an agreement with the Canadian Imperial Bank of Commerce and the Royal Bank of Canada which further amended certain terms and conditions set forth in a credit agreement dated April 7, 1993 and subsequently amended on July 27, 1994. The 1995 amended agreement provides for a term facility of $7.0 million at an interest rate of prime plus 1% per annum or rates paid on bankers' acceptances, plus 2%. The 1995 amended agreement also provides for an operating facility limited to the lesser of $15.0 million and 66.66% of inventories associated with the Canadian

operations, due on demand, with interest at prime plus 1 1/4% per annum. The term facility is due January 18, 1997, with a provision that this date can be extended, at the Company's option, to January 18, 1998. There are no scheduled principal payments over the term of the loan, which is due no later than January 18, 1998. The term facility is subject, in part or whole, to demand by the banks on the occurrence of various events of default, including a cross default to other payment obligations. Virtually all of the assets of the Company are pledged as collateral against the facilities.

Under the terms of the 1995 credit agreement, the Company is obliged to comply with various covenants including a financial test related to the operating results of the Canadian operation, the specifics of which are to be determined annually in conjunction with the review and approval of the annual business plan, and a ratio test comparing consolidated funds provided from operations and interest paid on borrowed money with certain specified expenditures.

7. Other long-term liabilities

	1995	1994
Deferred revenue	$ 2,280	$ 2,748
Contingent gain	–	1,000
Miscellaneous	331	402
	$ 2,611	$ 4,150

(a) Deferred revenue consists of the non-current portion of prepaid rentals arising from distributor arrangements relative to the sale of gasoline and advances from suppliers relating to future product sales. The current portion of deferred revenue of $338,000 (1994 - $473,000) is included in accounts payable and accrued liabilities.

(b) The gain on disposal of the Company's Baskin-Robbins Canadian operation in 1992 was reduced by $1,000,000, which was set aside pending the resolution of certain environmental matters associated with the processing facility which was sold. The funds on deposit were held by the Canadian Imperial Bank of Commerce as cash collateral for a $1,000,000 letter of credit in favour of the Ministry of Environment and Energy (the "MOEE"). During 1995, with the permission of the MOEE, the letter of credit was reduced to $500,000. The $1,000,000 collateral was returned to the Company and, therefore, the contingent gain has been recognized in the consolidated statement of earnings.

8. Capital stock

(a) The share transactions relating to the period December 29, 1991 through December 31, 1995 are summarized below:

	Number of shares			Paid up capital
	Class A non-voting shares	**Class B shares**	**Common shares**	
December 29, 1991	1,987,460	882,424		$ 10,626,000
Recapitalization of deficit				(79,470,000)
Adjustment to paid up capital relating to the Reorganization				79,756,000
December 27, 1992	1,987,460	882,424		10,912,000
Shares issued upon Reorganization			25,828,956	
Cancellation of Class A and B shares and issue of common shares	(1,987,460)	(882,424)	2,869,884	
Consolidation of shares on 1 for 10 basis			(25,828,827)	
December 26, 1993	–	–	2,870,013	10,912,000
Issue of common shares	–	–	1,250,000	14,200,000
Issue of shares resulting from consolidation of shares in 1993	–	–	381	–
December 25, 1994	–	–	4,120,394	25,112,000
Issue of common shares pursuant to stock option plan	–	–	26,100	205,000
Issue of shares resulting from consolidation of shares in 1993	–	–	16	–
December 31, 1995				
Issued and outstanding	–	–	4,146,510	$ 25,317,000
Authorized			unlimited	

The adjustment to paid up capital related to the issue of common shares upon the implementation of the Reorganization was recorded as at December 27, 1992. The common shares were actually issued and the Class A and B shares cancelled as of May 17, 1993.

(b) On January 27, 1994, 1,250,000 common shares of the Company were issued without additional payment upon the exercise of 1,250,000 Special Warrants. Gross proceeds of $15,000,000 were reduced by issue costs of $800,000.

(c) The total number of common shares set aside, after the exercise of options to purchase 26,100 common shares in 1995, is 385,888, of which 376,084 have been granted under options to management of the Company.

At year end, the following share options are outstanding:

Number of shares subject to option	Date granted	Exercise price per share	Expiry date
148,965	July 26, 1993	$ 7.88	2001
10,000	September 27, 1993	$ 9.25	2001
30,650	March 16, 1994	$ 11.50	1998
69,235	August 8, 1994	$ 8.50	2002
117,234	August 2, 1995	$ 12.50	2003

Fully diluted earnings per share give effect to the exercise of the stock options effective the first day of the respective fiscal years.

(d) Under the terms of the credit agreement with the Company's lenders, the Company is restricted from declaring any dividends or making any payment on account of the purchase, redemption or retirement of any issued shares without prior written consent.

(e) On January 9, 1995, the Company's Board of Directors adopted a Shareholder Rights Plan (the "SRP") for a three-year period, expiring not later than June 30, 1998, which was approved by shareholders at the Annual Shareholders' Meeting in May 1995. The SRP provides for the issuance of one right for each common share held January 9, 1995. These rights will not be exercisable and will not trade separate and apart from the common shares unless certain events in connection with a takeover bid, as specified in the SRP, occur. If such an event occurs, the rights allow certain shareholders to acquire common shares of the Company at 50% of the prevailing market price.

9. Operating lease commitments

The Company and its subsidiary companies have entered into agreements to lease equipment and properties for various periods up to 2013. Certain of the leases provide for additional rent based on sales. Minimum annual net rental commitments for the non-cancellable term of the leases in effect at December 31, 1995 are as follows:

Year Ending	Amount
December 29, 1996	$ 20,915
December 28, 1997	$ 16,967
December 27, 1998	$ 13,210
December 26, 1999	$ 9,281
December 31, 2000	$ 6,072

Net lease commitments to the year 2013, aggregating $77.4 million, have been reduced by amounts totalling $21.4 million for which the Company is to be reimbursed by subtenants of the Company.

10. Income taxes

(a) A reconciliation of the basic income tax rate in Canada to the effective tax rate for the Company is as follows:

	1995	1994
Basic rate	**44.6 %**	44.3 %
Recovery of tax loss carryforward	**(41.6)**	(43.9)
Impact of lower U.S. taxes	**(3.7)**	(1.3)
Other permanent differences	**0.7**	0.9
	0.0 %	0.0 %

(b) The Company has accumulated losses for income tax purposes that, subject to such losses not being disallowed, are available in future years. The potential tax benefit of these losses has not been recorded in the consolidated financial statements. These losses, which expire over the period 1999 to 2008, amount to $36.7 million at December 31, 1995. In addition, there are losses for accounting purposes for which no benefit has been recorded in these consolidated financial statements, in the amount of $54.7 million at December 31, 1995.

11. Pension plans

At December 31, 1995, actuarial estimates indicate that the present value of accrued pension benefits is approximately $23.1 million ($22.6 million in 1994) and the market-related value of pension fund assets is approximately $34.4 million ($33.2 million in 1994).

12. Interest expense

Interest expense includes the following charges (credits) to earnings:

	1995 *(53 weeks)*	1994 *(52 weeks)*
Long-term debt	**$ 474**	$ 1,448
Interest expense related to discounted accounts payable under the Plan	**625**	1,053
Interest income from notes outstanding	**(320)**	(503)
Other	**(102)**	(129)
	$ 677	$ 1,869

13. Consolidated statements of cash flows

Net change in non-cash working capital balances related to operations consists of:

		1995		1994
Accounts receivable	$	**628**	$	1,276
Inventories		**87**		2,534
Prepaid expenses		**(474)**		(983)
Accounts payable and accrued liabilities		**(311)**		462
	$	**(70)**	$	3,289

14. Environmental matters

As an owner and/or operator of convenience stores, many of which sell gasoline and related products, the Company and its subsidiaries are subject to various federal, provincial, state and local laws and regulations governing the storage, handling and sale of such products. While the Company is unable to predict the extent or timing of future requirements, it believes that it is in substantial compliance with the requirements imposed under existing environmental regulations.

The Company has, pursuant to contractual obligations associated with the disposal of certain assets and, pursuant to ongoing tank replacement and upgrade programs, determined that soil and/or groundwater contamination in excess of present standards exists at certain sites. Also, in connection with the closure of stores, certain equipment related to the sale of gasoline is being removed. In some instances, contamination has been detected in excess of present standards. In co-operation with regulatory officials, the Company has embarked upon a program of continued testing and remediation.

The consolidated balance sheets include net environmental liabilities of $7.2 million (1994 - $6.1 million) to cover the net estimated costs of remediating sites with known contamination for which the Company is responsible. This net amount assumes that certain funds from various state environmental trust funds and the Company's insurance programs, totalling $1.8 million (1994 - $10.6 million), will be available to offset a portion of the total remediation expenditures.

Canadian and United States legislation requires certain upgrades to underground storage tanks by the end of 1998. The Company estimates that the total capital expenditures to comply with this legislation over the next four years will aggregate approximately $3.3 million. The Company has committed, as part of its annual capital budget, to upgrade the underground storage tank systems in both the U.S. and Canada and believes it will be completed within the required time.

In addition, a number of other environmental matters may exist which could result in future claims against the Company. The probability that any of these matters will result in claims against the Company and associated costs are not determinable at this time.

15. Legal proceedings

The Company has been named defendant in a number of lawsuits and is involved in judicial proceedings regarding specific environmental matters (note 14). Management believes that adequate provision has been made for these claims. However, should any additional loss result from the resolution of these claims, such loss would be accounted for as a charge against earnings in the year that such loss is determined.

16. Comparative consolidated financial statements

The comparative consolidated financial statements have been reclassified from statements previously presented, to conform to presentation of the 1995 consolidated financial statements.

17. Segmented information

The Company operates in one industry segment and two geographic segments, deriving its revenue from sales of convenience items, fast food and gasoline. The following sets out the segmented information:

	1995 *(53 weeks)*	1994 *(52 weeks)*
Total sales:		
Canada	**$ 423,973**	$ 398,008
U.S.A.	**166,815**	175,978
Consolidated	**$ 590,788**	$ 573,986
Segment operating income:		
Canada	**$ 5,553**	$ 5,933
U.S.A.	**2,911**	2,806
Consolidated	**8,464**	8,739
Interest expense	**677**	1,869
Income before income taxes	**7,787**	6,870
Income taxes	**–**	–
Net income	**$ 7,787**	$ 6,870
Total assets:		
Canada	**$ 74,024**	$ 73,713
U.S.A.	**26,151**	34,196
Consolidated	**$ 100,175**	$ 107,909
Depreciation and amortization:		
Canada	**$ 5,882**	$ 5,821
U.S.A.	**1,813**	1,393
Consolidated	**$ 7,695**	$ 7,214
Additions to fixed assets:		
Canada	**$ 6,410**	$ 5,058
U.S.A.	**2,642**	3,230
Consolidated	**$ 9,052**	$ 8,288

Corporate Directory

Directors

John F. Bankes†
Managing Director and Co-Head of Canadian Investment Banking, NatWest Markets

William A. Dimma* †
Chairman, Monsanto Canada Inc.

William R. Livingston+
Company Director

Robert F. MacLellan+
Chairman, TD Asset Management Inc.

Robert W. Martin*
Chairman of the Board, Silcorp Limited

Peter C. Maurice* +
Vice-Chairman, CT Financial Services Inc.

Derek M. Ridout*
President and Chief Executive Officer, Silcorp Limited

Donald J. Taylor+
Company Director

James B. Williams†
President and Chief Operating Officer, Acklands Limited

Officers

Robert W. Martin
Chairman of the Board

Derek M. Ridout
President and Chief Executive Officer

Joseph E. Lewis
Senior Vice-President and Chief Operating Officer

Michael S. Rousseau
Vice-President and Chief Financial Officer

James S. Reynolds
Vice-President, Corporate Information Services

Scott F. Findlay
Vice-President, Marketing and Distribution

Dale A. Pettit
Vice-President and Secretary-Treasurer

Maureen I. Cook
Assistant Secretary

Operating Groups

Canadian Convenience Store Group

Donald M. Hand
Vice-President, Customer and Community Services

David R. Rodgers
Vice-President, Ontario Operations

Kim J. Trowbridge
Vice-President, Western Canada Operations

U.S. Convenience Store Group

Silmic Corporation
(Hop-In Michigan and Gal Corp)

Jack L. Barger
Vice-President

Stephen M. Barger
Vice-President

** member of Executive Committee*
+ member of Audit Committee
† member of Human Resource Committee

Common Share Trading Summary*

	High	Low	Close
For the quarters ended:			
March 19, 1995	$ 12.25	$ 9.25	$ 12.00
June 11, 1995	12.00	11.00	11.125
September 3, 1995	13.50	10.50	13.00
December 31, 1995	14.75	12.50	14.00

** Toronto Stock Exchange*

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