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The Corporation

Imasco Limited is a major diversified Canadian corporation with operations in Canada and the United States. Imasco operates through four main divisions. Imperial Tobacco, Canada's largest tobacco company, manufactures and distributes a complete range of tobacco products. Imasco USA, operates and licenses a system of 2,229 fast food restaurants, principally under the name Hardee's, in the United States. Shoppers Drug Mart licenses and operates 435 pharmacies, principally in Canada, specializing in prescription drugs, over-the-counter medications, health and beauty aids, and cosmetics. Peoples Drug Stores operates a chain of 600 drug stores in 13 states and in Washington, D.C. Other operations include the Imasco Resources division which explores investment opportunities in natural resources and venture capital fields, and the operations of the 457 UCS Group tobacco and gift shops in Canada and the 194 Tinder Box stores in the U.S.A.

Head Office

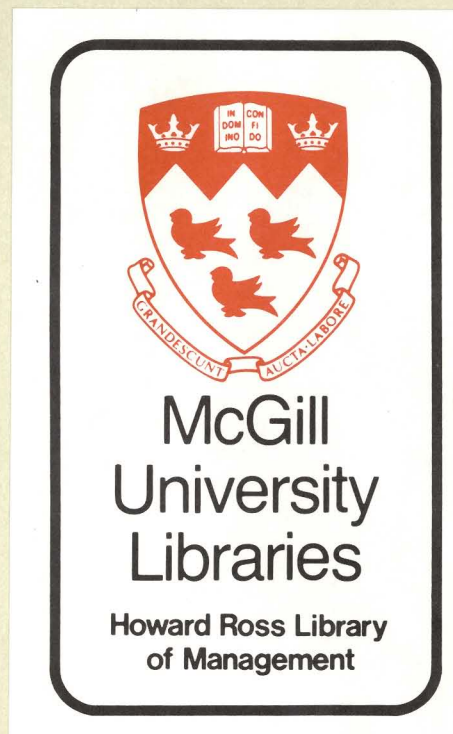
4 Westmount Square
 Montréal, Canada
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Special and Annual Meeting of Shareholders

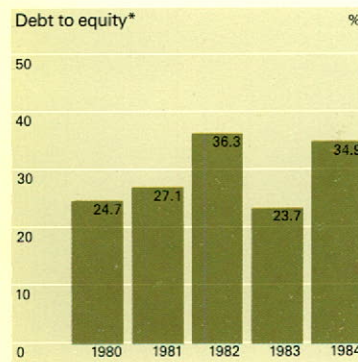
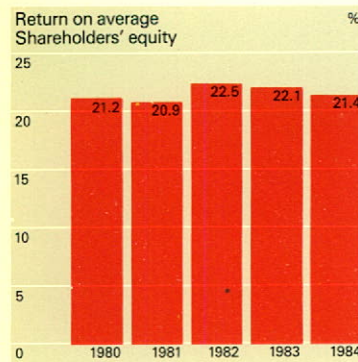
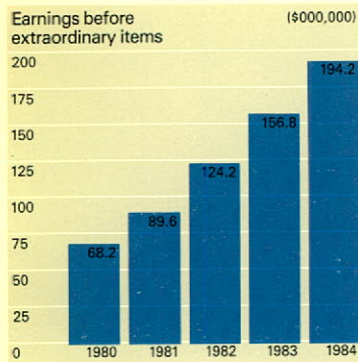
The Special and Annual Meeting of Shareholders will be held July 5, 1984 at 10h30 at the Château Champlain Hotel, 1 Place du Canada, Montréal, Canada.

Si vous désirez recevoir le rapport annuel en français, veuillez communiquer avec

Le Secrétaire
 Imasco Limitée
 4, square Westmount
 Montréal, Canada
 H3Z 2S8



Financial Highlights
For the year ended March 31, 1984



* Long term debt as a % of long term debt and tangible equity.

Imasco Limited	1984	1983	%
Thousands of dollars			
System-wide sales	5,382,021	4,953,519	9
Revenues	2,873,151	2,713,901	6
Operating earnings	339,608	300,347	13
Earnings before extraordinary items	194,172	156,763	24
Earnings per common share before extraordinary items			
basic	\$4.05	\$3.47	17
fully diluted	\$3.80	\$3.24	17
Dividends per common share	\$1.00	\$0.80	25
Working capital	419,586	394,757	6
Total assets	2,029,897	1,530,063	33
Shareholders' equity	988,021	823,161	20

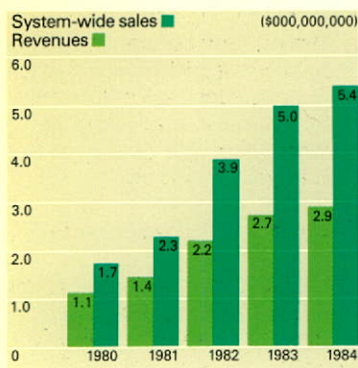
Operating Divisions	1984	1983	%
Thousands of dollars			
Tobacco — Imperial Tobacco			
Revenues	1,358,935	1,242,899	9
Operating earnings	205,209	182,268	13
Restaurant — Imasco USA			
Revenues	1,134,074	999,367	13
Operating earnings	92,259	74,888	23
Drug Store — Shoppers Drug Mart			
Revenues	60,707	69,295	-12
Operating earnings	32,632	28,437	15

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Last year in our annual message to shareholders we expressed a commitment to growth. This commitment was reaffirmed in fiscal 1984. During the year our consolidated earnings were \$194.2 million, an increase of 24% over the \$156.8 million earned in fiscal 1983. Earnings per common share were \$4.05 basic and \$3.80 fully diluted compared with \$3.47 and \$3.24 last year. Our growth in earnings per share on a fully diluted basis for fiscal 1984 was 17% and for the five-year period ended in fiscal 1984 represented a compound annual growth rate of 23%. In fiscal 1984 there was an extraordinary gain of \$10.9 million which increased net earnings to \$205.1 million. Net earnings in fiscal 1983 were \$161.6 million after an extraordinary gain of \$4.8 million.

Imperial Tobacco

Imperial Tobacco continued to show increases in revenues, operating earnings and market share. This occurred despite substantial increases in taxation during the year and a modest decline in unit volume for the industry.

Revenues were \$1.4 billion, an increase of 9%, while operating earnings were \$205.2 million, an increase of 13% over the prior year. Imperial Tobacco's share of the cigarette market for the fiscal year increased, for the ninth consecutive year, to 50.9%, an increase of 1.3% over last year.

The emphasis on quality, and on manufacturing and human resource productivity has enabled Imperial Tobacco to continue to outpace its competition in producing above average profit growth while increasing its market share. Cigarette unit shipments by Canadian manufacturers decreased by approximately 4.4% in fiscal 1984,

while unit shipments by Imperial Tobacco were down only 1.9%. To further improve its market share, Imperial Tobacco introduced Player's Special Blend in fiscal 1984. This new product, a blend of Canadian and American tobaccos, is now firmly positioned in the tobacco market. We are encouraged by its success and the opportunity it provides for extension of the Player's trademark, Canada's most popular cigarette brand family.

Imperial Tobacco's growth in market share and stability in volume were achieved despite a continuation of the trend where the retail price of tobacco products is increasing at a much faster pace than the overall Consumer Price Index. This rate of increase is directly attributable to the excessive taxation by both federal and provincial governments. We believe that while such taxation may in the near term increase the amount collected on tobacco products, over the long term it will have a detrimental effect on both tax revenues and the overall economic contribution of the tobacco industry in Canada. We hope that governments at both levels will take a more realistic approach to the taxation of tobacco products and restore the industry to a stable pattern of growth.

Capital expenditures during the year were \$13 million compared with \$26.8 million in fiscal 1983. The reduction reflects the winding down of our programme to modernize our cigarette making and packaging machinery.

As a result of this programme and the continuing emphasis on productivity within Imperial Tobacco, a plan was adopted in fiscal 1984 to reduce, in a socially responsible way, our labour force. During the year we

offered two specific programmes to meet that objective. Under the first, 155 employees chose to take early retirement. Later in the year we introduced a programme of voluntary job cessation. Under this programme employees were offered a lump sum to terminate their employment. These programmes resulted in a reduction of our labour force of approximately 335 people. This contributed significantly to control of overall costs and to improvement in labour productivity.

Imperial Tobacco is well positioned to maintain its leadership in the Canadian tobacco industry. Imperial will continue to lead the tobacco industry in the development of new products and in the implementation of productivity programmes aimed at maintaining a high level of profitability.

Imasco USA

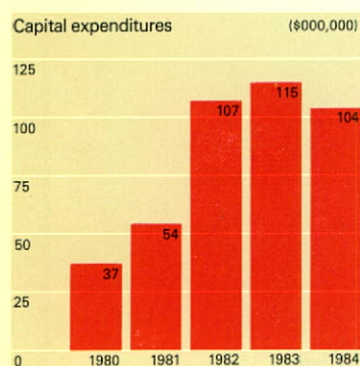
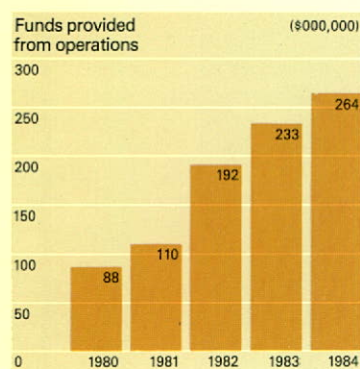
Imasco USA, through its principal operating subsidiaries in the restaurant industry, achieved impressive results in this highly competitive and growing market. Hardee's Food Systems, the principal restaurant operating unit, enjoyed an outstanding year. New restaurants were added to the system and the conversion of the company-owned Burger Chef units, acquired two years ago, was completed.

System-wide sales were \$2.4 billion with revenues amounting to \$1.1 billion, an increase of 13.5% over the prior year. Earnings from operations were \$92.3 million, up 23%.

Unless otherwise stated, these figures include all operating divisions of Imasco USA and are the Canadian equivalents of U.S. dollars translated at average rates of exchange during the year.

Paul Paré
Chairman and Chief Executive Officer
Imasco Limited

L. Edmond Ricard
President and Chief Operating Officer
Imasco Limited



As of March 31, 1984, there were 2,229 restaurants in Imasco USA (including Burger Chef) of which 1,404 were franchised and 825 were company-owned. Hardee's continued to show excellent growth in new unit development with 28 company-owned and 154 franchised restaurants opened during the course of the year. Hardee's operated 825 company-owned restaurants and 1,258 franchised, for a total of 2,083. Average unit volume per restaurant rose from U.S. \$723,000 to U.S. \$771,000, an increase of 6.6%. Hardee's expects to open 65 company-owned and 150 franchised restaurants in fiscal 1985. Hardee's will continue to focus on expanding its menu, and effectively utilizing its advertising expenditures. In a new thrust, Hardee's plans to take advantage of network television advertising as a powerful medium for reaching its customers, and will coordinate that with the introduction in May 1984 of a new marketing theme, "It's All Here at Hardee's".

Fast Food Merchandisers, the group's manufacturing and distribution division, in response to restaurant growth will open in 1984 a \$15 million manufacturing plant in Monterey, Tennessee.

Imasco USA's total capital expenditures in fiscal 1984 were \$72 million compared with \$70 million last year, representing the final year of conversion of the company-owned Burger Chef units to the Hardee's format. In subsequent years we expect the restaurant division's capital expenditures to increase in line with the growth in new restaurant openings.

Shoppers Drug Mart

Shoppers Drug Mart experienced significant growth in its

system-wide sales and operating earnings during the past year despite the highly competitive and depressed retailing environment in Canada. Total system-wide sales for fiscal 1984 were \$1.3 billion representing a 13% increase over the prior year. Operating earnings of \$32.6 million increased 15% over last year's \$28.4 million. These results were achieved in an environment of high unemployment and modest economic growth throughout Canada. Despite these conditions, and through the utilization of aggressive marketing and productivity programmes, Shoppers was able to outperform other leading retailers in Canada.

Store development continued, although at a slower pace, with the opening of six drug stores in Canada. During fiscal 1984 average comparable store sales for Shoppers increased 13% from the prior year.

During the year growth in "Life" brands and the development of the "Red Saver" programme continued to reinforce Shoppers Drug Mart's emphasis on value to the customer. A new advertising campaign for fiscal 1985 will support this emphasis through pricing and promotional activities.

This year Shoppers Drug Mart considerably improved its position in both Québec and Florida. Shoppers Drug Mart in Florida became profitable in the latter part of the year and this trend is expected to be maintained in fiscal 1985. The operating losses at Pharmaprix in Québec were reduced through the selective closing of certain locations and the improvement of the Pharmaprix associate concept. It is expected that results for Pharmaprix in Québec in fiscal 1985 will again show considerable improvement over those of the past year.

Shoppers Drug Mart is currently testing new concepts in drug store retailing aimed at improving its position within the marketplace and at bringing greater value and quality to the Canadian consumer.

Other retailing operations

The UCS Group with 457 retail outlets in Canada, and The Tinder Box International, with 194 stores in the U.S., both showed improved profitability during the year. We expect further progress in fiscal 1985.

Imasco Resources

Established last year, this division, while maintaining its position in Canada Northwest Energy Limited, modestly increased its investment in the energy sector during fiscal 1984. Under a second partnership agreement with Flame Oil & Gas Ltd., Imasco will invest an additional \$30 million over a three-year period.

At the meeting of the Board of Directors on May 9, 1984, Roderick C. Foster, Executive Vice-President of Imasco, was appointed President of this division.

Diversification

During fiscal 1984 Imasco reaffirmed its commitment to growth through diversification. During the course of the past year management reassessed Imasco's strategic plan to meet the challenges facing the company in the late '80s and early '90s. As early as 1965, in recognition of the maturity of the tobacco industry, Imasco embarked on a programme to diversify its trading base.

Growth was to come from our existing lines of business as well as from an extended base in new businesses. In the 19 years

since, we have refined our criteria for selection of target companies. These now include companies that: (i) are well positioned in the consumer goods and services sector of the economy; (ii) have a capable management team in place with a proven track record; (iii) have above-average growth potential; (iv) will immediately contribute in a meaningful way to Imasco's earnings; (v) are North-American-based and are, preferably, Canadian.

With these criteria, we reassessed our existing operations and concluded that Imasco Foods, Collegiate/Arlington Sports and Embassy Cleaners would be unlikely in the long term to meet the criterion of "contributing in a meaningful way to Imasco's earnings". This led to the divestiture of these operations. The management and staff of these companies made an important contribution to Imasco. We thank them and wish them well in their careers under the new ownership. We are also pleased that Mr. Yves Hudon, formerly President of Imasco Foods, will remain a member of our Board of Directors. On the acquisition side, we identified Peoples Drug Stores, Incorporated as meeting and exceeding all of our acquisition criteria. We announced an offer for the outstanding securities of Peoples Drug Stores on February 27, 1984. The acquisition was completed on May 3 at a special meeting of Peoples' shareholders.

Peoples Drug Stores

The addition of Peoples with some 600 company-operated retail drug stores in the United States will improve our ability to meet the ever-growing needs in the health care market over the long term. The \$400 million acquisition firmly establishes our base in drug store retailing

in the U.S., an area which we believe will be one of relatively high growth in the consumer goods and services sector.

This acquisition, although significant, does not complete, nor do we contemplate its being the end of our programme to expand our trading base. We shall continue to evaluate those opportunities which meet our criteria for further expansion.

Series B Preference Shares

On February 7, 1984 we gave notice to the holders of the \$3.06 Cumulative Redeemable Convertible Preference Shares Series B that these shares would be redeemed March 30, 1984. The Series B shares were each convertible into two common shares and we urged the holders to take advantage of the conversion privilege. At the expiration of the conversion period, 99.9% of the holders had converted their shares.

Dividends

At the Board of Directors meeting held on May 9, 1984 the quarterly dividend on the common shares was increased to 31 cents or \$1.24 annually, effective with the dividend payable June 29 to shareholders of record May 25, 1984.

This marks the 10th consecutive year that Imasco has increased its dividends. The Corporation has paid dividends every year since its establishment in 1912.

Special Resolution

At the special and annual meeting to be held on July 5, 1984 shareholders will be asked to pass a special resolution authorizing the Corporation to apply for a Certificate of Amendment under the Canada Business Corporations Act to amend the authorized Preference Shares,

create an unlimited number of Second Preference Shares issuable in series, and decrease the presently authorized unlimited number of common shares to 57,500,000. The full text of the special resolution is published in the management proxy circular sent to all shareholders.

Board of Directors

In April 1984, Mr. Bernard W. Matte resigned from the Board. At the time of his resignation Mr. Matte was also President, Imasco Resources Division and Vice-President, Corporate Development. We take this opportunity to thank Mr. Matte for his contributions to the progress of the Corporation and to wish him success in his future career.

At the meeting of the Board of Directors on May 9, 1984, Mr. Sheldon W. Fantle, Chairman, President and Chief Executive Officer of Peoples Drug Stores, was appointed a Director of the Corporation.

Employees

This has been a year of strenuous work by management and staff at all levels and in a period of rapid change. The performance of our employees in all divisions of the Corporation merits the highest praise and our grateful recognition.

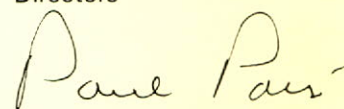
Outlook

The performance of Imasco's operating companies this year and our excellent trend in earnings growth over the past five years demonstrates our commitment to growth. This growth is based on the singular commitment Imasco and its operating divisions have to quality; quality of products, of services to our customers, of management of our operating


units, of our employees. Our objective is to foster growth in all areas of our operations.

Imperial Tobacco, Hardee's and Shoppers Drug Mart outpaced the competition in their respective industries during the year. With the addition of Peoples Drug Stores to the Imasco group we look forward to another good year in fiscal 1985.

On behalf of the Board of Directors

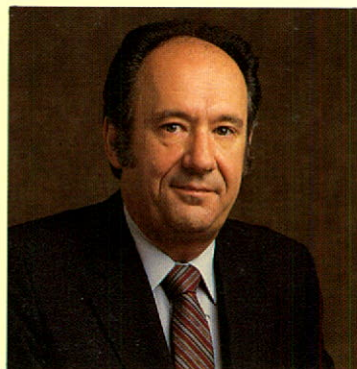


Paul Paré, Chairman and Chief Executive Officer



L. Edmond Ricard, President and Chief Operating Officer

Montréal, May 9, 1984



Jean-Louis Mercier
President and Chief Executive Officer
Imperial Tobacco

Signs of possible reforms in taxation policy governing tobacco products at the federal and provincial government levels sparked some optimism during the year — a year which saw Imperial Tobacco's share of the cigarette market increase from 49.6% to 50.9%. Canada's largest tobacco enterprise, Imperial Tobacco also led in earnings. Sales totalled \$1.4 billion, an increase of 9.3%; operating earnings were \$205.2 million, up 13%.

Capital expenditures for the year aggregated \$13 million, compared with \$26.8 million in 1983. At March 31, 1984, capital employed by Imperial Tobacco was \$556.1 million, up \$78.7 million over fiscal 1983. Of the latter amount, \$46.6 million represented increased leaf tobacco inventories, traditionally at a seasonal peak at March 31. People and technology, combined with higher quality standards, were the key factors as Imperial Tobacco consolidated its leadership position in the market despite declining sales caused by an unending spiral of tax escalation.

The challenge of maintaining excellence while keeping prices at the lowest possible level proved formidable because more than half the Canadian price components were beyond the control of the industry — growers, processors, manufacturers, wholesalers and retailers alike.

On average during the year, more than 60% of the retail price paid by the consumer for a package of cigarettes found its way into federal and provincial government coffers in taxes.

Federal taxes affecting tobacco are of three kinds: excise duty, excise tax, and a 12% sales tax applicable to all tobacco products manufactured in Canada. Formerly, excise duty and

excise tax were set at a fixed amount per thousand cigarettes and changed only with the amended provisions of a new federal budget. In 1981, however, the federal government legislated to index the excise duty and the excise tax to a sub-index — the Tobacco Products Index — of the Consumer Price Index and adjusted them automatically every year.

The decision had two major consequences. It made changes in excise duty and excise tax an annual occurrence, and it spawned a recurring inflationary process. Today, federal taxes feed on inflation, whatever its source, including provincial taxes.

Provincial governments impose tobacco taxes of their own, with rates varying greatly from one province to another. The lowest provincial tax — 37 cents a pack of 25 — is levied in Alberta and the highest — \$1.26 a pack of 25 — in Newfoundland.

In 1983 the Canadian Tobacco Manufacturers Council made public the results of a study it commissioned from a consulting firm to assess the economic impact of Canada's tobacco industry. The study, based on 1982 data, clearly showed the indexed tax system is seriously threatening an important income generator for Canadians and the Canadian economy. It is rapidly placing a product that is virtually all Canadian-made out of the reach of many people.

The hopeful signs for the future came in two forms in 1983:

- the creation by the Federal Minister of Finance of a task force to review the issue and,
- representations made to a number of provincial governments by the industry.

It is evident that the level of federal and provincial taxation is crucial to the industry's future. Favourable results from the Federal Minister of Finance's task force review, and a reduction in provincial tobacco taxes will allow the industry to return to a pattern of modest but stable growth.

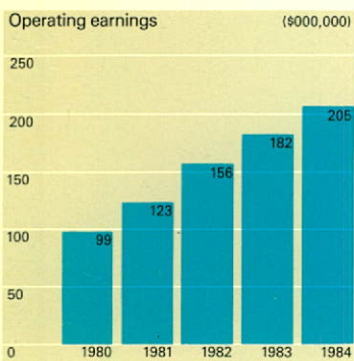
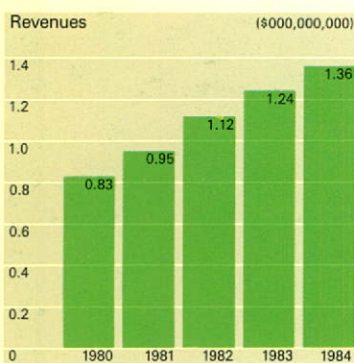
Cigarette sales for the industry as a whole in fiscal 1984 totalled 62.6 billion units, compared with 65.5 billion units the previous year. Unit sales of Imperial Tobacco brands were 31.9 billion, compared with 32.5 billion in fiscal 1983.

The 1983 Canadian flue-cured tobacco crop met the objective of 110,000 metric tonnes. Average price received by the growers was \$3.60 per kg., up from \$3.57 in 1982. Growers received a total of \$353 million for the 1983 crop.

Imperial Leaf Tobacco purchased 53,000 metric tonnes of the 1983 crop of which 16,000 were for export. The 1984 crop is expected to be substantially smaller because of lower export and domestic demand.

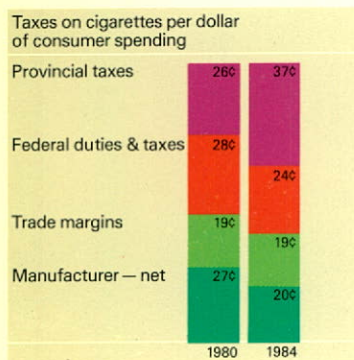
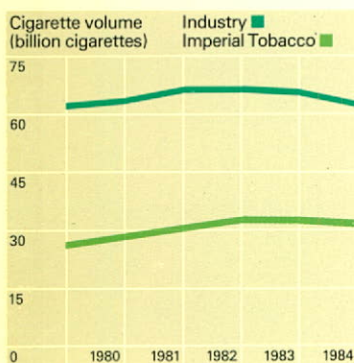
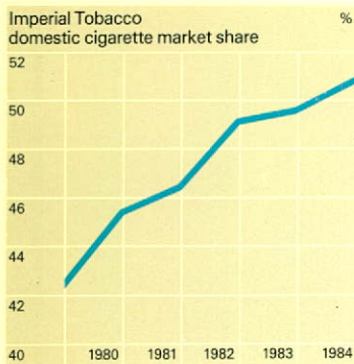
Through its five-year business plan, Imperial Tobacco has adopted a flexible stance for the future while awaiting government action. Various scenarios have been developed which will enable it to maintain profitability, even though no significant increase in sales volume may be expected under present circumstances.

Through increased productivity, partially based on ultra-modern equipment, Imperial Tobacco is assured of a reasonable profit margin for many years to come. Should taxes be moderated, improvement may be expected, thanks to the rising levels of efficiency Imperial Tobacco has attained.





Smoking is a pleasure enjoyed by over
7 million Canadians.



The company's continued leadership of the Canadian tobacco industry is the outgrowth of a clear business plan defining its fundamental objectives, strategies and priorities. The plan recognizes an ever-changing environment—economic, social, political and technological—and promotes unity of purpose among the divisions of the company.

Underlying the plan is the company philosophy regarding employees. Imperial Tobacco has long realized that the present and future success of the company is determined by the commitment and contribution of all employees. To this end, personnel and industrial relations policies are based on the sharing of information and by common interest and respect for employees and for unions which represent the employees in the manufacturing plants.

Operation Dialogue, introduced at a time when sales were constantly on the rise, was developed as a formal programme to share information of mutual interest with the unionized work force and this, in turn, gave birth to the Joint Industrial Relations Council. This Council, composed of senior management and union officials, provides the parties with a forum for the exchange of information and the solution of problems as they arise during the life of the agreements, thereby reducing the risk of serious conflict.

This year, when a surplus of personnel was created as a result of declining consumer demand, it was the Council that dealt with the problem. With management/union agreement that the best solution was a reduction in the work force on a voluntary basis, two programmes were developed, one of which was subsequently extended to non-unionized em-

ployees. In total, 335 employees accepted the offers on the basis of personal choice.

A similar strategy of cooperation has been introduced by Imperial Tobacco in its relations with suppliers. A partnership-like arrangement with suppliers has elicited suggestions which have contributed to substantial savings.

Such positive working relationships help Imperial Tobacco move constantly forward into new areas.

Imperial Tobacco engages in a programme of sponsorship of world-class professional sports events—golf, tennis, equestrian competition and auto racing—on a scale unmatched by any other single enterprise in Canada.

To satisfy expressed consumer needs and to develop products respecting Imperial Tobacco's strong commitment to quality and integrity, marketing and technical staff of the research and development division now work together more closely than ever. In the long run, this close cooperation finds its reward in the marketplace.

A new sales programme has now been launched on an experimental basis to make Imperial Tobacco products readily available in Florida and Hawaii where large numbers of Canadian tourists spend their winter vacations. Handsome counter displays, made even more effective by a high service level, have already produced promising results and the experiment will be extended to other vacation areas, including the state of Maine, U.S.A., in summer 1984.

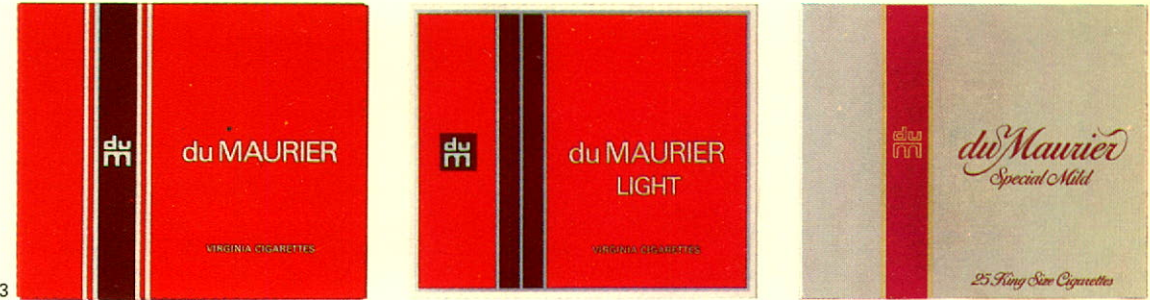
While the market has become more competitive, as is predictable in a mature industry, Player's and du Maurier retain their position as the most popular

cigarette brands in Canada. Nurtured over the years, the brands and their line extensions enjoy tremendous consumer confidence. The Player's family includes Player's Filter, Player's Light, Player's Extra Light and Player's Special Blend introduced in June 1983; the du Maurier family comprises du Maurier, du Maurier Light and du Maurier Special Mild. Matinée is another major Imperial Tobacco brand family.

Sales of Imperial Tobacco fine cut tobacco for roll-your-own cigarettes were up 14.6% in fiscal 1984. Industry sales increased by 9.8%. Cigar and pipe tobacco sales were down during the year by 9.2% and 7%, respectively. Through its wholly owned subsidiary, General Cigar Company, special innovative efforts are under way to increase sales in a number of the 30 countries to which Imperial Tobacco exports cigars.

The future of the Canadian tobacco industry is in the hands of the federal and provincial governments. A continuation of the present tax-on-tax spiral will cause a further decline in the industry, and prove an additional deterrent to the recovery of the Canadian economy.

- 1 Player's Special Blend: Imperial Tobacco's tenth consecutive marketing success.
- 2 Player's: Canada's most popular brand family. Player's Light: the country's largest selling cigarette brand.
- 3 du Maurier: Canada's second most popular brand family.
- 4 Matinée: Canada's first mild cigarette is still responding to the trend to mildness.





Jack A. Laughery
Chairman, President and Chief Executive
Officer, Imasco USA

The principal operating subsidiary of Imasco USA, Inc., Hardee's Food Systems, Inc. enjoyed its best performance ever in fiscal 1984. A significant milestone was also marked in October when Hardee's launched its 2,000th fast service family restaurant in Hampton, Virginia. It was only 23 years ago that the first Hardee's restaurant opened its doors in Greenville, North Carolina.

System-wide sales were \$2.4 billion and revenues were \$1.1 billion, representing increases of 11.6% and 13.5% respectively over fiscal 1983. Earnings from operations were \$92.3 million, up 23%. Average unit volumes increased 6.6% from U.S. \$723,000 to U.S. \$771,000. This growth consisted of 5.6% real growth and menu price increases of 1%.

Capital expenditures in fiscal 1984 were \$72 million, compared with \$70 million the previous year.

In the past year, Hardee's opened 28 company-owned restaurants and 154 franchised restaurants. Fiscal 1985 plans call for the opening of 65 company-owned and 150 franchised restaurants.

At year end, the Hardee's system consisted of 2,083 restaurants in 37 states in the U.S., mainly the southeastern, mid-Atlantic and mid-western states and nine foreign countries in the Middle East, Central America and the Orient. A total of 825 restaurants were company-owned and operated while 1,258 others were owned and operated by licensees.

Hardee's dramatic growth to date reflects carefully structured decision-making, particularly in the area of restaurant development, marketing and financial management, which have

enabled it to meet the demands of the consumer.

While the fast food industry is a highly competitive industry in the U.S., Hardee's has shown consistent earnings growth for the past decade. Today, Hardee's is a leader among fast service family restaurants, ranking fourth in sales in the hamburger segment and sixth among all fast service restaurant chains in the U.S.

Hardee's is dedicated to maintaining and advancing its leadership position. It continues to develop strong programmes to support its franchise activities and corporate store development.

With the 1982 acquisition of Burger Chef Systems, Hardee's enlarged its geographic market to 55% of the U.S., filling in areas where it had previously been absent and giving it the marketing vigour which is central to the fast food business

Coupled with expansion has been a diversification of its menu from what was primarily a quality hamburger-based product line to one which also embraces quality specialty sandwiches. In this way, Hardee's has been able to capitalize on changing lifestyles, two-income families and more disposable income to attract a maturing clientele.

Hardee's became a pacesetter by successfully introducing a breakfast menu based on "Rise and Shine" made-from-scratch biscuits. The biscuit itself and its several combinations of eggs, cheese and breakfast meat products has had a significant impact on Hardee's competition. The introduction made Hardee's the leader in the breakfast period and it is now widely imitated by its main competitors. The innovation also

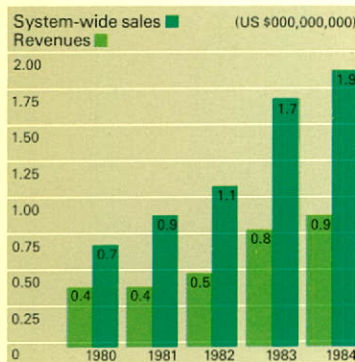
broadened Hardee's customer base, positioning it between a coffee shop and the traditional hamburger restaurant.

The franchise concept continues to be the cornerstone of Hardee's restaurant development. The franchise base ranges from the single-unit operator to the franchisees who operate multiple restaurants in several states.

Hardee's maintains the principle that about one-third of the restaurants be company-owned in the belief that working side by side with the franchise community ensures its own commitment to the enterprise as well as in-depth understanding of licensee concerns.

Hardee's is consistently expanding its customer base through menu strategy, attracting the 25-49-year-old market. The introduction of the new Turkey Club and Fisherman's Fillet sandwiches resulted in higher sales while adding to the main menu offering of the Bacon Cheeseburger, a Homemade Biscuit Breakfast, the "Hot Ham 'N Cheese" Sandwich, the Roast Beef Sandwich—another innovation—and the Boneless Breast of Chicken Sandwich. In coming months, Hardee's will again pioneer new products, among them three meal-size entree salads; Chef, "Shrimp 'N Pasta" and Chili. Hardee's has been a leader in the new product area, its menu diversification continues to provide real growth for the company.

Sales in fiscal 1984 benefitted from the phenomenally successful "Shirt Tales" stuffed-animal promotion based on copyrighted television cartoon characters. A stuffed animal was offered the Hardee's customer for a nominal charge with the purchase of any sandwich and a soft drink. In the five-week promotion period,

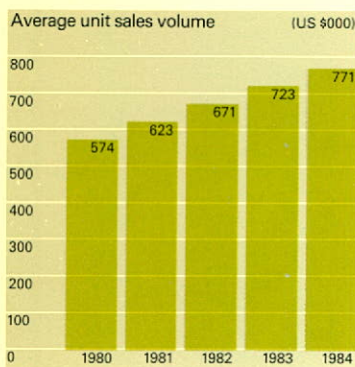


The years 1980 and 1981 represent fiscal years ended October 31.

1 Average unit volume of Hardee's restaurants reached US \$771,000.

2 The growth trend in meals eaten out of the home continues, especially Hardee's primary market—adults aged 25 to 49.





during the third quarter, 9.4 million stuffed animals — there were five types in all — were sold.

Hardee's is planning other promotions for fiscal 1985, including a record book in five chapters related to the film *Gremlins*, successor to *E.T.*

For the first time Hardee's is undertaking a national television advertising campaign. At the same time, the chain is planning to devote more funds to advertising at the local level. The campaign, which began in May, has as its theme "It's All Here at Hardee's", accenting the fact that the system's restaurants now have the widest variety of products in Hardee's history. Using national imagery, the bold, assertive campaign will unify the system in terms of advertising coverage and give Hardee's first-time exposure in fringe areas.

A second restaurant-operating entity, Burger Chef Systems, Inc., continued to convert Burger Chef restaurants to the Hardee's format. During fiscal 1984 the remaining 81 company-owned Burger Chef restaurants and 123 franchised restaurants converted to the Hardee's format. The conversion resulted in a significant sales increase. During the same period 37 other franchised Burger Chef restaurants either closed or became independent. In fiscal 1985, it is expected that 33 additional Burger Chef restaurants will convert and 52 units will either close or become independent, leaving 61 Burger Chef restaurants in operation.

The Specialty Food Service Division of Imasco USA pursued its operation of 26 company-operated and nine franchised dining facilities on college campuses and on interstate turnpikes.

A fourth division of Imasco USA, Fast Food Merchandisers, Inc. manufactures the high-quality products used by Hardee's restaurants and distributes them through an efficient, dependable network at competitive prices.

FFM has greatly expanded its manufacturing capabilities. Production and packaging of measured portions of the ham, chicken, pork and other meat products used in the restaurants are also sold to wholesalers and retailers under private brand labels.

With more than 1,200 employees, FFM's manufacturing division consists of four manufacturing plants in Oneida, N.Y., Rocky Mount, N.C., Forest City, N.C. and a new facility under construction in Monterey, TN, for a total of over 300,000 square feet of manufacturing space. In fiscal 1984, the plants produced over 100 million pounds of food, including 46 million pounds of hamburger patties, 19 million pounds of roast beef, five million pounds of apple turnovers, one million pounds of chili, 27 million pounds of ham, sausage, bacon and related pork products, 14 million pounds of boneless breast of chicken and five million pounds of breakfast steak and other allied products.

FFM's distribution division is made up of nine regional centres located in primary markets, including a new centre opened in Napoleon, Ohio, during the year. A tenth distribution centre is planned for fiscal 1985.

From these centers, weekly deliveries of frozen foods and operating supplies — some 250 products in all — are made to each Hardee's restaurant. The FFM fleet of 100 refrigerated trucks logged over nine million delivery miles during the year, serving a secondary role of

mobile billboards. Goods are shipped to Hardee's units overseas from distribution centers in North Carolina and Florida.

Shaped to meet the competitive challenges of the food service industry in a disciplined, yet flexible manner, Imasco USA is poised for continued growth. With superior products, proven management and four divisions which actively complement one another, the company is structured to take advantage of new markets and opportunities.

- 1 Customer service: Emphasis is on fast, courteous and quality service.
- 2 Turkey Club: Another successful addition to Hardee's line of quality sandwiches.
- 3 Three new salads were introduced in May to respond to ever changing customer tastes.
- 4 Hardee's promotion with "Shirt Tales" sold 9.4 million stuffed animals in a 5 week period.
- 5 Leading U.S. stockcar driver, Cale Yarborough, a 3 time winner of the "Driver of the Year"—Winston Cup, is sponsored by Hardee's.





David R. Bloom
President and Chief Executive Officer
Shoppers Drug Mart

Sparked by an unprecedented drive which significantly increased productivity through planning, Shoppers Drug Mart, the only nation-wide drug store system in Canada, recorded system-wide sales of \$1.3 billion, up \$148 million over 1983. Comparative store sales increased 13% while annual sales per square foot of selling area reached a record \$501, an increase of \$62. Average sales per location also far exceeded the North American average for drug stores. Operating earnings in Canada rose by 15% to \$32.6 million.

Under the Shoppers Drug Mart concept, pharmacists have an opportunity to operate their own businesses while benefiting from the management efficiencies and economies of scale inherent in being part of a large system. Each Shoppers Drug Mart store is owned and operated by a licensed pharmacist — called an Associate — who becomes part of the Shoppers Drug Mart organization under a special licensing arrangement. In return for an annual fee, each Associate has access to a variety of services which improve sales and profitability.

With 435 stores in the organization at year end, Shoppers Drug Mart (Pharmaprix in Québec) ranked sixth in sales among all drug store chains across North America. The number of stores includes 30 in Florida.

Launched at the start of fiscal 1984, the productivity improvement programme became a state of mind, a way of life, and a total commitment by every member of Shoppers Drug Mart to ensure growth and increased profitability. It consists of four basic elements: productivity of people, reflected in sales per man/hour; in space, in terms of sales per square foot; in assets,

leading to a rise of nearly 13% in inventory turnover; and in marketing, measured in average sale per customer.

The new focus produced dramatic results throughout the system. With a change in the marketing thrust and a different product mix, the Florida operation became profitable for the first time during the last six months of the fiscal year. An even better performance is expected in fiscal 1985. In Québec, the management team of the Pharmaprix group was strengthened and complemented by support from corporate resources. Five Pharmaprix stores were divested. Store hours were extended and certain stores introduced Sunday opening, bringing about a steady improvement in overall results. The Pharmaprix operation is expected to reach the breakeven point in fiscal 1985.

Caring, commitment and closeness to the customer have shaped the Shoppers Drug Mart concept from the start and the approach was expressed in a new marketing programme "CARE", an acronym for "Customers Are Really Everything". This programme underlines the importance of the community pharmacy as a health centre and bolsters the counselling services provided by the pharmacist.

Some 70 dispensaries have now been equipped with computers to improve the maintenance of patient profiles and avert any possible conflict in medication. Computerization will continue on the basis of the number of prescriptions serviced per store.

The servicing of prescriptions to nursing homes assumed marked importance and, at year end, Shoppers Drug Mart stores were supplying more than 5,000 beds in 20 Canadian communities. The number is expected

to grow significantly in fiscal 1985.

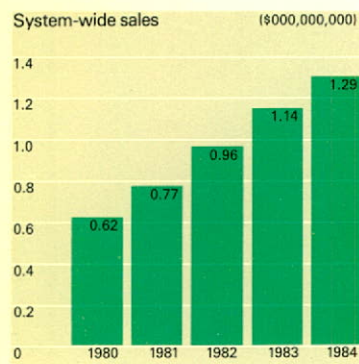
Shoppers Drug Mart is also stepping up its patient-counselling programme. With deregulation of some pharmaceutical products such as antihistamines and the growing movement toward self-medication, the group will launch a major programme to provide advice to consumers regarding over-the-counter preparations.

To increase potential revenues, Shoppers Drug Mart is devoting special attention to products which can be developed into major traffic-builders. These include soft drinks, cosmetics, snacks and paper products.

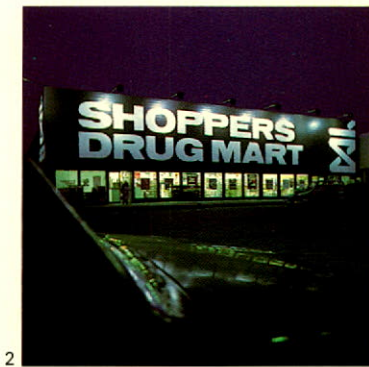
The divestment of stores in Québec and elsewhere has served to refine the asset base, assuring a more productive store mix. Today, Shoppers Drug Mart is exploring penetration into new markets in virtually every province of Canada.

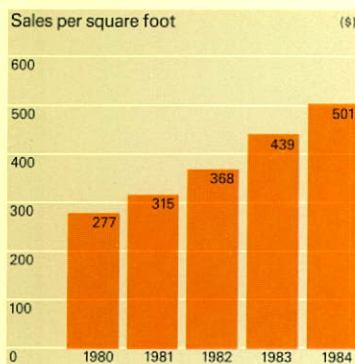
In addition to its traditional stores, which average about 6,500 square feet of selling space, Shoppers Drug Mart also operates six health care centres in Ontario which sell and rent convalescent aids.

Another new concept — the off-price drug store — was pioneered in Toronto in April. Called "Howie's — More Than a Drug Store", it is company-owned rather than franchised and is more than twice the size of the traditional Shoppers Drug Mart store. It also offers a broader product mix, including hardware, a limited range of soft goods, auto accessories, toys, and trial sizes. It is Shoppers Drug Mart's intention to introduce other off-price stores in many communities across Canada if the pilot project meets carefully defined criteria in consumer response.



- 1 One of the 435 Shoppers Drug Mart stores.
- 2 Shoppers Drug Mart: Open at night to provide added shopping convenience for its customers.
- 3 Pharmacy computers: Part of Shoppers Drug Mart's continued emphasis on improved customer service and store efficiency.
- 4 Howie's: "More Than a Drug Store". Shoppers' entry in off-price retailing.
- 5 Quality products carry the Shoppers' "Life" brand trade name.
- 6 "Red Saver": Shoppers generic products. Offered with a money back guarantee.





Another innovation during the year was the introduction of video units in the stores for communication, marketing and training programmes. As a communication and marketing vehicle, the unit shows material in support of print, radio and television advertising.

Images, a new magazine for women published six times a year and distributed exclusively by Shoppers Drug Mart/Pharmaprix to its customers, was launched in April, adding to the group's extensive marketing activities.

Shoppers Drug Mart presents institutional advertising on television 52 weeks a year and every two weeks publishes a flyer called "The Money Saver" or "Éconochoix" in Québec. It has a circulation of seven million—the largest distribution of any such publication in Canada.

Shoppers Drug Mart was especially active during the year in cross-promotions with two restaurant chains and one cinema chain, offering its customers discount prices for food as well as films tickets.

As an official sponsor of the Canadian Olympic team, Shoppers Drug Mart is also strengthening the image of its Life Brand private label products, especially vitamins, through its participation in the Winter and Summer Games.

Corporate brands—private label and generic—many of them produced by national brand manufacturers, accounted for about 5% of total sales during the year.

Some 550 packaged products are marketed under Life Brand, Shoppers Drug Mart and Pharmaprix labels and include vitamins, over-the-counter prep-

arations, health and beauty aids, stationery supplies, film, confectionery, household products and paper goods.

Sales of Life Brand vitamins are particularly strong at some \$17 million, or about 15% of Canada's total vitamin market.

Generic or no-name products, introduced in May 1983 as Red Saver/Éconorange brands, were quick to gain consumer acceptance and loyalty, reaching \$14 million in sales. A total of 44 products are available in five categories—health and beauty aids, paper, confectionery, household, and sundry products. All are backed by an unconditional money-back guarantee. The products help reinforce Shoppers Drug Mart's low-price image, attract supermarket customers and convert paper products from loss-leaders to profit-makers.

Despite some difficulty in maintaining momentum in certain markets, especially the west, Shoppers Drug Mart is confident of a buoyant future and has set up a retail development department to help chart possible courses to respond to a changing retailing environment and to meet the varying needs of the different segments of the market. Consumer research has also been intensified to a record level. Shoppers Drug Mart expects to reach \$2 billion in sales by 1988. The addition of 150 stores over the next five years is another objective.



Sheldon W. Fantle
Chairman, President and Chief Executive
Officer, Peoples Drug Stores

Peoples Drug Stores, Incorporated, acquired by Imasco effective April 1, 1984 enjoyed their most exciting, rewarding and successful year in their 78-year history. This section is intended to give a perspective of this latest addition to the Imasco group.

For the year ended September 24, 1983, sales were up 15% to a record U.S. \$791 million while net income rose by 30% to U.S. \$13.7 million, also a record. Sales per square foot averaged U.S. \$183.

Thirty-six stores were opened, bringing the total as of September 24, 1983 to 575. There are presently 600 stores in the system.

Total corporate assets were U.S. \$229 million in 1983 against U.S. \$100 million six years ago for an increase of 129%. In the same period, the inventory component of assets rose by only 71% — a measure of Peoples' progress in inventory control.

Peoples' emphasis on health care was reflected in the fact that 25% of total sales in 1983 stemmed from prescription drugs. It was the largest percentage ever recorded from such sales and the highest sales contribution of any product category. Prescription drug sales — a record 18.1 million transactions — rose by 21%, the largest increment of any product category.

Peoples' achievement is closely tied to its three-pronged business strategy emphasizing health care, convenience, and market leadership. It is the health orientation which sets Peoples apart from other U.S. drug retailers. The stores dispense not only prescriptions but provide other health care services, advice and information.

Founded in 1905, Peoples is one of the largest drug store chains in the U.S., serving more than 150 markets with health care products and services as well as a broad mix of consumer products. It emphasizes people, systems and merchandising techniques.

Peoples' geographic market penetration today takes the form of a crescent stretching from Iowa through Indiana and Ohio into the mid-Atlantic states, down to Georgia and Alabama.

Half the Peoples stores are located in or around five major metropolitan markets; Washington, D.C., Atlanta, Indianapolis, Tidewater, Va., and Toledo. In each area, Peoples is either first or second in the marketplace. Store hours are tailored to the community and its needs. Some, for example, open at 6 a.m. while others are open 24 hours a day.

Peoples operates under its own name as well as under the trade names Haag, Lane, Reed, Lee and Health Mart. All but the Health Mart stores include a pharmacy and are staffed by registered pharmacists. Health Mart stores, located principally in downtown business areas, are smaller and engage primarily in the sale of discounted health and beauty aids and some general merchandise.

While Peoples is health-oriented, it is also a convenience retailer. Consumers may buy film, greeting cards, proprietary drugs, toiletries, basic food items, home/office supplies, vitamins, nutritional products, even telephones.

Six Peoples' distribution centres, situated in Indianapolis, Alexandria, Richmond, Atlanta, Toledo and Uniontown, serve the network of stores. Work is to begin this year on a new

distribution facility near Fredericksburg, Virginia.

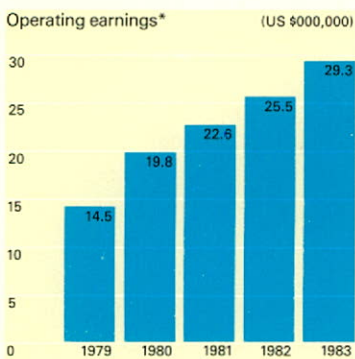
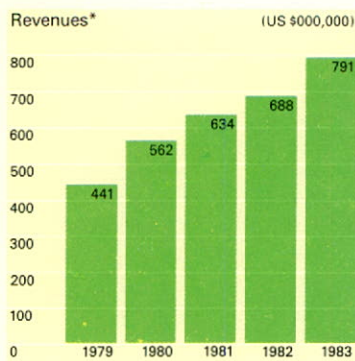
Peoples has three subsidiaries: B.H. Krueger, of Fair Lawn, New Jersey, which manufactures and contract-packages fragrances, powders and lotions for national accounts and private label; Hillcrest Sales, of Clinton, Maryland, a wholesaler and rack jobber servicing retail stores; and Loss Prevention Electronics, Inc., Alexandria, Virginia, which markets security hardware systems to retailers.

Sixty stores are slated to open this year to maintain or increase key market share in each of Peoples' major markets and to expand into contiguous markets. Following this strategy, Peoples entered the Baltimore market this year.

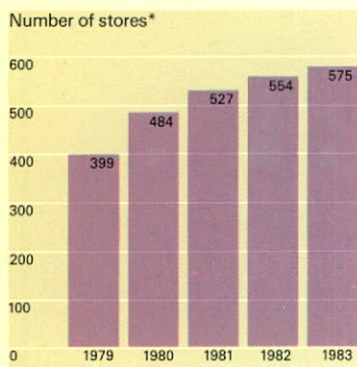
Two experimental SMILES stores were launched in Ohio in 1983 with a third scheduled to open this year. Smaller stores covering about 3,000 square feet, SMILES outlets carry a wide assortment of greeting cards, high-quality bulk and bagged candy, and select gift-ware. The stores are designed to attract a high income segment of the market and will be tested for a full year before any further expansion is undertaken.

Systems and programmes were developed on a continuing basis during 1983. An aggressive store remodelling programme helped ensure the physical plant remains among the most modern in the retailing field.

Implementation of AIMS — Peoples' "Advanced Inventory Management System" — continued, setting the scene for new efficiencies in buying and selling in the future. The system automates and simplifies many of the time-consuming manual buying and promotion functions, managing vital data per-



*For the years ended September.



*For the years ended September.

taining to the dates special buys are available from major suppliers, the amount of cooperative advertising money — money the supplier pays Peoples to advertise its products — which is available and being utilized, and the performance of individual products following their advertising.

Armed with this information, Peoples buys and plans advertising and promotional programmes by computer. AIMS is scheduled to become fully operational by the end of this year, making Peoples one of the few drug store chains with a truly automated buying system.

Forty-three Haag stores were converted to the Peoples name and product mix during the year and were simultaneously remodelled, bringing an immediate and dramatic increase in sales. Ultimately, all stores in the chain will bear the Peoples' logo. This year, the name-change programme is being applied to 46 stores, completing the conversion process for all the former Haag, Drug Fair of Iowa and Marsh stores in the Midwest.

Six in-store optical centres were added within Peoples' drug stores in 1983 for a total of 51. An initial, freestanding optical shop was also opened by moving the Peoples' optical laboratory from the Alexandria, Va. corporate headquarters to a separate building in a nearby commercial park and fronting it with a retail operation.

The year saw the opening of Peoples' second home health care centre in Richmond, Va., a facility offering durable medical equipment and specialized health care products for sale or rent. A catalogue listing the equipment and supplies is available in any Peoples' store. The merchandise is delivered or shipped from the home health

care centre to the consumer directly or to a Peoples' store for pick-up. A third home care facility is due to open this year to serve Maryland.

As part of its overall health care efforts, Peoples continued to test the concept it pioneered in 1979 of operating dental clinics within its stores. Hearing aid centres also were tested in three of the optical sections in a special attempt to assist the elderly.

At year end, 5.5% of total sales were generated by Peoples' private label products. The goal is 8% by 1985. Positioned as a true quality alternative to the national brands, the private label lines were also expanded during the year to a mix of more than 600 products.

Peoples is exploring an opportunity to provide prescription drug services beyond the confines of the conventional pharmacy. A mail order operation and a close rapport with health maintenance organizations — facilities combining many specialties under one roof in a preventive-medicine setting — are considered two possible avenues of development.

Given its special commitment to pharmacy, Peoples has begun to install a computer system to facilitate the prescription-dispensing and drug-information roles of pharmacists. Pharmacy computer terminals were installed by year end in 50 stores. The system is targeted for chain-wide operation in 1986. For the pharmacist, the system eliminates many of the routine tasks which traditionally accompany the dispensing of a prescription. More importantly for the consumer, the system ensures maintenance and monitoring of patient prescription histories. This enables the pharmacist to identify drugs which,

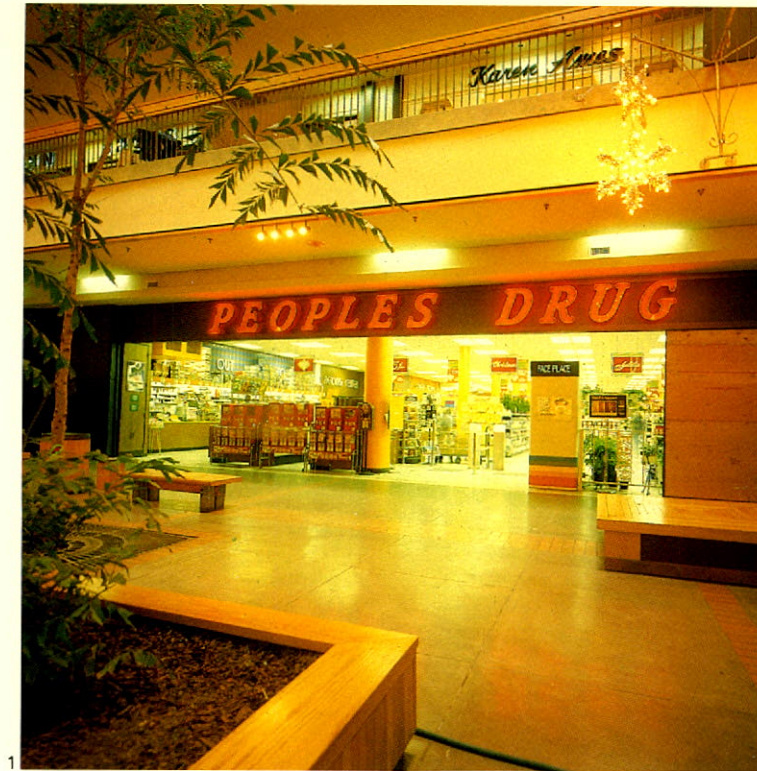
taken in combination, could produce an adverse reaction.

Another step in Peoples' improvement of its health care role was the expansion in 1983 of its information programme, Living with Aging, developed the year before with the assistance of the U.S. Department of Health and Human Services. A variety of literature was produced devoted to the elderly and to health conditions of special concern to them.

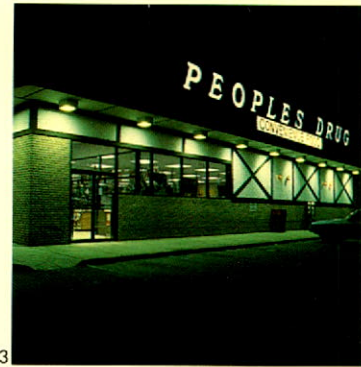
In October, in yet another manifestation of its commitment to the community, Peoples launched a new information programme called Your Kids and Drugs: Spot It/Stop It. Created in partnership with the U.S. Government's National Institute on Drug Abuse and Alcohol Abuse and Alcoholism, the programme is endorsed and supported by the National Federation of Parents for Drug-free Youth.

Peoples' innovative approach to retailing made it the 1983 winner of four of the five major yearly Gold Link Industry Service Awards presented to large chains by the National Association of Chain Drug Stores. Emblematic of outstanding achievement in communications the awards underlined Peoples' efforts in customer/community relations, public education, the pharmacy profession, and special event promotions.

- 1 Peoples Drug: One of 600 stores (as of March 31, 1984) in 13 states and the District of Columbia.
- 2 Pharmacy computers: Emphasis is placed on fast, accurate and quality service.
- 3 Longer store hours—respond to the customer's desire for more convenient shopping.
- 4 Health Care Centre: supplies the growing market for home health care products.
- 5 AIMS: Advanced Inventory Management System, an automated buying system will be fully operational by December 1984.



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Roderick C. Foster, C.A.
President, Imasco Resources

Imasco Resources' principal investment is in Canada Northwest Energy Limited, a Calgary-based public company engaged in oil and gas exploration and production in Canada, the United States, Europe and Australia. Imasco holds 2,010,960 common shares, or 13.8%, as well as \$8 million of 6 1/2% convertible preferred shares. The book value of the investment as at March 31, 1984 was \$16.6 million and the market value was \$78.6 million.

For the fiscal year ended September 30, 1983, Canada Northwest reported revenues of \$93.8 million, cash flow of \$55.8 million and net earnings of \$35.2 million. During the six months ended March 31, 1984, revenues, cash flow and net earnings improved by 23%, 42% and 43% respectively over the corresponding period in 1983. A dividend of 25 cents per common share was declared

for shareholders of record at March 30, 1984 and was paid on April 16.

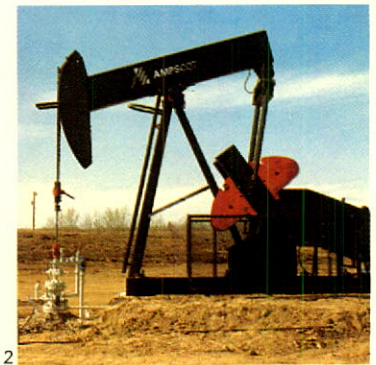
In September 1982 Imasco entered into a partnership agreement with Flame Oil & Gas Ltd., a Calgary-based private company under which Imasco committed approximately \$5 million to an oil and gas exploration programme. To date results of this initial programme have been encouraging.

In October 1983 Imasco entered into a second partnership agreement with Flame under which Imasco will invest up to an additional \$30 million in oil and gas exploration over a three-year period of which \$985,000 was invested as of March 31, 1984.

The majority of funds in both these partnerships has been invested in Canadian exploration with the balance invested in the United States.

The effect on net earnings from these investments, including income tax credits, amounted to \$2 million in fiscal 1984.

- 1 Canada Northwest Energy: Platform drilling in the Casablanca field—offshore Spain.
- 2 Flame Oil & Gas: Oil production at Alberta's Rainbow field.



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The UCS Group

The UCS Group comprises 457 retail tobacco and gift shops operating under the names United Cigar Stores, UCS, Inclination, Lamplighter, Den for Men and Cavalier, and as Gentillesse and Au Masculin in Québec. The largest single component of the Group is the 156 smoke shop departments in Woolco/Woolworth stores.

Sales per square foot averaged \$533, up from \$484 in fiscal 1983. The 31 Den for Men/Au Masculin shops, specializing in quality goods for men, increased traffic and sales significantly during the year by adding tobacco to their product mix.

Throughout the Group, tobacco accounted for 60% of sales. Other product lines include confectionery, magazines and newspapers, china and giftware, souvenirs and greeting cards.

System-wide, 17 stores were opened during the year and 13 were closed.

Probably the most expert small-space retailer in the basic categories, the Group is also the largest retailer in Canada in the non-food convenience category. There are 89 shops in hotels or airports. An improving economy and more tourism and conventions in Canada in fiscal 1985 are expected to increase sales in these outlets.

Supported by a strong marketing thrust, UCS has set a goal of trading up each sale by placing greater emphasis on human resource development. Nearly 2,000 employees work for the Group and among these are 214 managers whose combined service totals 2,300 years. With more sophisticated and more demanding consumers, a special accent is also being placed on courtesy.

The merchandise mix of the Group—some 2,500 items in 28 categories of products—is one of the key factors in its success.

The Tinder Box

In fiscal 1984, The Tinder Box redefined its image from the quiet Old World tobacconist to a more modern retail operation responding to rapidly changing consumer needs. As of March 31, 1984, six of the 194 stores had been converted to a bright, modern and visually exciting open-front store design. It is expected that a significant number of the company-owned stores will be modernized during fiscal 1985. With the new slogan "More than just a Great Tobacco Shop" and an expanded product selection, sales per square foot have risen dramatically in the converted units.

1 One of the UCS Group's 457 tobacco and gift stores.

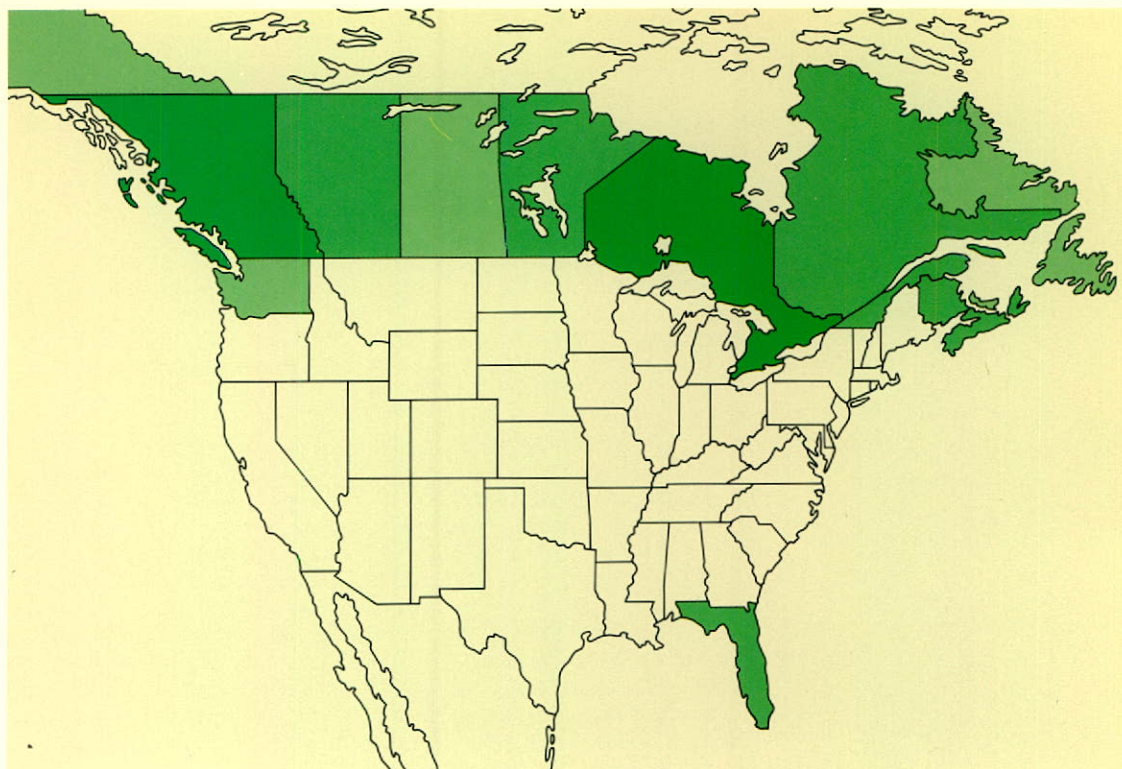
2 One of the remodeled stores in the 194-store Tinder Box chain.



Shoppers Drug Mart/ Pharmaprix

Shoppers Drug Mart (Pharmaprix in Québec) licenses and operates 435 pharmacies in all Canadian provinces and the Yukon and in the States of Florida and Washington in the U.S.A. Shoppers specializes in prescription drugs, over-the-counter medications, health and beauty aids and cosmetics.

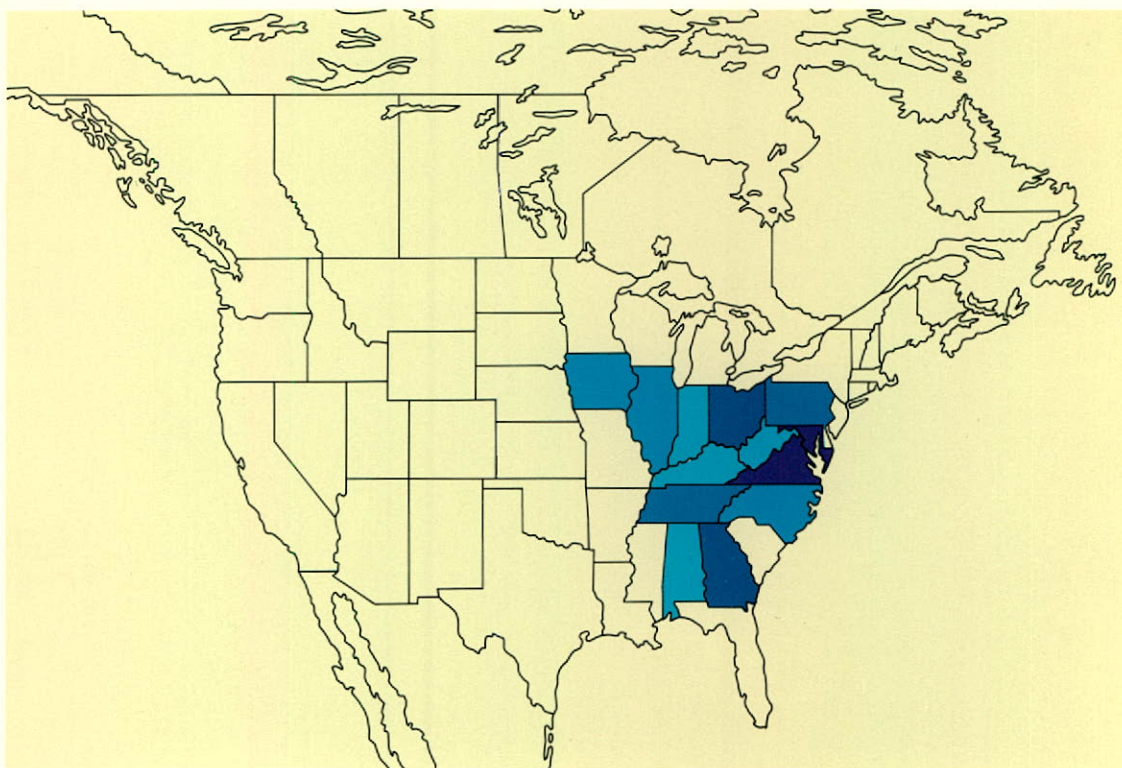
Number of stores
 1 - 10
 11 - 50
 51 - 100
 101 - 200



Peoples Drug Stores

Peoples Drug operates a chain of 600 drug stores in 13 states and in Washington, D.C. specializing in prescriptions, health care, and a broad range of day-to-day consumer products.

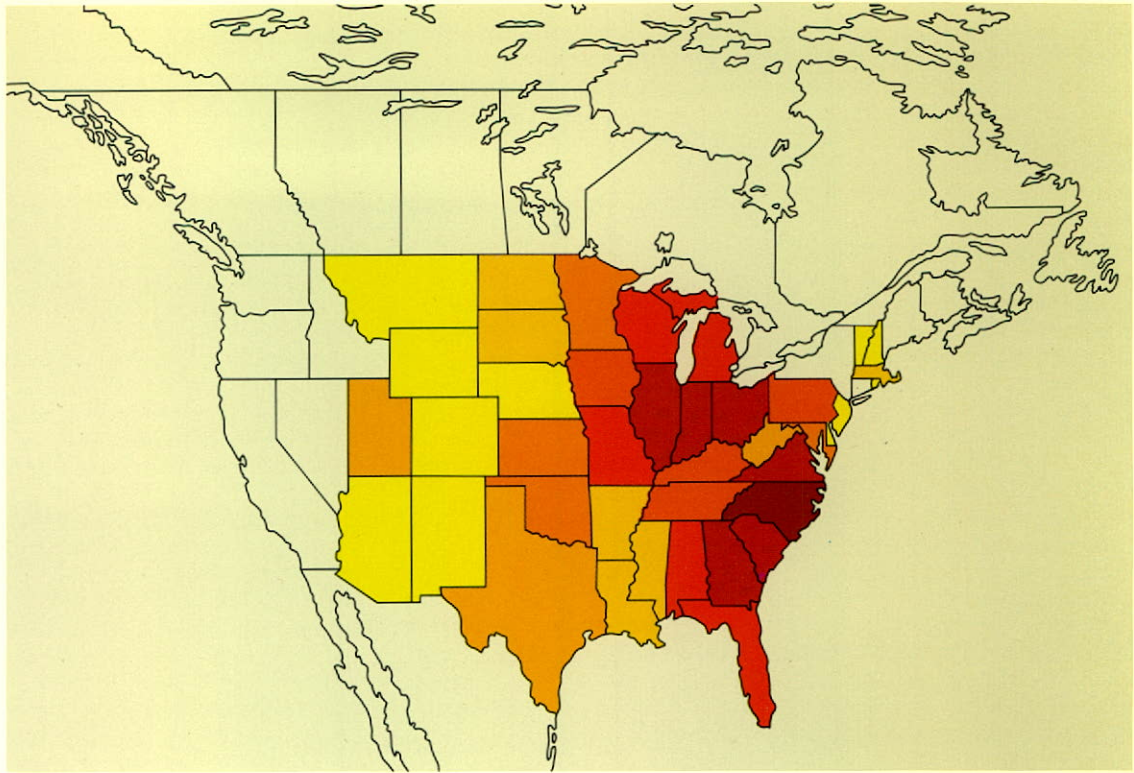
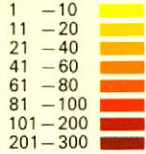
Number of stores
 1 - 10
 11 - 40
 41 - 80
 81 - 120
 121 - 160



Imasco USA

Imasco USA operates and licenses a system of 2,229 fast food restaurants principally under the name Hardee's in 41 states in the U.S. and in 9 foreign countries, in the Middle East, Central America and the Orient.

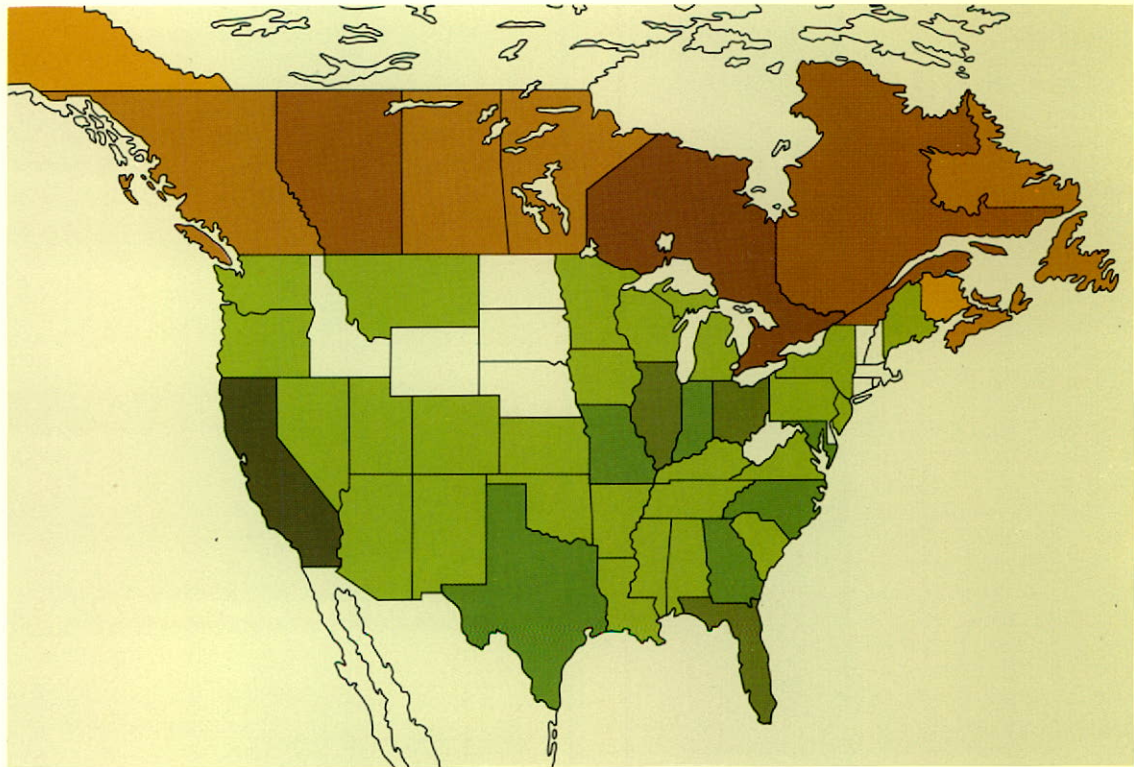
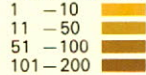
Number of restaurants



The UCS Group

UCS operates 457 retail tobacco and gift shops in all Canadian provinces and in the Yukon.

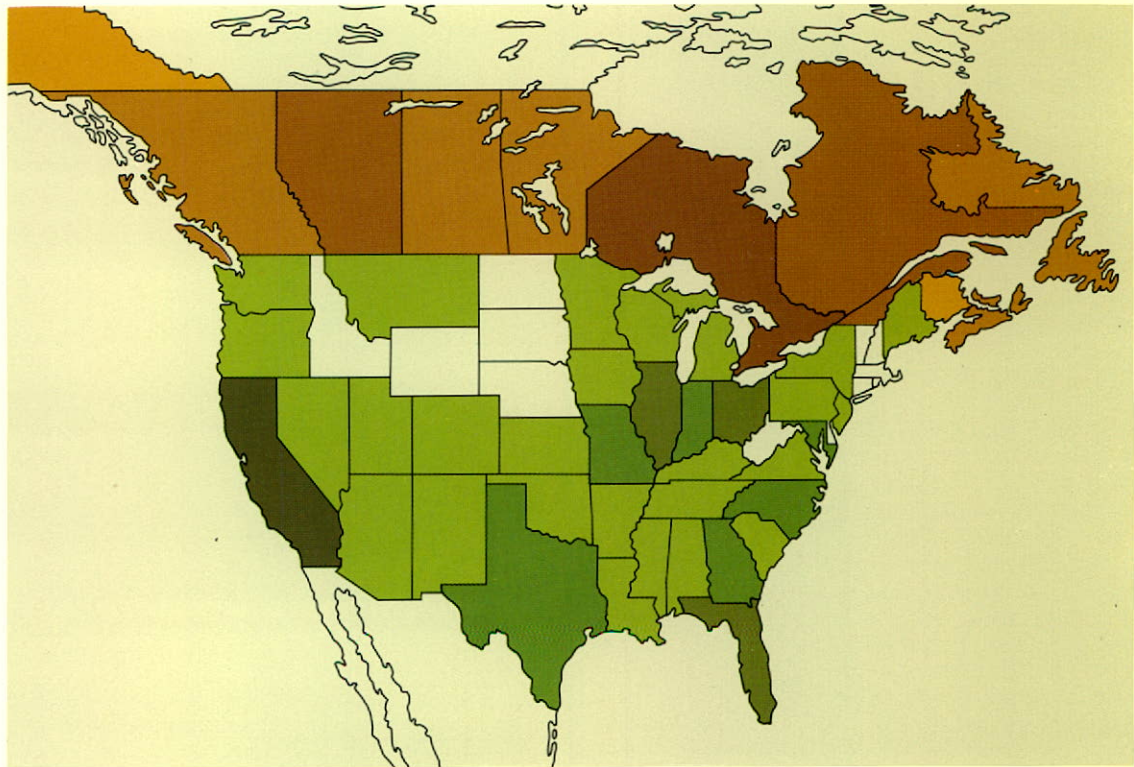
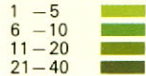
Number of stores



The Tinder Box International

The Tinder Box International operates 194 specialty tobacco and gift stores in 37 states in the U.S.A.

Number of stores



The companies which comprise Imasco Limited in Canada and the United States have long acknowledged the vital necessity of involvement in the communities in which they live and work. Just as the individual citizen is expected to contribute his share of money and volunteer work to his community, so do we recognize that the corporate citizen must also play its proportional part. Imasco has organized its charities and other community donations and activities and it encourages its subsidiary companies to do the same. Contributions to and involvement in community affairs take the form of direct grants of money, sponsorships of cultural and sports events of national interest, sponsorship and encouragement of amateur sports activities at the local community level, and financial support for the democratic political process in Canada. Imasco encourages its employees to participate in community activities, and in business and professional associations.

Corporate Donations Committee

This Committee consists of seven members drawn from all Canadian divisions of the Corporation. Under guidelines and a policy approved by the Board, the Committee considers and makes grants for public welfare, aid to the disadvantaged, public health, education, cultural, recreational and youth activities, and community development. Donations to these groups in fiscal 1984 amounted to \$1,449,000. In addition to these donations, the Committee studies and recommends grants in special circumstances. Examples are those special years called by the United Nations to attract attention to particularly disadvantaged or otherwise deserving groups. In 1979 the company donated \$50,000

to the Canadian Association of Paediatric Surgeons Educational Fund in recognition of the United Nations International Year of the Child. In 1981 the company donated \$100,000 to establish the Imasco Scholarship Fund for Disabled Students in response to the United Nations declaration of an International Year of the Disabled. This fund was increased by \$50,000 in 1982 in order to provide more scholarships.

Independent Research

Imasco also participates in the Imasco-CDC Research Foundation, which is supported by joint contributions from Imasco and the Canada Development Corporation. The Foundation promotes research into the discovery and development of products, processes and devices for the prevention, treatment and cure of diseases.

Sponsorships

Corporate sponsorships of sports events and the arts make a major contribution to these activities in Canada. Imperial Tobacco has over a great many years selected certain sports and cultural events and, associating them with brand names of products, endowed them with substantial support. Player's was responsible for the introduction of Grand Prix motor car racing in Canada; and du Maurier put Canada on the international circuit for World Cup skiing competition. Peter Jackson adopted the Canadian Open Golf Championship in 1971 and passes it this year to du Maurier, after raising it into one of the major events in the world tour of professional golf. Player's also introduced world class tennis competition to Canada in 1979.

These events continue this year in various parts of Canada. The

Canadian Open will be at Glen Abbey, Oakville, Ontario, June 25 - July 1; the du Maurier Classic for women golfers will be staged at St. George's Golf Club, Islington, Ontario, July 23-29; the du Maurier Championships for senior professionals will take place August 7-12 at the Royal Ottawa Golf Club, Aylmer, Québec; the Player's International men's tennis championship will be held at the National Tennis Centre, Toronto, August 11-19; and the Player's Challenge for women tennis players comes back to Jarry Tennis Stadium, Montréal, August 18-26. The du Maurier Equestrian, the richest event in world show jumping, will be held at Spruce Meadows, Calgary, Alberta, September 9.

The du Maurier Council for the Performing Arts was established in 1970 and since then has distributed \$4,161,000 to performing arts groups across Canada. In 1984, performing arts organizations involved in theatre, dance and music will share in Council grants totalling \$275,000. The du Maurier Council also sponsors the Search for Stars programme in association with the Canadian Broadcasting Corporation.

In the United States, Hardee's Food Systems' donations in fiscal 1984 totalled \$144,000. The company also has a long tradition of supporting local fund raising campaigns for charitable and community causes through its restaurants. Programmes for the Special Olympics for the handicapped and retarded, United Cerebral Palsy campaigns, Muscular Dystrophy and March of Dimes are among the many appeals supported at both the restaurant and corporate levels.

Shoppers Drug Mart in Canada supports local and national amateur sports activities. At the

corporate level the company inaugurated in 1982 the annual Shoppers Drug Mart Women's National Hockey Championship. Shoppers Drug Mart stores play a major role in encouraging sports activities among young people. Each store sponsors three community teams of hockey, soccer and one other sport. Shoppers Drug Mart supplies team uniforms, souvenir posters, awards, and provides camps and clinics where youngsters can receive qualified instruction in sports basics.

In February 1984, Shoppers Drug Mart assisted the Council on Drug Abuse (CODA) in launching in Ontario an awareness programme called Pharmacists Against Drug Abuse (PADA). The programme is designed to use the professional skills of pharmacists to educate parents and teenagers on the dangers of illicit drugs.

Political contributions

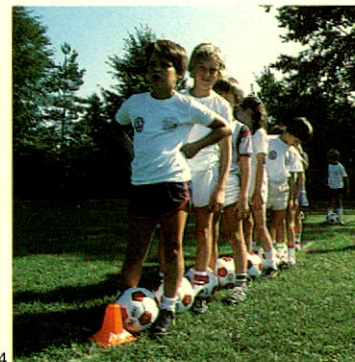
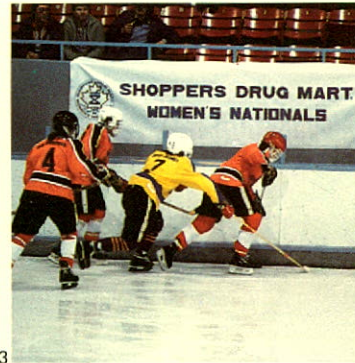
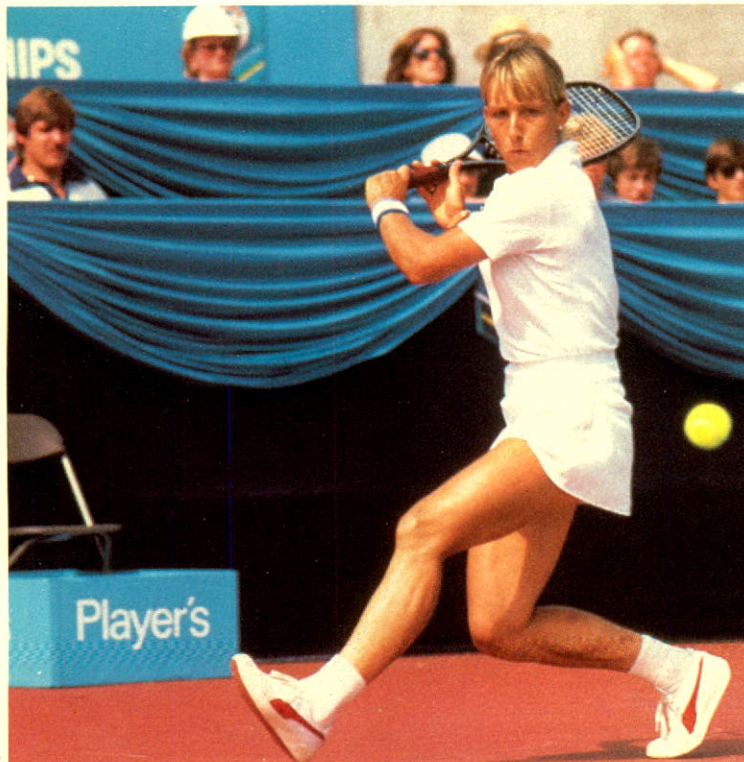
In fiscal 1984, the Corporation contributed \$74,350 to the support of recognized federal and provincial political parties and other organizations which stand for democratic government, a united Canada and a strong private sector.

Employee participation

While all of the activities mentioned above involve a considerable expenditure of money, no financial measure can be applied to the immense amount of time and care taken by our employees, from all areas of our operations, to make the world around them a little better for their fellow man. These individuals look for reward only in the satisfaction they get from helping others, and from taking an active part in the social and political life of their communities.



- 1 The annual du Maurier International Equestrian event is held at Spruce Meadows, Calgary, Alberta.
- 2 Martina Navratilova, three time winner of the yearly Player's Challenge.
- 3 Shoppers Drug Mart sponsors the Women's National Hockey Championship.
- 4 There are 15,000 Canadian youngsters involved on 950 Shoppers Drug Mart sponsored amateur sports teams.
- 5 Imasco's Scholarship Fund for Disabled Students: Paul Paré and McGill Principal David Johnston present cheque to winner Jacques Dubois.
- 6 Imperial Tobacco donates an AS/5000 computer to the University of Sherbrooke.



Imasco Limited Directors

Paul Paré^{1,3,4}

Chairman and
Chief Executive Officer,
Imasco Limited

L. Edmond Ricard¹

President and
Chief Operating Officer,
Imasco Limited

David R. Bloom

President and
Chief Executive Officer,
Shoppers Drug Mart Limited

H. Purdy Crawford, O.C.^{1,2}

Partner,
Osler, Hoskin & Harcourt

Sheldon W. Fantle

Chairman, President and
Chief Executive Officer,
Peoples Drug Stores,
Incorporated

Roderick C. Foster, C.A.

Executive Vice-President,
Imasco Limited

President, Imasco Resources

Rowland C. Frazee^{1,2,3,4}

Chairman and
Chief Executive Officer,
The Royal Bank of Canada

Yves Hudon

President,
Culinar Foods Inc.

Peter Kilburn^{1,3}

Chairman,
Shieldings Investments
Limited

Murray B. Koffler, C.M.⁴

Chairman,
Shoppers Drug Mart Limited

Jack A. Laughery

Chairman,
President and
Chief Executive Officer,
Imasco USA, Inc.

Jean-Louis Mercier

President and
Chief Executive Officer,
Imperial Tobacco Limited

Jean H. Richer, C.M.²

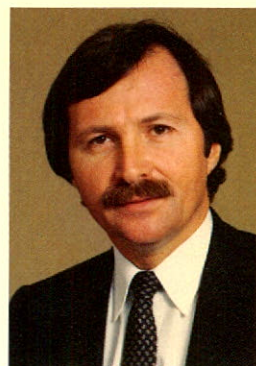
President,
Jean H. Richer Associés Ltée



Paul Paré



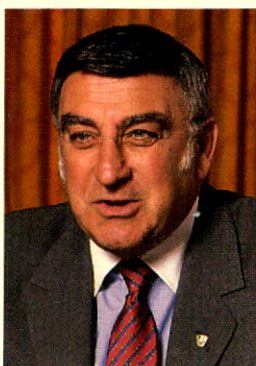
L. Edmond Ricard



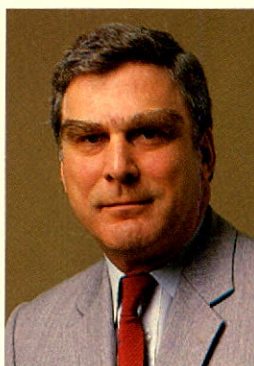
David R. Bloom



H. Purdy Crawford, O.C.



Sheldon W. Fantle



Roderick C. Foster, C.A.



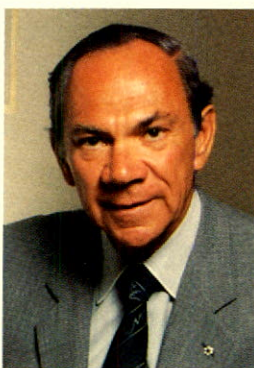
Rowland C. Frazee



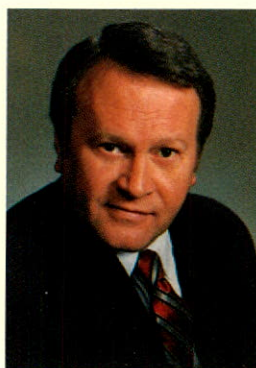
Yves Hudon



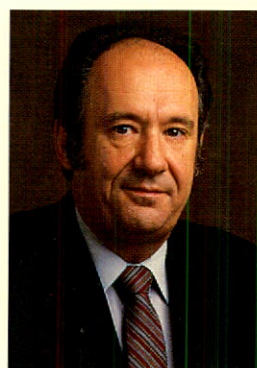
Peter Kilburn



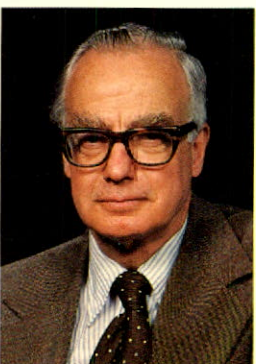
Murray B. Koffler, C.M.



Jack A. Laughery



Jean-Louis Mercier



Jean H. Richer, C.M.

¹ Member of the Executive Committee

² Member of the Audit Committee

³ Member of the Salary Committee

⁴ Member of the Nominating Committee

Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements of Imasco Limited and its subsidiaries and all information in the annual report are the responsibility of management and have been approved by the Board of Directors. The financial statements necessarily include some amounts that are based on management's best estimates and judgments.

The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Financial and operating data used elsewhere in the annual report are consistent with those contained in the financial statements.

Management of Imasco and its subsidiaries in fulfilling its responsibilities has developed and maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and that the financial records are reliable for preparing the financial statements.

The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its audit committee, consisting solely of outside directors. The audit committee meets periodically with management as well as with the internal and external auditors to discuss the results of audit examinations with respect to the adequacy of internal accounting controls and to review and discuss financial reporting matters. The shareholders' auditors have full access to the audit committee, with and without management being present.

These financial statements have been examined by the shareholders' auditors, Deloitte Haskins & Sells, Chartered Accountants, and their report is presented below.

Auditors' Report

To the Shareholders
of Imasco Limited

We have examined the consolidated balance sheet of Imasco Limited as at March 31, 1984 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at March 31, 1984 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 which, except for the change with which we agree, in the method of accounting for foreign currency translation, as disclosed in Note 2 to the consolidated financial statements, were applied on a basis consistent with that of the preceding year.

Deloitte Haskins & Sells
Chartered Accountants
Montréal, Canada

May 7, 1984

Summary of accounting policies

	The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect the following policies:
Basis of consolidation	The consolidated financial statements include the accounts of all subsidiaries. Acquisitions are accounted for as purchases and the results of operations of acquired businesses are included from their effective dates of acquisition. Goodwill and related costs arising from acquisitions of subsidiaries are capitalized and amortized on a straight-line basis, over their estimated useful lives not exceeding 40 years.
Foreign exchange	Effective April 1, 1983, the Corporation adopted the recent recommendations of the Canadian Institute of Chartered Accountants for foreign currency translation. The assets and liabilities of the Canadian operations denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date. Currency gains and losses are reflected in net earnings for the year. Unrealized foreign currency gains and losses on long term monetary assets and liabilities are reported as a deferred charge and amortized to earnings over the remaining lives of the related items on a straight-line basis. Unrealized gains or losses on long term monetary liabilities effectively hedged are included in shareholders' equity. The assets and liabilities denominated in a foreign currency of self-sustaining foreign operations are translated at exchange rates in effect at the balance sheet date. Revenue and expense items are translated at average exchange rates prevailing during the year. The resulting gains and losses are accumulated in a separate component of shareholders' equity.
Inventories	Inventories are valued at the lower of cost and net realizable value. Cost is determined substantially as follows: Tobacco: Average cost Drug Store: Retail inventory method Restaurant: First-in, first-out.
Investments and receivables	Investments and receivables are shown at cost or are reduced to their estimated realizable value.
Fixed assets	Fixed assets are accounted for at cost. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the principal classes of assets range from 14 to 40 years for buildings and from 5 to 20 years for equipment. Leasehold improvements are amortized on a straight-line basis over the lesser of the estimated useful lives of the assets or the term of the respective lease. Leases which transfer substantially all of the benefits and risks of ownership to the Corporation are accounted for as capital leases and are recorded as if the Corporation had acquired the related assets through debt financing. Leased property under capital leases is amortized on a straight-line basis over the estimated useful lives of the assets.
Deferred charges	Deferred charges are stated at cost less amortization accumulated on a straight-line basis. The amortization periods for the principal elements of deferred charges are: <ul style="list-style-type: none"> • Financing expense — term of the issue to which they relate; • Retail drug store opening costs — three years, commencing in the second year of operation; • Restaurant and other retail store opening costs — first year of operation; • Restaurant and retail leases acquired — term of the lease; • Other deferred charges — one to ten years.
Income taxes	Income taxes are accounted for using the tax allocation basis under which income taxes are provided in the year transactions affect net earnings regardless of when such transactions are recognized for tax purposes. Timing differences giving rise to deferred income taxes relate primarily to claiming capital cost allowances for income tax purposes in excess of depreciation recorded in the consolidated financial statements. The impact of the federal investment tax credit is reflected in earnings in the year during which the related expenditures are made.

Consolidated Statement of Earnings

	1984	1983
	Thousands of dollars	
Revenues	2,873,151	2,713,901
Sales and excise taxes	667,820	592,435
	2,205,331	2,121,466
Operating costs	1,865,723	1,821,119
Operating earnings	339,608	300,347
Corporate expenses	16,040	13,179
Interest — net	21,082	41,804
Earnings before income taxes	302,486	245,364
Income taxes	108,314	88,601
Earnings before extraordinary items	194,172	156,763
Extraordinary items	10,908	4,831
Net earnings	205,080	161,594
Earnings per share		
Before extraordinary items		
basic	\$4.05	\$3.47
fully diluted	\$3.80	\$3.24
After extraordinary items		
basic	\$4.29	\$3.58
fully diluted	\$4.01	\$3.34

Consolidated Statement of Retained Earnings

	1984	1983
	Thousands of dollars	
Retained earnings, beginning of year	526,862	411,357
Net earnings	205,080	161,594
Dividends	(54,127)	(42,900)
Expenses of issue of common shares	—	(3,189)
Retained earnings, end of year	677,815	526,862

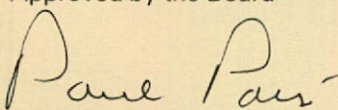
The accompanying accounting policies and notes are an integral part of the consolidated financial statements.

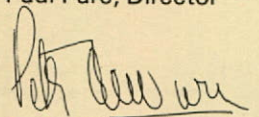
Consolidated Balance Sheet

		1984	1983
		Thousands of dollars	
Current assets	Cash and term deposits	224,321	134,472
	Accounts and notes receivable	143,756	116,226
	Inventories	534,261	536,959
	Prepaid expenses	15,025	14,363
	Total current assets	917,363	802,020
Current liabilities	Bank and other short term loans	192,568	154,600
	Accounts payable and accrued liabilities	224,779	176,038
	Income, excise and other taxes	69,546	60,456
	Current portion of long term debt and capital leases	10,884	16,169
	Total current liabilities	497,777	407,263
	Working capital	419,586	394,757
Other assets	Investment in Peoples Drug Stores, Incorporated	363,202	—
	Investments and receivables	107,213	88,079
	Fixed assets	552,045	541,213
	Deferred charges	21,740	22,626
	Goodwill	68,334	76,125
	Total other assets	1,112,534	728,043
	Excess of assets over current liabilities	1,532,120	1,122,800
Other liabilities	Long term debt	480,470	225,353
	Long term obligations under capital leases	28,552	30,496
	Deferred income taxes	35,077	43,790
	Total other liabilities	544,099	299,639
	Excess of assets over liabilities	988,021	823,161
Shareholders' equity	Capital stock	296,482	296,299
	Unrealized gain on foreign currency translation	13,724	—
	Retained earnings	677,815	526,862
	Total shareholders' equity	988,021	823,161

The accompanying accounting policies and notes are an integral part of the consolidated financial statements.

Approved by the Board


Paul Paré, Director


Peter Kilburn, Director

Consolidated Statement of Changes in Financial Position		1984	1983
		Thousands of dollars	
Source of funds	Earnings before extraordinary items	194,172	156,763
	Non-fund items	70,040	75,895
	Funds provided from operations	264,212	232,658
	Sale of business operations	110,755	—
	Less working capital sold	60,652	—
		50,103	—
	Long term debt	271,974	4,340
	Investments and receivables	11,649	7,304
	Sale of fixed assets	13,395	8,764
	Issue of common shares	—	110,811
	Sale of investment	—	13,343
	Total source of funds	611,333	377,220
Application of funds	Investment in Peoples Drug Stores, Incorporated	363,202	—
	Fixed assets	104,074	114,675
	Dividends	54,127	42,900
	Investments and receivables	24,882	7,797
	Long term debt	23,308	68,676
	Provision for disposal of business operations	11,137	—
	Deferred charges	1,290	2,144
	Obligations under capital leases	2,641	2,105
	Redemption of preference shares	35	—
	Purchase of common shares for cancellation in excess of (less than) treasury shares issued	(218)	214
	Unrealized foreign exchange	2,026	(1,357)
	Total application of funds	586,504	237,154
Working capital	Increase in working capital	24,829	140,066
	Beginning of year	394,757	254,691
	End of year	419,586	394,757

The accompanying accounting policies and notes are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Significant events

During the year the Corporation, as part of its overall strategic plan to reposition its asset base, disposed of three business operations. The business operations disposed of include Imasco Foods, Collegiate/Arlington Sports and Embassy Cleaners. The total consideration received was approximately \$111 million. The cash received from Culinar Inc. on the sale of Imasco Foods was approximately \$85 million. Embassy was disposed of for cash of \$8 million and Collegiate/Arlington for cash and notes of \$18 million. The sale of Imasco Foods and Embassy Cleaners both resulted in gains while that of Collegiate/Arlington resulted in a loss.

The net assets of the business operations disposed of are as follows:

Working capital	60,652,000
Fixed assets—net	37,385,000
Other assets and liabilities—net	(9,327,000)

In addition, as part of its overall strategic plan, the Corporation has made an extraordinary provision of \$11.1 million after tax for the disposal of five smaller business operations in the Drug Store, Restaurant and other retailing segments. The provision includes net losses expected to be incurred on the operations of these units after February 1984 and the anticipated costs of disposal. The Corporation intends to complete the disposal of these businesses by the end of fiscal 1985 through the sale of their assets and operations.

During March and April 1984, the Corporation acquired all the outstanding common shares and 8³/₄% convertible subordinated debentures of Peoples Drug Stores, Incorporated and subsidiaries for a total cash consideration of approximately \$400 million. Assigned values of the assets and liabilities acquired have not yet been fully determined and, accordingly, the accounts of Peoples Drug Stores, Incorporated have not been consolidated. The amount paid to March 31, 1984 has been accounted for as an investment at cost. Peoples Drug Stores will be accounted for as an acquisition using the purchase method and its results from operations will be consolidated from April 1, 1984.

Highlights of Peoples Drug Stores, Incorporated and subsidiaries as reported in their audited financial statements of September 24, 1983 and September 25, 1982 are as follows:

	1983	1982
	(U.S. dollars)	
Consolidated Balance Sheet		
Current assets	174,282	153,143
Fixed assets	51,013	44,498
Other assets	3,861	2,754
	229,156	200,395
Current liabilities	95,554	82,643
Other long term liabilities	44,104	41,330
	89,498	76,422
Capital stock	7,742	5,055
Additional paid-in capital	20,667	22,022
Retained earnings	61,089	49,345
	89,498	76,422
Consolidated Statement of Income		
Net sales	791,147	688,409
Cost and expenses	766,091	669,751
Income before income taxes	25,056	18,658
Provision for income taxes	11,400	8,175
Net income	13,656	10,483
Net income per share		
Primary no dilution	\$1.79	\$1.39
Assuming full dilution	\$1.69	\$1.39



Notes to the Consolidated Financial Statements		1984	1983	
2. Change in accounting policy	Effective April 1, 1983, the Corporation adopted prospectively the recent recommendations of the Canadian Institute of Chartered Accountants, with respect to foreign currency translation. Had we applied the new recommendations retroactively, the effect on opening retained earnings for 1983 would not have been material. Earnings before extraordinary items would have been higher by approximately \$900,000 had the Corporation continued to use its previous method.			
3. Interest expense — net	Interest on long term debt	21,762	23,636	
	Interest on capital leases	4,534	4,214	
	Other interest (income) expense — net	(2,735)	17,102	
	Income from other investments	(1,921)	(2,666)	
	Gain on securities transactions	(558)	(482)	
		21,082	41,804	
	Interest on promissory notes classified as term loans (Note 7) is included in other interest.			
4. Investments and receivables	BAC Cosmetiques Inc. (a related company) variable rate second preference shares (average rate: 1984 — 7.4%, 1983 — 11.0%)	20,000	20,000	
	Canada Northwest Energy Limited:			
	Common shares (approximate market value: 1984 — \$69,400,000, 1983 — \$49,000,000)	8,632	8,632	
	6½% preference shares (approximate market value: \$9,200,000)	8,000	—	
	Scientific research contract amortized against guaranteed royalty income to be received from fiscal 1985 to 1987	10,444	13,454	
	Notes receivable	51,410	41,129	
	Other investments and receivables	8,727	4,864	
		107,213	88,079	
	Notes receivable include \$26,203,000 (1983 — \$26,237,000) due from retail drug store associates which are non-interest bearing with no fixed maturity.			
5. Fixed assets	Land	64,815	59,488	
	Buildings	175,835	174,025	
	Equipment	370,487	371,657	
	Leasehold improvements	195,258	176,481	
		806,395	781,651	
	Accumulated depreciation and amortization	272,438	259,484	
		533,957	522,167	
	Leased property under capital leases	37,765	37,078	
	Accumulated amortization	19,677	18,032	
		18,088	19,046	
	Net fixed assets	552,045	541,213	
6. Operating lease commitments	The Corporation has commitments with respect to real estate operating leases, most of which are for terms of 3 to 20 years. The minimum annual commitments under such leases are approximately as follows:			
	Rental commitment	Assumed by franchisees	Net rental commitment	
	1985	51,842	33,173	18,669
	1986	49,712	32,254	17,458
	1987	46,712	30,913	15,799
	1988	43,346	29,437	13,909
	1989	40,083	28,340	11,743
	The minimum annual rental commitments as listed above do not give effect to escalation and percentage-of-sales clauses in certain of the leases. Net rentals under leases, including escalation and percentage-of-sales payments, amounted to \$30,237,000 in 1984 and \$29,516,000 in 1983. In addition, the Corporation has operating lease commitments for equipment, which are for terms of 1 to 5 years, with an annual rental of approximately \$10,800,000.			

Notes to the Consolidated Financial Statements		1984	1983
7. Long term debt	Debentures— 15½% due January 1989*	63,805	61,855
	Sinking fund debentures		
	8½% Series A due March 1991	21,350	22,400
	10⅞% Series B due August 1995	21,900	22,800
	10¼% Series C due October 1990*	17,865	19,793
	9% due July 1992	5,186	6,090
		66,301	71,083
	Notes payable		
	10¾% payable in 10 annual instalments beginning in 1985*	51,044	49,485
	9¼% payable in 11 annual instalments to 1993*	12,761	13,608
	9¾% repaid in fiscal 1984*	—	2,876
		63,805	65,969
	Term loans*	267,119	1,258
	Other long term obligations*	32,636	42,585
		493,666	242,750
	Less:		
	Sinking fund debentures held in treasury	(4,546)	(3,324)
	Payments due within one year	(8,650)	(14,073)
		480,470	225,353
<p>*All or partly payable in U.S. dollars. The aggregate principal amount of long term debt payable in U.S. dollars at March 31, 1984 was \$441,067,000 (US \$346,164,000) and at March 31, 1983 was \$175,197,000 (US \$141,619,000).</p> <p>Required principal payments and sinking fund provisions during the next five years, excluding term loans, are: 1985, \$8,650,000; 1986, \$16,747,000; 1987, \$16,216,000; 1988, \$16,023,000; 1989, \$78,107,000. The net book value of properties securing mortgage and other debt obligations at March 31, 1984 was approximately \$25,800,000 (March 31, 1983, \$29,400,000).</p> <p>Term loans consist of unsecured promissory notes maturing within one year and are supported by non-cancellable bank term credit facilities of \$409,000,000 to 1989. Promissory notes outstanding at March 31, 1984 amounted to \$459,687,000 with an average rate of interest of 9.9% (1983—8.9%) and have been classified as short term loans—\$192,568,000, and long term loans—\$267,119,000 (March 31, 1983 \$154,600,000 and \$1,258,000 respectively) based on repayments anticipated within the year.</p>			
8. Capital lease commitments	<p>The Corporation has commitments with respect to property in the Restaurant segment recorded under capital leases expiring on various dates through the year 1999.</p> <p>The minimum annual commitments under such leases are approximately as follows:</p>		
	1985	6,568	
	1986	6,507	
	1987	6,416	
	1988	6,098	
	1989	5,896	
	1990 and thereafter	26,213	
	Total minimum commitments	57,698	
	Less:		
	Imputed interest at 11.9%	26,912	
	Payments due within one year	2,234	
	Long term obligations under capital leases	28,552	

Notes to the Consolidated Financial Statements

1984 1983

9. Capital stock	Authorized: a) 1,650,000 6% cumulative preference shares. b) An unlimited number of preference shares, issuable in series, with the stated value of each series to be fixed by the Board of Directors. c) An unlimited number of common shares. Issued and outstanding:	1984	1983
	1,191,888 6% preference shares	5,800	5,800
	— Series B preference shares (1983—2,797,390)	—	103,504
	51,054,348 common shares (1983—45,454,739)	290,682	186,995
		296,482	296,299
	Weighted average numbers of shares outstanding used in the determination of earnings per common share are:		
		1984	1983
	Basic	45,899,840	42,602,282
	Fully diluted	51,054,370	48,237,014
	During the year, 72,222 common shares were issued in payment of quarterly dividends under the Shareholders' Stock Dividend Plans, at an average stated value per share of \$34.64. Each year the Corporation makes an offer of unissued common shares to certain employees to enable them to benefit from the tax legislation of the Province of Québec. A total of 27,427 shares was issued under this offering at a price per share of \$34.00. During the year 92,920 common shares were purchased for cancellation at an average cost of \$34.07. As at March 31, 1984, all Series B preference shares had been converted to common shares on a two-for-one basis except for 950 such shares which were redeemed by the Corporation at a price of \$38.85 per share.		
10. Dividends	6% preference shares	348	348
	Series B preference shares	7,884	8,622
	Common shares	45,895	33,930
		54,127	42,900
	Dividends for the year ended March 31, 1984 consisted of cash payments of \$51,625,000 and of 72,222 common shares with an aggregate stated value of \$2,502,000. These shares were issued under the Shareholders' Stock Dividend Plans which entitle holders of all classes of shares to receive common shares in lieu of cash dividends. The trust agreements relating to the Series A, B and C sinking fund debentures contain restrictions regarding the payment of dividends on common shares. At March 31, 1984, all of the Corporation's retained earnings were free from such restrictions.		
11. Extraordinary items	Gain on disposal of business units net of tax recovery of \$11,826,000 (Note 1)	10,908	—
	Gain on sale of part of investment in Canada Northwest Energy Limited	—	10,769
	Provision for cost of special voluntary early retirement programme	—	(5,938)
		10,908	4,831
12. Other information	a) The current service costs of various pension and retirement plans are charged to earnings as they accrue. There was no unfunded liability for past service benefits as at March 31, 1984. b) Research and development costs charged to earnings during the year amounted to approximately \$4,815,000 (1983—\$2,528,000). c) The Corporation has provided guarantees to various banks in respect of borrowing by retail franchisees, associates and licensees. The total of these guarantees at March 31, 1984 was \$41,428,000 (1983—\$41,740,000); the outstanding indebtedness of the franchisees was \$22,801,000 (1983—\$21,800,000). d) B.A.T Industries p.l.c., through the ownership of shares of the Corporation, is defined as a related party. Transactions with B.A.T Industries p.l.c. and/or its subsidiaries were as follows:		
	i) Payment of fees for research and development, marketing and manufacturing services	1,323	1,230
	ii) Export sales of leaf tobacco	14,256	13,112
	iii) Dividend income from BAC Cosmétiques Inc.	1,473	2,198
	iv) Purchases of materials	7,374	5,957

Notes to the Consolidated Financial Statements

13. Segmented financial information

Financial information is presented according to the following industry segments:¹
Tobacco — Imperial Tobacco — manufactures and distributes a complete range of tobacco products.
Restaurant — Imasco USA — operates, licenses, supplies and services a system of fast service restaurants primarily in the United States.
Drug Store — Shoppers Drug Mart — retail operations which specialize in prescription drugs, health and beauty aids and tobacco products.
Other — includes retail operations specializing in tobacco products and gifts, and the operations of Imasco Resources.
Divested operations (Note 1)

Industry segments	Consolidated		Tobacco	
	1984	1983	Imperial Tobacco 1984	1983
Revenues				
Sales	2,818,198	2,665,459	1,358,935	1,242,899
Franchise fees and other income	102,034	91,579	—	—
Intersegmental ²	(47,081)	(43,137)	—	—
	2,873,151	2,713,901	1,358,935	1,242,899
Operating earnings	339,608	300,347	205,209	182,268
Capital employed ³				
Net assets	1,097,703	1,106,649	556,124	477,363
Goodwill	68,334	76,125	—	—
	1,166,037	1,182,774	556,124	477,363
Inventories				
Finished goods	156,091	210,287	76,572	90,411
Raw materials and leaf tobacco	378,170	326,672	371,198	314,526
	534,261	536,959	447,770	404,937
Net fixed assets	552,045	541,213	93,230	90,190
Depreciation and amortization expense				
Fixed assets	62,777	56,691	9,070	8,545
Capital leases	2,041	1,765	—	—
Goodwill	7,791	2,853	—	—
Deferred charges	4,270	6,309	1,016	1,155
	76,879	67,618	10,086	9,700
Capital expenditures	104,074	114,675	12,989	26,778
Reconciliation of capital employed and excess of assets over current liabilities				
Capital employed	1,166,037	1,182,774		
Corporate assets	665,181	154,102		
	1,831,218	1,336,876		
Less: Corporate current liabilities	299,098	214,076		
Excess of assets over current liabilities	1,532,120	1,122,800		

Restaurant Imasco USA		Drug Store Shoppers Drug Mart		Other		Divested operations	
1984	1983	1984	1983	1984	1983	1984	1983
1,094,794	962,766	—	16,319	193,477	172,372	170,992	271,103
39,280	36,601	60,707	52,976	2,047	2,002	—	—
—	—	—	—	—	—	—	—
1,134,074	999,367	60,707	69,295	195,524	174,374	170,992	271,103
92,259	74,888	32,632	28,437	5,272	1,652	4,236	13,102
420,337	416,568	71,276	82,132	49,966	40,620	—	89,966
35,471	39,388	32,863	34,248	—	—	—	2,489
455,808	455,956	104,139	116,380	49,966	40,620	—	92,455
40,218	34,495	2,200	2,987	37,101	32,647	—	49,747
6,972	7,398	—	—	—	—	—	4,748
47,190	41,893	2,200	2,987	37,101	32,647	—	54,495
392,605	350,751	48,389	45,857	17,821	15,886	—	38,529
39,967	34,449	8,342	7,207	2,248	1,847	3,150	4,643
2,041	1,765	—	—	—	—	—	—
3,917	1,651	1,385	1,052	—	—	2,489	150
1,997	2,845	1,026	1,834	63	—	168	475
47,922	40,710	10,753	10,093	2,311	1,847	5,807	5,268
72,077	69,970	11,456	9,023	5,542	5,306	2,010	3,598

¹ As at March 31, 1984, other than the Restaurant segment, operations outside of Canada are not significant as a whole.

² Intersegmental transactions consist of sales from Imperial Tobacco to The UCS Group at normal wholesale selling prices.

³ Capital employed consists of directly identifiable assets at net book value, less the current liabilities of each segment exclusive of corporate assets and corporate current liabilities. Capital employed of Imasco Resources of \$22,333,000 in 1984 (1983—\$10,709,000) is included in Corporate assets.

Statistical Highlights**Five year review for years ended March 31**

		1984	1983	1982	1981	1980
		Thousands of dollars, except "Per common share" statistics				
Operations	System-wide sales	5,382,021	4,953,519	3,853,785	2,264,940	1,721,809
	Revenues	2,873,151	2,713,901	2,190,756	1,423,707	1,150,538
	Depreciation	64,818	58,456	45,412	19,739	13,178
	Operating earnings	339,608	300,347	246,974	159,543	127,531
	Corporate expenses	16,040	13,179	10,885	9,634	7,424
	Interest	21,082	41,804	35,600	18,128	13,308
	Equity income	—	—	—	9,290	4,554
	Income taxes	108,314	88,601	76,313	51,521	43,125
	Earnings, before extraordinary items	194,172	156,763	124,176	89,550	68,228
	Net earnings after extraordinary items	205,080	161,594	119,513	89,550	68,228
	Earnings per common share before extraordinary items					
	basic	4.05	3.47	2.78	2.14	1.65
	fully diluted	3.80	3.24	2.63	2.13	1.64
Dividend record	On preference shares	8,232	8,970	9,006	1,188	418
	On common shares	45,895	33,930	28,985	24,844	20,640
	Per common share	1.00	0.80	0.70	0.60	0.50
Funds provided	From operations	264,212	232,658	191,527	109,908	88,356
Capital expenditures	On fixed assets	104,074	114,675	106,705	53,686	37,102
Financial position	Current assets	917,363	802,020	622,008	537,229	405,592
	Current liabilities	497,777	407,263	367,317	364,880	218,030
	Working capital	419,586	394,757	254,691	172,349	187,562
	Fixed assets (before depreciation)	844,160	818,729	725,901	567,325	212,771
	Fixed assets (less depreciation)	552,045	541,213	494,976	377,492	116,955
	Total assets	2,029,897	1,530,063	1,315,117	1,086,363	677,257
	Long term debt	480,470	225,353	278,412	153,936	96,921
	Excess of assets over liabilities	988,021	823,161	593,870	512,348	344,305
Shareholders' equity	Preference shareholders	5,800	109,304	110,325	110,325	5,800
	Common shareholders	968,497	713,857	483,545	402,023	338,505
	Per common share	18.97	15.70	11.68	9.71	8.17

Peoples Drug Stores, Incorporated¹**Statistical Highlights****Five year review for years ended September**

		1983	1982	1981	1980	1979
		Thousands of U.S. dollars, except "Number of outlets"				
	Sales	791,147	688,409	634,292	561,836	441,114
	Operating earnings	29,344	25,471	22,563	19,793	14,492
	Inventories	153,697	129,420	103,144	111,071	88,417
	Fixed assets—net	51,013	44,498	40,657	30,648	24,589
	Depreciation	6,697	5,899	4,773	4,466	3,034
	Capital expenditures	15,183	11,117	15,751	11,703	9,318
	Number of outlets	575	554	527	484	399

¹ The results of Peoples Drug Stores, Incorporated will be consolidated from April 1, 1984

Divisional Statistical Highlights
Five year review for years ended March 31

		1984	1983	1982	1981	1980
		Thousands of dollars, except "Number of outlets"				
Tobacco—Imperial Tobacco	Sales	1,358,935	1,242,899	1,120,240	952,923	826,665
	Sales and excise taxes	667,820	592,435	530,186	458,243	396,934
	Operating earnings	205,209	182,268	156,040	123,248	99,137
	Inventories	447,770	404,937	356,455	296,390	260,960
	Fixed assets—net	93,230	90,190	73,644	64,535	52,349
	Depreciation expense	9,070	8,545	7,693	6,279	5,213
	Capital expenditures	12,989	26,778	17,272	18,791	16,998
Drug Store— Shoppers Drug Mart	System-wide sales	1,290,688	1,142,906	959,520	773,229	615,270
	Revenues: sales	—	16,319	18,734	23,385	30,797
	franchise fees	60,707	52,976	41,814	37,575	29,701
	Operating earnings	32,632	28,437	21,211	20,106	16,338
	Inventories	2,200	2,987	3,944	4,195	4,461
	Fixed assets—net	48,389	45,857	45,462	41,353	35,528
	Depreciation expense	8,342	7,207	6,348	5,588	4,236
	Capital expenditures	11,456	9,023	10,898	11,771	12,230
	Number of outlets	435	440	440	417	391
	Tobacco, sundry and gift	651	674	657	631	594
Other	System-wide sales	232,271	211,830	181,334	166,505	149,752
	Revenue: sales	193,477	172,372	141,613	131,515	118,583
	franchise fees	2,047	2,002	1,949	1,783	1,569
	Operating earnings	5,272	1,652	5,465	4,043	4,064
	Inventories	37,101	32,647	23,474	20,207	17,903
	Fixed assets—net	17,821	15,886	11,947	8,868	6,235
	Depreciation expense	2,248	1,847	1,341	1,003	985
	Capital expenditures	5,542	5,306	5,116	3,380	1,801
Divested operations	Sales	170,992	271,103	257,529	218,955	171,422
	Operating earnings	4,236	13,102	14,357	8,525	7,014
	Inventories	—	54,495	43,401	42,652	42,952
	Fixed assets—net	—	38,529	39,701	35,080	22,843
	Depreciation expense	3,150	4,643	3,783	3,157	2,744
	Capital expenditures	2,010	3,598	8,782	8,646	6,075
	Number of restaurants	—	—	—	—	—
Restaurant—Imasco USA ¹	System-wide sales	1,917,231	1,718,419	1,141,000	922,300	750,000
	Revenues					
	Sales					
	Company restaurants	579,156	544,625	336,464	262,522	204,280
	Other	304,413	232,627	184,615	157,484	140,186
	Service and licence fees	31,685	29,565	16,445	13,252	11,067
	Operating earnings	75,269	60,289	42,001	32,981	25,025
	Inventories	36,980	33,864	27,913	22,313	19,846
	Fixed assets—net	302,966	285,436	264,917	173,025	133,369
	Depreciation expense	33,887	30,051	21,707	15,893	11,866
	Capital expenditures	58,114	56,581	52,421	60,764	52,614
	Number of restaurants					
	Company-owned	825	840	805	484	449
	Licensed	1,404	1,314	1,360	820	782
		2,229	2,154	2,165	1,304	1,231

¹ Represents Hardee's Food Systems, Inc. which became a wholly owned subsidiary January 29, 1981. Statistical highlights prior to the year ended March 31, 1982 are for the years ending October 31.

Imasco Limited
Officers and Divisional Information

Officers

Paul Paré
 Chairman and
 Chief Executive Officer
 L. Edmond Ricard
 President and
 Chief Operating Officer
 Roderick C. Foster, C.A.
 Executive Vice-President
 Roger S. Ackman
 Vice-President and
 General Counsel
 Victor M. Drury
 Vice-President, Public Affairs
 Matthews Glezos
 Vice-President and Treasurer
 William J. Harris
 Vice-President,
 Administration
 Noël Pérusse
 Vice-President,
 Industry Relations
 Roy R. Schwartz
 Vice-President
 Corporate Development
 Paul K. Ryan, F.C.I.S.
 Vice-President and Secretary
 Daniel E. Somers
 Vice-President,
 Chief Financial Officer and
 Corporate Comptroller
 John N. Economides
 Assistant Treasurer
 G. Michael Martin, C.A.
 Assistant Comptroller
 Rita Tahhan
 Assistant Secretary

Imperial Tobacco Limited

3810 St. Antoine Street West
 Montréal, Québec
 H4C 1B5

Manufactures and distributes
 cigarettes, fine cut tobaccos,
 pipe tobaccos, chewing
 tobaccos, and markets snuff.

L. Edmond Ricard
 Chairman of the Board
 Jean-Louis Mercier, President
 and Chief Executive Officer
 Wilmat Tennyson
 Executive Vice-President,
 Marketing
 Clifford Warren
 Executive Vice-President,
 Operations
 Robert C. Bégin, C.A.
 Vice-President, Finance
 Marius Dagneau
 Vice-President,
 Human Resources
 Patrick J. Dunn
 Vice-President,
 Research and Development
 André Laporte
 Vice-President,
 Manufacturing
 Claude Mercier
 Vice-President,
 Special Personnel Projects
 William J. Ross
 Vice-President, Engineering
 Roland Bouchard
 Secretary
 John Gerlich
 Comptroller

General Cigar Company Limited
 Montréal, Québec

Manufactures and distributes
 cigars.

Imperial Leaf Tobacco
Division of Imasco Limited.

John Street North
 Aylmer, Ontario
 N5H 2R8

Purchases and processes leaf
 tobacco for Imperial Tobacco
 and for export.

Imasco USA, Inc.

1233 North Church Street
 Rocky Mount, North Carolina,
 27801, U.S.A.

Operates and licenses 2,229
 fast service restaurants prin-
 cipally in the U.S. and operates
 manufacturing and distribution
 facilities.

Jack A. Laughery
 Chairman, Président and
 Chief Executive Officer
 Ralph E. Peterson
 Executive Vice-President and
 Chief Financial Officer
 Breen O. Condon
 Senior Vice-President,
 General Counsel and
 Secretary
 Thomas H. Sparks
 Senior Vice-President,
 Personnel
 Jesse M. Harrington III
 Vice-President and Treasurer
 John D. Merritt
 Vice-President,
 Government Affairs
 John C. Wilson
 Vice-President, Strategic
 Planning and Information
 Management

Hardee's Food Systems, Inc.

Spruill G. Bunn
 President and Chief
 Operating Officer
 Ronald J. Wertheim
 Executive Vice-President,
 Marketing
 Gerald L. Richards
 Executive Vice-President,
 Restaurant Operations

Fast Food Merchandisers, Inc.

Hugh Todd, Jr.
 President and Chief
 Operating Officer
 F. Winslow Goins
 Executive Vice-President,
 Distribution Services

Specialty Food Service Division

Gene G. Arnold
 President and Chief
 Operating Officer

Burger Chef Systems, Inc.

3500 DePauw Blvd.
 Indianapolis, Indiana, 46268
 U.S.A.

Robert T. Larive
 President and
 Chief Operating Officer

Shoppers Drug Mart

225 Yorkland Blvd.
Toronto, Ontario
M2J 4Y7

Top Drug Mart
Toronto, Ontario
Pharmaprix
Montréal, Québec

A group of 435 licensed and company-owned drug stores operating in Canada and the U.S.

Murray B. Koffler, C.M.
Chairman
Jack Gwartz
Vice-Chairman
David R. Bloom
President and Chief Executive Officer
Irving Bain
Executive Vice-President, Marketing
Marvin A. Goldberg
Executive Vice-President, Legal and Corporate Affairs
Malcolm G. Swartz, C.A.
Executive Vice-President, Administration
Raymond E. Guyatt, C.A.
Executive Vice-President, Finance and Planning and Chief Financial Officer
David H. MacDonald
President, Shoppers Drug Mart (West)
Herbert R. Binder
Executive Vice-President (Central West)
Albert Krakauer
Executive Vice-President (Central East)
Michel Lesieur
Executive Vice-President (Pharmaprix)
Dale Daley
Executive Vice-President (Atlantic)
Fred Van Laare
Executive Vice-President (S.E. U.S.A.)
Herbert Albrecht
Vice-President, Store Planning
Earl Biderman, C.A.
Vice-President, Management Information Systems and Productivity

Melvin Kochberg, C.A.
Vice-President, Operations Finance
Roman Niemy
President, Corporate Brands
Joseph Shanab
Vice-President, Purchasing and Promotions
Gordon Stromberg
Vice-President, Advertising
Howard Trifler
Vice-President, Retail Development
Dalton Van Cleave
Vice-President, Marketing
Victoria Williams
Vice-President, Cosmetics

Peoples Drug Stores, Incorporated

6315 Bren Mar Drive
Alexandria, Virginia 22312
U.S.A.

A chain of 600 drug stores situated in five major metropolitan markets: Washington, D.C.; Atlanta, Georgia; Indianapolis, Indiana; Tidewater, Virginia; and Toledo, Ohio.

Sheldon W. Fantle
Chairman, President and Chief Executive Officer
Robert M. Arensmeyer
Executive Vice-President and Treasurer
David H. Eisenberg
Senior Vice-President, Marketing
Nicholas J. Simon
Senior Vice-President, Operations
David C. Forman
Vice-President, Human Resources
Robert Crichlow
Vice-President, Distribution
Joseph A. Pollard
Vice-President, Advertising and Public Relations
James N. Schwarz
Vice-President, Corporate Secretary and General Counsel
Glen Tarsha
Vice-President, Data Processing
Jerry V. Wilson
Vice-President, Security
Robert A. Seubert
Corporate Controller

Imasco Resources

4 Westmount Square
Montréal, Québec
H3Z 2S8

Develops and monitors investments in natural resources and in the venture capital field.

Roderick C. Foster, C.A.
President
Roy R. Schwartz
Vice-President

Other operations

The UCS Group

50 Overlea Blvd.
Toronto, Ontario
M4H 1B9

A chain of 457 retail tobacco and gift shops.

Norman Latowsky
President
David S. Cole
Executive Vice-President

The Tinder Box International, Ltd.

1723 Cloverfield Blvd.
Santa Monica, California, 90404
U.S.A.

A group of 194 licensed and company-owned retail specialty tobacco shops in the United States.

George W. Townson
President and Chief Executive Officer

Imasco B. V.

Amsterdam, Netherlands

Finances associated businesses.

Fribourg Branch
30 St. Pierre Street
1700 Fribourg, Switzerland

John Macnab
General Manager

Corporate information

The Corporation	Incorporated under Federal Charter April 3, 1912 Continued under the Canada Business Corporations Act August 6, 1976		
Auditors	Deloitte Haskins & Sells Chartered Accountants 1 Place Ville-Marie Montréal, Canada H3B 2W3		
Transfer agent and registrar	Montreal Trust Company Halifax, Montréal, Toronto, Winnipeg, Regina, Calgary, Vancouver		
Stock exchange listings	Montréal Toronto Vancouver		
Symbols			
Common	IMS	IMS	IMS
6% Preference	IMSC	IMSN	IMS/PR
Banks	The Royal Bank of Canada Canadian Imperial Bank of Commerce The Bank of Nova Scotia Bank of Montreal Continental Bank of Canada Morgan Guaranty Trust Company of New York Bank of America First Union National Bank, Charlotte, N.C. First National Bank of Chicago		
Financial calendar	Fiscal year end: March 31		
1984/1985	Interim reports mailed: August, November, February		
	Dividend dates:		
	Common shares		
	Quarterly: June, September, December, March		
	6% preference shares		
	Semiannually: September, March		
	Sinking Fund Debentures		
	8 ¹ / ₂ % Series A, due March 1991, interest payable March 15, September 15		
	10 ⁷ / ₈ % Series B, due August 1995, interest payable February 1, August 1		
	10 ¹ / ₄ % Series C, due October 1990, interest payable April 22, October 22		
	Debentures		
	15 ¹ / ₂ % due January 1989, interest payable January 15		
Stock dividend plans	The Corporation has two stock dividend plans available to shareholders. Holders of common shares and of 6% preference shares may elect to receive their dividends in the form of new common shares instead of in cash. Shareholders, or others, wishing to obtain more information about these plans should write to the Secretary of the Corporation or to Montreal Trust Company, Stock & Bond Transfer Dept., 777 Dorchester Blvd. West, Montréal, Québec, Canada, H3B 9Z9.		

Committees of the Board

Executive Committee

The Executive Committee meets between regular board meetings. The Board of Directors meets six times a year and in the intervals between these meetings the Executive Committee meets to advise the Chairman and Chief Executive Officer on various matters, take action where necessary and to make recommendations to the Board.

Audit Committee

The Audit Committee meets a minimum of twice a year. The Committee reviews, approves and recommends for adoption by the Board of Directors the financial statements of the Corporation; examines and recommends for payment the statement of fees of the Corporation's auditors; and in general is responsible for seeing that adequate accounting control procedures are in place.

Salary Committee

The Salary Committee reviews and approves the compensation and benefits of the executive directors.

Nominating Committee

The Nominating Committee recommends candidates for the Board of Directors.

