



Imasco

Annual Report 1983

Howard Ross Libr
of Management

DEC - 6 1983

Annual Reports
McGILL UNIVERSITY

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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 five divisions. Imperial Tobacco, Canada's largest tobacco company, manufactures and distributes a complete range of tobacco products. Imasco U.S.A. Inc. operates and licenses a system of fast food restaurants principally in the United States. Imasco Retail is responsible for the operation of retail outlets which specialize in prescription drugs, health and beauty aids, tobacco products and gifts, dry cleaning and sporting goods. Imasco Foods manufactures, processes and distributes a variety of food products. Imasco Resources Division explores investment opportunities in natural resources and venture capital fields.

Head office

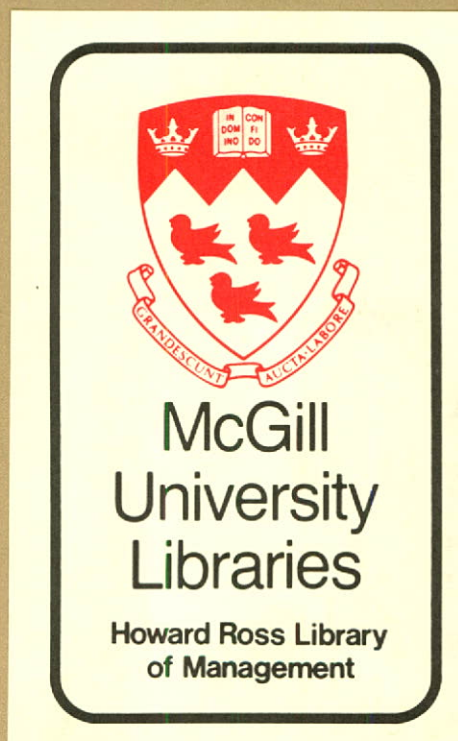
4 Westmount Square
Montréal, Canada
H3Z 2S8
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Special and Annual Meeting

The Special and Annual Meeting of Shareholders will be held June 22, 1983 at 10 h 30 at the Royal York Hotel, 100 Front Street West, Toronto, Ontario.

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

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



Consolidated Financial Results at a Glance
For the year ended March 31, 1983

Imasco Limited	1983	1982	%
Thousands of dollars			
System-wide sales	4,953,519	3,853,785	29
Revenues	2,713,901	2,190,756	24
Operating earnings	300,347	246,974	22
Earnings before extraordinary items	156,763	124,176	26
Earned per common share before extraordinary items			
basic	\$3.47	\$2.78	25
fully diluted	\$3.24	\$2.63	23
Dividends per common share	\$0.80	\$0.70	14
Working capital	394,757	254,691	55
Total assets	1,530,063	1,315,117	16
Shareholders' equity	823,161	593,870	39

Imperial Tobacco	1983	1982	%
Thousands of dollars			
Revenues	1,242,899	1,120,240	11
Operating earnings	182,268	156,040	17

Restaurant	1983	1982	%
Thousands of dollars			
Revenues	999,367	646,063	55
Operating earnings	74,888	49,901	50

Retail	1983	1982	%
Thousands of dollars			
Revenues	326,562	286,426	14
Operating earnings	27,681	27,147	2

Food	1983	1982	%
Thousands of dollars			
Revenues	188,210	175,213	7
Operating earnings	15,510	13,886	12



Paul Paré,
Chairman and Chief Executive Officer

Consolidated earnings for the year ended March 31, 1983 were \$156.8 million, an increase of 26% over the \$124.2 million earned in fiscal 1982.

Earnings per common share were \$3.47 basic and \$3.24 fully diluted. This compares with figures for last year of \$2.78 and \$2.63.

In fiscal 1983 an extraordinary gain of \$4.8 million was recorded, increasing net earnings to \$161.6 million, compared with net earnings of \$119.5 million after an extraordinary loss of \$4.7 million in fiscal 1982.

The extraordinary items in fiscal 1983, net of tax, were a gain of \$10.8 million on the sale of 300,000 common shares of Canada Northwest Energy Limited, and an expense of \$6 million representing the estimated cost of early retirement offered to eligible employees of Imperial Tobacco Limited.

Earnings for the fourth quarter were \$30.1 million, or 60 cents a share basic and 57 cents fully diluted. Earnings in the fourth quarter last year were \$25.5 million, equal to 56 cents a share basic and 54 cents fully diluted.

Stock split

Effective November 23, 1982 the common shares of the Corporation were subdivided on a two for one basis.

Financing

In December 1982 the Corporation issued four million new common shares in Canada at \$28.50 per share. Net proceeds to the Corporation were \$110.8 million. This additional capital is being used to broaden the Corporation's equity base, and to strengthen its ability to finance development through acquisition. Total common

shares outstanding at March 31, 1983 were 45,454,739.

Foreign Investment Review Act

Under the terms of the Foreign Investment Review Act, Imasco is deemed to be a "non-eligible person" by reason of the major shareholding in the Corporation of B.A.T Industries p.l.c., London, England. As a consequence all potential acquisitions or entries into new businesses in Canada must be screened by the Foreign Investment Review Agency for "significant benefit" to Canada. Imasco applied to the Minister of Industry, Trade and Commerce for an opinion that the Corporation not be considered a non-eligible person. This application was refused in August 1982. At present, B.A.T Industries holds 45.4% of Imasco's common shares or 40.4% on a fully diluted basis.

Imasco Resources

In spite of the ruling against our application, Imasco will continue to seek out suitable and compatible acquisitions. A new division was formed in February 1983. Initially, Imasco Resources will pursue investment opportunities in natural resources and venture capital. Bernard W. Matte, Vice-President, Corporate Development, has been appointed President of the division, and he will be nominated for election to the Board of Directors of the Corporation at the Annual Meeting.

Special Resolution

At the Special and Annual Meeting to be held on June 22, 1983 shareholders will be asked to pass a special resolution to authorize an increase in the maximum potential number of directors from 12 to 16. The full text of the special resolution and the 13 manage-

ment nominees for election as directors are set out in the management proxy circular sent to all shareholders.

Dividends

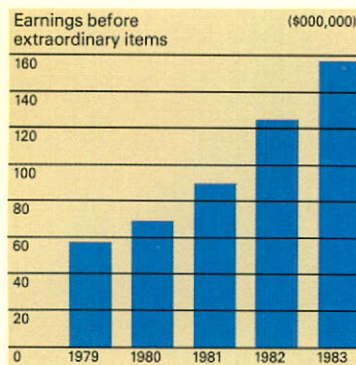
At the Board of Directors meeting held on May 11, 1983, the quarterly dividend on common shares was increased to 25 cents or \$1.00 annually, effective with the dividend payable June 30, 1983.

This past year an additional service was offered to shareholders through the direct deposit of dividends. Shareholders may now arrange to have their dividends deposited directly to their bank account at no cost. This service ensures protection against loss, or interruption of the postal service.

Social affairs

We believe that we have an obligation to support charitable and civic activities across Canada, mainly in the communities in which the Corporation operates. This support is administered by a Corporate Donations Committee composed of employees representing all divisions of the Corporation in Canada. During fiscal 1983 the Corporation contributed over \$1.5 million to organizations engaged in welfare, educational, cultural and recreational activities. Included in this amount was an additional \$50,000 contributed to the Imasco Scholarship Fund for Disabled Students set up by the Corporation in 1982 to assist disabled students to attend university.

It is a policy of the Corporation to support the democratic political process in Canada. Accordingly, the Corporation contributed \$51,850 in fiscal 1983 to recognized provincial and federal political parties



and other organizations which support democratic government, a united Canada and a strong private sector.

Outlook

Imasco has fared well in the past two years, although these years have been generally difficult and economically depressed. There are indications now that the economy is turning around and that it will head upwards in late 1983 and 1984.

We believe that Imasco will continue to grow and prosper in these improving circumstances.

A Commitment to growth

When we embarked on our diversification programme in the late 1960s, we resolved that our goal would be a pattern of growth at least equal to that of the Canadian economic community as a whole.

Since then, we have not only grown, but we have changed from a virtually single-product company, tobacco, by adding a food industry, a major fast food restaurant organization in the United States and expanded retail operations through the acquisition of a drug store group. Recently we formed a new division, Imasco Resources, to provide an opening to new areas of growth.

Only a short time ago it was popular to believe that small was beautiful, that size was synonymous with sin. Holding company, conglomerate, multinational - all these were choice expressions in the vocabulary of opprobrium favoured by the advocates of zero growth.

A dynamic organization cannot stand still. Not to grow is to stagnate; and to stagnate is to die. In order to survive, a com-

pany has to provide the services and products that meet the needs of a changing community. It has an obligation to provide interesting work and stimulating challenges to its employees. It owes its shareholders a reasonable return on their investment. A company that cannot or will not meet these challenges successfully will disappear and be replaced by others who can.

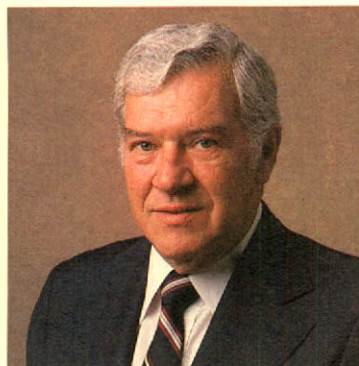
Imasco is under some constraints to growth in Canada. However, we are confident that we can convince any fair and disinterested enquirer that we have always identified our interests with those of Canada.

Imasco is committed to growth. While we cannot see into the future, we can remain alert to changing circumstances. We can train ourselves to recognize opportunity, and cultivate the courage necessary to meet the challenge of new demands from the people we serve. We look to a future in which Imasco will be a presence of increasing importance in the production of goods and services, in career prospects for our employees, and among the investors of Canada.

On behalf of the Board of Directors



Paul Paré, Chairman
and Chief Executive Officer
Montréal, May 11, 1983



L. Edmond Ricard,
President and Chief Operating Officer

North America continued to struggle with the effects of a deep recession in fiscal 1983 and Imasco, while setting new records for sales, revenues and operating earnings, did not escape unscathed.

Imperial Tobacco, Hardee's restaurants, and Shoppers Drug Mart enjoyed an exceptionally good year. The food division results were in line with expectations, while the smaller companies in the retail division had disappointing results.

System-wide sales, which include sales by franchised retail outlets and by franchised restaurants, were \$4.9 billion, an increase of 29% over those of the previous year.

Revenues were \$2.7 billion, an increase of 24%. Revenues exclude sales by franchised outlets but include franchise fees and other income from franchisees.

Operating earnings, before administration, interest and income taxes, were \$300.3 million, an increase of 22%.

Imperial Tobacco

Imperial Tobacco showed increases in sales, operating earnings, and share-of-market for its cigarette brands. Sales were \$1.2 billion, an increase of 11%; operating earnings were \$182.3 million, up 17%. Imperial Tobacco's share of the cigarette market for the fiscal year was 49.6%.

The financial results of Imperial Tobacco in fiscal 1983 are most encouraging given the unusual conditions and events that occurred during the year. An early frost destroyed approximately 30% of the flue-cured cigarette tobacco crop; taxes levied by both levels of government were increased significantly; and for

the first time in over a decade industry shipments of cigarettes declined as consumers reacted to the escalation in tobacco retail prices at almost double the increase in the Consumer Price Index for the second year in a row.

Cigarette unit shipments by Canadian manufacturers decreased by approximately 1% in fiscal 1983 with unit shipments by Imperial Tobacco down slightly. The modest reductions in unit sales is understandable, given the high rate of unemployment and the high and ever-increasing taxes on cigarettes. Sales of fine cut tobacco for roll-your-own cigarettes, however, increased by 16.7% industry-wide. When the equivalent cigarette volume represented by fine cut tobacco is added to the shipments of manufactured cigarettes, the total is about equal to the combined industry-wide sales of the previous year. Imperial holds the major share of the fine cut market, some 39%.

Imperial Tobacco announced price increases on tobacco products in June 1982 to recover the effect of inflation on its costs. The price increase was equivalent to two cents per pack of 20 regular cigarettes at retail. An increase of three cents per pack of 20s was recently introduced in April 1983, again to offset the effect of inflation.

Capital expenditures for the year were \$26.8 million, compared with \$17.3 in fiscal 1982, and represent the continuation of the programme announced several years ago to modernize cigarette making and packaging machinery. However, this programme has been modified, at least in the short term, to reflect current market conditions. Capital expenditures are expected to be significantly lower in fiscal 1984.

Capital employed by Imperial Tobacco was \$477.4 million at March 31, 1983, up \$93.3 million over fiscal 1982, of which \$48.5 million represents increased inventories, traditionally at a seasonal peak as of March 31.

Restaurants

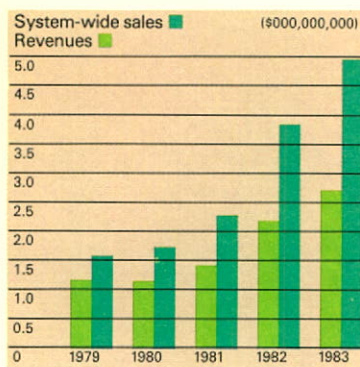
Hardee's Food Systems in the United States enjoyed an outstanding year. Average sales volume of restaurants was up, and the conversion of the Burger Chef units is on schedule.

Hardee's system-wide sales were \$2.1 billion with revenues amounting to \$999.4 million, an increase of 55% over the prior year. Earnings from operations were \$74.9 million, up 50%. These figures include Burger Chef, acquired in March 1982, and are the Canadian dollar equivalent of U.S. dollars translated at average rates of exchange during the year.

System-wide restaurant sales during the year, exclusive of the acquired Burger Chef units, increased 24%, with average unit volumes rising 13%.

Hardee's continues to outperform the industry in terms of average unit volume growth. The achievements in fiscal 1983 are especially encouraging as inflation in menu prices was approximately 1% while a depressed economy and high unemployment were characteristic of much of the year. Successful product introductions and marketing and promotional campaigns contributed to these improvements.

Burger Chef, including the 176 restaurants that converted to the Hardee's format during the year, produced sales and operating earnings in line with expectations, with earnings net of interest and taxes approximately break-even.



The remaining 81 company-owned restaurants operating as Burger Chef will be converted to the Hardee's format in fiscal 1984. Burger Chef franchisees are free to convert their restaurants to the Hardee's format if they wish and 28 were converted in fiscal 1983. The integration of the Hardee's and Burger Chef operating and administrative organizations was completed during the year. The restaurant groups, together with manufacturing, distribution and specialty food services are now divisions of Imasco U.S.A., headquartered in Rocky Mount, North Carolina.

Capital expenditures in fiscal 1983 were \$70 million, compared with \$64.6 million last year, and included the opening of 38 new Hardee's company-owned restaurants. Capital employed at March 31, 1983 was \$456 million compared with \$416 million last year.

Retail

Retail results were mixed in fiscal 1983, with Shoppers Drug Mart recording excellent results, but all other areas were down in comparison with last year.

System-wide sales were \$1.4 billion, up 18%; revenues \$326.6 million, up 14% and operating earnings increasing 2% to \$27.7 million.

Shoppers Drug Mart had an exceptionally good year with system-wide sales in Canada exceeding \$1 billion. Comparative store sales increased approximately 18% and annual sales per square foot of selling area exceeded \$425. These record achievements were reflected in the merchandising programme entitled "Thanks a Billion" conducted during the last half of the year. Shoppers Drug Mart operating earnings in Canada increased 23%, while

losses in the United States were reduced significantly.

Results of The UCS Group, Embassy Cleaners and Collegiate/Arlington Sports were most disappointing, particularly during the final quarter of the fiscal year. All of these operations experienced lower customer traffic or reduced margins. Sporting goods in particular suffered from the depressed economy and another winter of unseasonable weather.

Capital expenditures during the year amounted to \$17.8 million, mainly at Shoppers Drug Mart, compared with \$21.3 million last year. Capital employed in retail totalled \$201 million at March 31, 1983 compared with \$193 million last year.

Food

Sales of food operations were \$188.2 million and earnings from operations were \$15.5 million, increases of 7% and 12%. All divisions, with the exception of processed meat, contributed to these satisfactory results. Highlights of the year include the completion of the Grissol dry bread division's modernization programme at Ste-Martine; the transfer of the biscuit and candy operations at Montmagny, Québec to Viau in Montréal and the acquisition by Anco of the assets, mainly inventories, of Ingersoll Cheese for \$7 million.

Capital expenditures, in the food division, excluding Ingersoll Cheese, were \$128,000 compared with \$3.5 million in fiscal 1982. Capital employed at year end was \$48 million compared with \$54 million in the previous year.

Outlook

We look for indications of a turnaround in the economy in

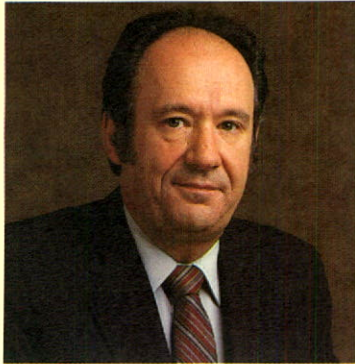
fiscal 1984. Tobacco sales should remain stable, with an opportunity for a modest increase. Hardee's should continue to show good increases in sales and earnings. Shoppers Drug Mart is expected to maintain its fine performance and further improvement is also expected in the food division. The other retail operations will continue to experience consumer resistance until the economy recovers.

The officers and employees of the Corporation are to be commended for their diligence and hard work during the past year. On behalf of the shareholders and directors, it is my privilege to thank them for their contribution to Imasco's success.



L. Edmond Ricard, President and Chief Operating Officer

Divisional Report Imperial Tobacco



Jean-Louis Mercier,
President, Imperial Tobacco Limited

For over 70 years, Imperial Tobacco has held the position of Canada's largest tobacco enterprise. The company buys and processes leaf tobacco and it manufactures and sells the most comprehensive range of tobacco products, including cigarettes, cigars, fine cut tobaccos for roll-your-own cigarettes, pipe tobacco and plug chewing tobacco. The company also markets moist snuff or "smokeless tobacco".

Cigarette manufacturing plants are situated in Montréal, Québec City and Guelph. Cigars and cut tobacco products are also manufactured at the Montréal plant. Leaf tobacco is processed at plants in Joliette, Québec and Aylmer, Ontario.

Cigarettes

Player's and du Maurier are the most popular cigarette brands in Canada. They are numbers one and two in terms of both share of market and growth. The Player's family includes Player's Filter, Player's Light, and Player's Extra Light. The du Maurier family includes du Maurier, du Maurier Light and du Maurier Special Mild.

Other popular Imperial Tobacco cigarette brands are Matinée, Peter Jackson, Medallion and Cameo.

Total cigarette sales for the industry remained relatively unchanged from the previous year, i.e. 65.5 billion units in the 12 months ending in March 1983 compared with 66.2 billion in fiscal 1982. This pause in the traditional growth of the market of 1%-2% a year may be attributed to a series of tax and price increases, and to the high rate of unemployment in the generally depressed economy. For the second consecutive year the cost of tobacco products has risen faster than the

Consumer Price Index. In the 12 months ending March 1983, the Tobacco Products Index went up 13.9% while the CPI rose 7.1%.

The decline in the industry sales volume of manufactured cigarettes has been largely made up by the increase in the sales of fine cut tobaccos for roll-your-own cigarettes.

Unit sales of Imperial's cigarette brands were 32.5 billion in fiscal 1983, about the same as in fiscal 1982. Based on actual trade shipments Imperial Tobacco's share of the cigarette market was 49.6%. It is estimated that the current market share figure is 50%.

The slowdown in demand for cigarettes has resulted in higher than planned inventories and surplus production staff. In response to this situation, Imperial Tobacco inaugurated a plan which combined advanced vacation for employees at the Montréal, Québec City and Guelph plants in March, and an offer of early retirement. This special voluntary early retirement programme, originally offered to plant employees, has been extended to all eligible employees, those who are 58 years of age and older and who have 10 years or more of service. In total some 300 employees are eligible to receive additional long term benefits, and the company's actuaries have estimated the cost of the plan to be \$10 million based on a 15-year amortization period.

Cigars, pipe tobacco, cigarette tobacco and snuff

Sales of cigars and pipe tobaccos continue to decline. High taxes and the changing preferences of smokers have adversely affected the sale of cigars. Although General Cigar Company, a wholly owned sub-

sidiary, holds some 90% of the Canadian cigar market, the rate of decline for the total market is accelerating. Industry sales of cigars in fiscal 1983 were estimated to be down by 9%. Imperial exports cigars to some 30 countries and these markets are being cultivated to try to offset the decline in domestic sales.

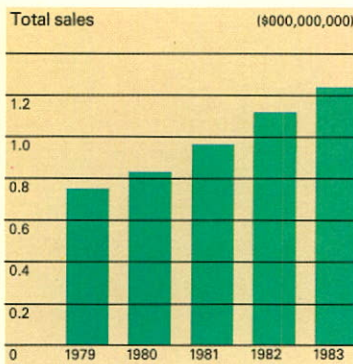
Imperial's sales volume of fine cut cigarette tobacco in fiscal 1983 was up 17.2% over the previous year. Industry sales were up 16.7%. This upsurge in sales can be attributed to the economic recession and tax increases on manufactured cigarettes which have induced many smokers to roll their own cigarettes. Imperial Tobacco's share of this market is approximately 39%. Popular brands such as Player's and Matinée are offered in fine cut tobaccos. "Workshop" kits are now available for both these brands, consisting of tobacco, paper tubes and a rolling machine. Sales of cigarette paper tubes have increased dramatically. In fiscal 1983 sales were 2.7 billion units, a 41% increase.

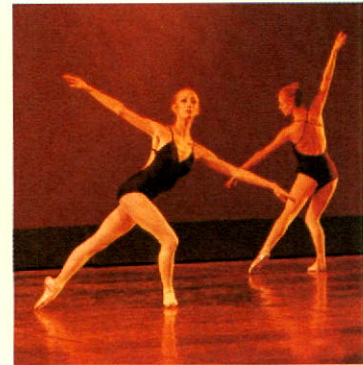
The market for moist smokeless tobacco grew some 6% in fiscal 1983. Our major brands are Copenhagen and Skoal. Sales in fiscal 1983 were 359,000 kilograms.

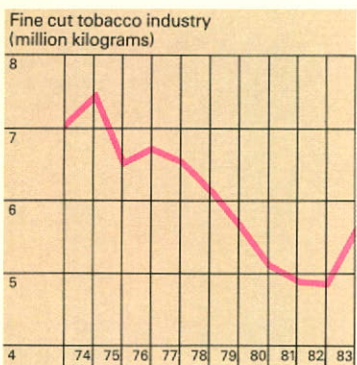
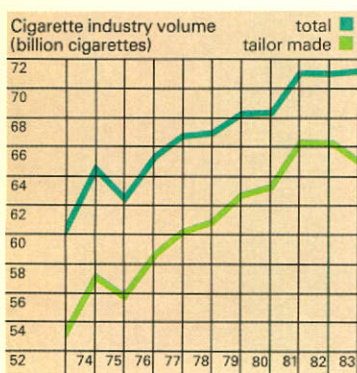
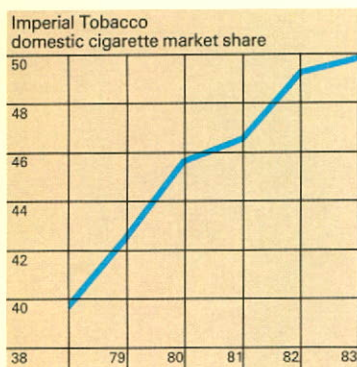
Leaf tobacco

An early frost in August reduced the 1982 Ontario cigarette tobacco crop to 80,000 metric tonnes from the target of 119,000 tonnes. Imperial Leaf Tobacco purchased 39,000 tonnes of which 8,000 tonnes were destined for export. The average price paid to growers was \$3.57 per kg compared with \$3.35 per kg in 1981.

The 1983 crop is targeted at 108,000 metric tonnes at a gua-







ranted minimum average price of \$3.53 per kg, of which 45,000 tonnes are destined for export.

Tobacco taxes

On average, 60% of the retail price of a package of 25 regular size cigarettes paid by smokers goes to federal and provincial governments in taxes. In fiscal 1983 the federal government raised taxes 15.4% and various provincial governments raised taxes a total of 37.5%. Combined, these increases raised the price of a package of 25 regular size cigarettes by 19 cents.

The federal taxes consist of excise duty, excise tax, and the 12% tobacco products sales tax. In 1981 the federal government indexed its taxes and adjusts them annually. Now, when the price of a package of cigarettes goes up, whether from a manufacturer's price increase or an increase in provincial taxes, the federal tax also rises automatically. In 1982 federal tobacco tax revenues totalled \$1.2 billion and the provinces collected \$1.1 billion.

Industrial relations

During fiscal 1983, two-year agreements were signed between the Company and the Bakery, Confectionery and Tobacco Workers International Union representing some 2,300 employees in the six plants in Québec and Ontario.

Improved systems

Long range plans for the development of new business systems using modern technology were drawn up at the beginning of the year. For the five years 1983-87, implementation of these plans will require a capital investment of some \$10 million in computer, communications and office technology.

In fiscal 1983 a new data centre was built at the company's main office in Montréal at a cost of \$2.6 million.

A new telephone system and expanded word-processing facilities were also installed at the Imperial office and new mini-computers for order entry and sales information were placed in the sales offices across the country. They are linked to the main data centre by a new communications network. These installations cost \$3 million.

Marketing public relations

Imperial Tobacco continues to sponsor and support the performing arts and world class sporting events in golf, tennis and equestrian competition. This year a sailing event has been added. The events to be held in 1983 are as follows.

Canadian Open

The 74th Canadian Open Golf Championship will once again be played at the Glen Abbey Golf Course in Oakville, Ontario, from July 25 to 31.

Peter Jackson Classic

The top women golf professionals in the world return to the Montréal area from June 27 to July 3 to compete in the Peter Jackson Classic at The Beaconsfield Golf Club in Pointe Claire, Québec.

Peter Jackson Champions

The 1983 Peter Jackson Champions will be held in Calgary from June 21 to 26 at the Earl Grey Golf Course and will be host to many of the stars in professional golfing history.

The Player's Challenge

This event will take place on the courts of the National Tennis

Centre, Toronto, August 13 to 21 with many of the top stars from the Women's Tennis Association.

The Player's International

Player's will bring to Jarry Tennis Stadium in Montréal the best in the world of tennis from August 6 to 14.

du Maurier equestrian event

The du Maurier International, a major equestrian event, will take place at the Spruce Meadows Master Horse Show in Calgary on September 11.

du Maurier sailing competition

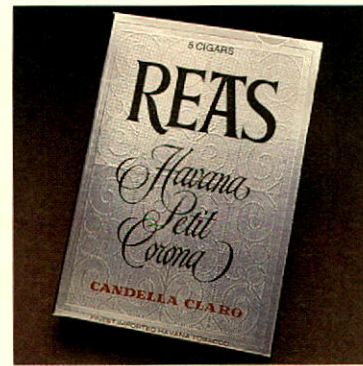
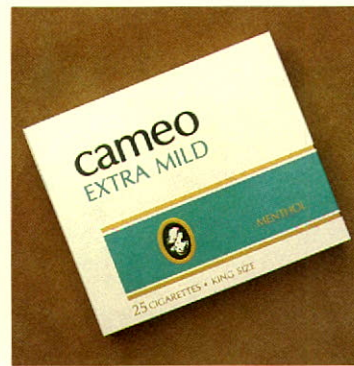
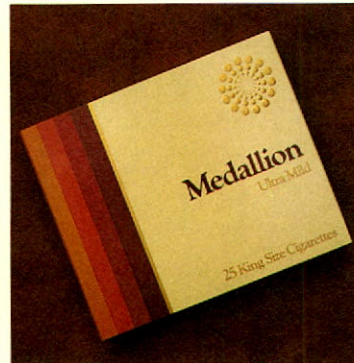
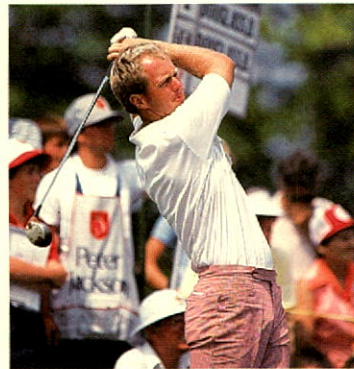
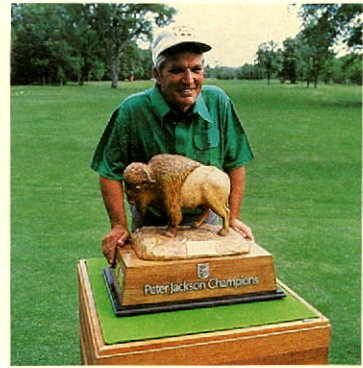
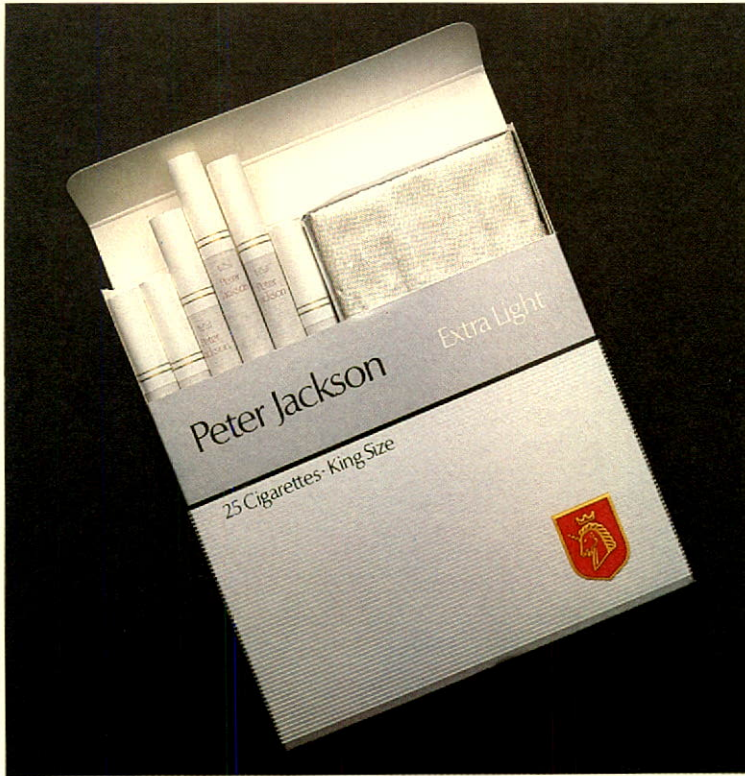
Imperial Tobacco makes its first entry into sponsorship of a major international sailing competition with the du Maurier World Dragon Championship to be held from July 17 to 30 on Vancouver's English Bay.

Prize money for these sports events will total \$1.7 million, and all of them will be carried on Canadian television.

du Maurier Council for the Performing Arts

Over the past thirteen years, Imperial Tobacco Limited through the du Maurier Council, has contributed more than \$4 million in cash grants to performing companies across Canada, supporting every facet of the performing arts: dance, opera, theatre, symphony and contemporary music.

"The du Maurier Search for Stars" programme under the auspices of the Council will be featured again this year on the CBC television network. Since 1977 this coast-to-coast programme has contributed to the development of hundreds of promising Canadian performing artists.

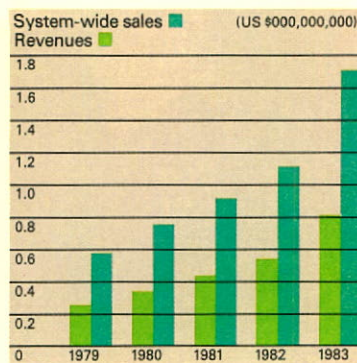


Divisional Report Imasco U.S.A. Inc.



Jack A. Laughery,
Chairman, President and Chief Executive
Officer, Imasco U.S.A. Inc.

The years 1978-1980 represent fiscal years
ended October 31.



Imasco U.S.A. was established during the past year to group under one organization the four operating entities in the restaurant division, Hardee's Food Systems, Inc., Burger Chef Systems, Inc., Fast Food Merchandisers, Inc. and Specialty Food Service Division.

This division is the third largest hamburger chain in the U.S.

Hardee's Food Systems continues to be the principal operating division of Imasco U.S.A. This fast service family restaurant group operates and franchises 1,736 restaurants in 35 states in the U.S., mainly in the southeastern, middle Atlantic and midwest states, and several foreign countries. Of this number 729 are company-owned and operated and the remaining 1,007 are operated by independent licensees.

Burger Chef Systems, acquired in March 1982, continues to support its line of fast service restaurants while converting company-owned and franchised units to the Hardee's dining concept. At year end the number of restaurants operating under the name Burger Chef was 380 of which 81 were company-owned.

The Specialty Food Service Division operates 30 company and eight franchised institutional dining concepts located on college campuses, highway turnpikes and in hospitals.

Fast Food Merchandisers operates two manufacturing plants in North Carolina and one in New York. The company also operates eight distribution facilities located in North Carolina, Kentucky, Pennsylvania, Missouri, Iowa, Georgia and Florida, and supplies approximately 85% of all products purchased and utilized within the restaurant divisions.

Hardee's Food Systems enjoyed its best performance ever in fiscal year 1983. Despite the depressed condition of the U.S. economy, Hardee's continued to show unique strength and real growth in the fast food industry. Total sales for Hardee's, excluding converted Burger Chef units, increased 24%. An unusually mild winter and successful marketing programmes contributed to Hardee's increase in average unit volume of approximately 13% from \$660,000 (U.S.) to \$745,000 (U.S.). This increase included real growth of 12% and menu price increase of 1%.

Through successful marketing and menu strategy, Hardee's has been able to expand beyond the target market of 25-49 year olds and enhance average unit volumes with broader based market penetration. The Bacon-Cheeseburger, Homemade Biscuit Breakfast and the Roast Beef Sandwich exemplify the successful menu integration between Hardee's and Burger Chef. These menu items continue to provide real growth products for the company.

The planned conversion of Burger Chef restaurants to the Hardee's format is on schedule. The conversion of 176 company-owned Burger Chef restaurants to Hardee's in three major markets, St. Louis, Cincinnati and Indianapolis, during fiscal 1983 significantly increased Hardee's market presence and increased the sales of the converted units. Twenty-eight franchised restaurants converted to the Hardee's format. In addition 87 franchised Burger Chef restaurants closed or became independent operators.

In addition to the conversion programme, Hardee's opened 38 company restaurants and 122 franchised restaurants. Plans call for the opening of 25

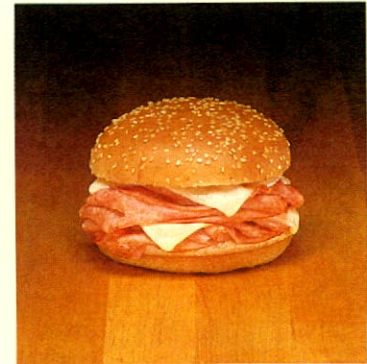
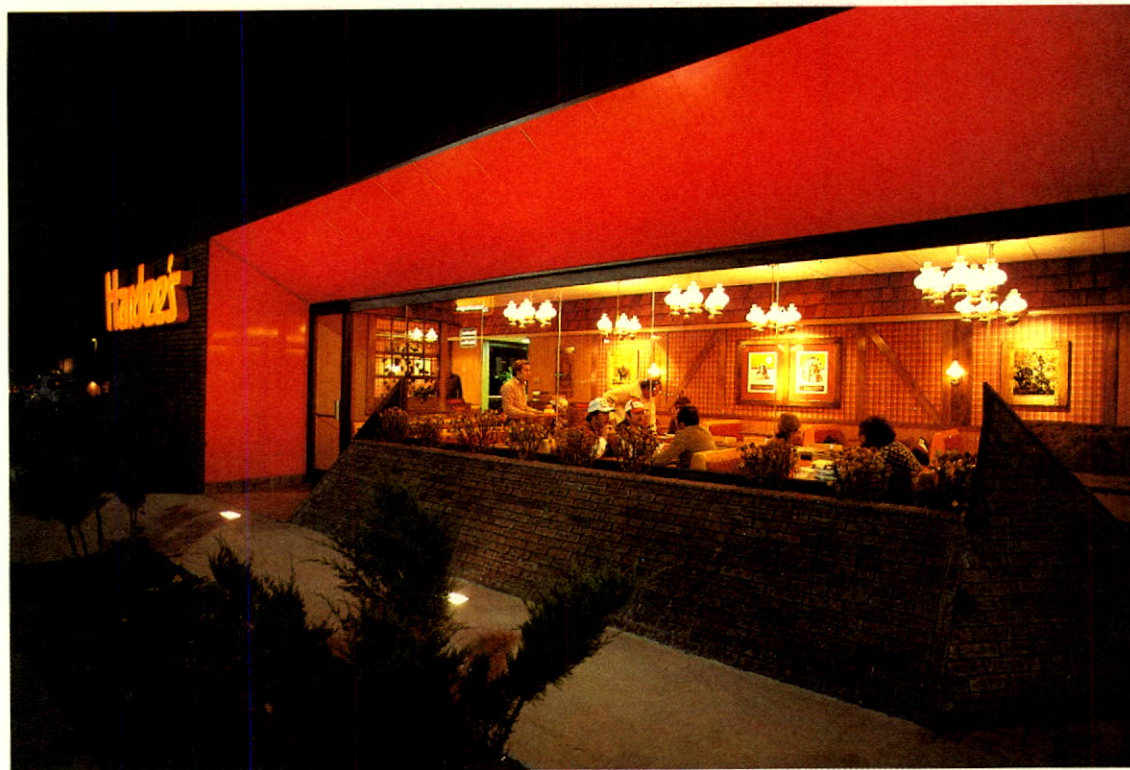
company-operated and 125 franchised restaurants in fiscal 1984.

While costs of conversion vary from site to site, the average capital required was approximately \$60,000. Operating expenses incurred in the conversion averaged \$10,000 per unit and were written off during the year.

Hardee's Food Systems' prime objectives for fiscal 1984 will be to convert the majority of the remaining company-owned Burger Chefs to the Hardee's restaurant concept, to expand through franchise and company units into new markets, and to increase the average unit volume of each restaurant in the system.

Fast Food Merchandisers will accelerate its expansion programme to meet the increased demand for its manufactured products. Major capital outlays have been made for additional distribution facilities in Salisbury, North Carolina, and allocated for a new distribution centre in Napoleon, Ohio, and new manufacturing facilities in Monterey, Tennessee.

Imasco U.S.A. is poised for growth in the 1980s. A combination of complementary divisions, superior products, and proved marketing concepts has positioned the company advantageously. New challenges and opportunities are ahead for the divisions of Imasco U.S.A. and the company is structured to seize them.



Divisional Report Imasco Retail



Anthony I. Kalhok,
President, Imasco Retail Inc.

Imasco Retail Inc. consists of a group of specialty retailing outlets in Canada and the United States.

Shoppers Drug Mart, Canada's largest drug store group, provides a wide range of marketing and management services to a group of retail drug outlets which operate under the names Shoppers Drug Mart, Top Drug Mart and Pharmaprix. Pharmaprix operates only in Québec and, as a Shoppers subsidiary, provides services to a group of subscribing pharmacies. Shoppers Drug Mart also operates drug stores in the U.S., most of them in Florida.

The UCS Group operates tobacco shops, gift stores and convenience stores in hotels, airports, shopping centres, traditional street stores, and tobacco departments in Woolco department stores in Canada.

Collegiate/Arlington Sports is a chain of sporting goods stores in Canada.

Embassy Cleaners owns and operates a chain of dry cleaning stores in Ontario.

Retail operations employ directly some 5,300 persons, and through franchisees approximately 11,500 persons who serve the public in 1,008 outlets in Canada and 256 in the U.S.

Imasco Retail Inc. has emerged from a year that has been described as the most difficult retail environment since the 1930s.

In addition to generally weakened consumer purchasing patterns, this division also suffered from the decline in travel which affected sales in hotel and airport locations of convenience and duty-free shops both in Canada and the United States. As well, the mild winter in some

parts of the country substantially reduced the demand for winter sports equipment and clothing in the third and fourth quarters.

Competition among all retailers to protect their share of markets led to price cutting with consequent lower gross profit margins in every sector.

Shoppers Drug Mart/ Pharmaprix

Shoppers Drug Mart became the first drug store group in Canada to surpass \$1 billion in annual retail sales, and now ranks sixth in sales among all drug store chains in North America. This significant accomplishment resulted not only from an increase in the number of customers choosing Shoppers Drug Mart/Pharmaprix for their drug store needs, but also from an increase in the amount of the average sale per customer.

A successful "Thanks a Billion" consumer promotion and staff incentive programme contributed to the achievement of overall marketing goals.

With 405 retail units in Canada and 35 in the United States, Shoppers Drug Mart ranks eleventh in number of outlets among drug chains in North America and average sales per retail location far exceed the North American average.

During the year 13 stores were opened while 13 stores were sold or closed.

Through its system of franchising each retail store to a pharmacist, Shoppers Drug Mart has the advantage of being in a position to both respond quickly to changes in local trading areas, and to implement national programmes that improve the profitability of each store.

The UCS Group

The UCS Group, a leading convenience retailer, operates 453 locations in Canada and 221 in the United States. During the year 17 stores were opened while 11 were closed in Canada and nine were opened and four closed in the United States. Although each of its six operating divisions varies in product mix and customer profile, the aim of all divisions is to emphasize sales of confectionery, tobacco products and accessories, reading materials, gifts and greeting cards.

Retail outlets include newsstands in shopping centres and other high traffic commercial locations, smoke shop departments in Woolco/Woolworth stores, Inclination greeting card shops, Lamplighter and Den For Men stores, Piccadilly Place in hotels and airports, The Tinder Box stores in the U.S., and the recently acquired Cavalier China and Gift shops in Calgary.

Embassy Cleaners

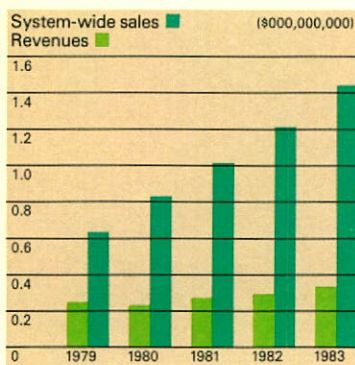
Embassy Cleaners operates 112 retail locations including 18 production facilities in the greater Toronto area and in selected markets between London and Oshawa. During the year six stores were opened and three were closed.

Consumer restraints on discretionary spending and other economic factors affected the market for cleaning services in fiscal 1983.

Collegiate/Arlington

The Collegiate/Arlington sporting goods business comprises 38 retail locations from British Columbia to Québec. Unfavourable economic and climatic conditions in fiscal 1983 reduced sales and earnings, particularly in the fourth quarter.

The graphs shown exclude businesses sold prior to fiscal 1983.





Divisional Report Imasco Foods



Yves Hudon,
President, Imasco Foods Limited

Imasco Foods comprises a group of Canadian food companies manufacturing, processing and distributing a variety of specialty food products. These include cheeses, bread products, processed meat products, Italian style specialty foods, sweet biscuits and candies.

Anco

Anco manufactures a variety of cheeses, including Anfrom, Anfleur, Brie, Camembert and St-Paulin. Anco manufactures these cheeses at its plant in St-Hyacinthe, Québec, and imports other cheese products from 10 countries. Distribution is made from five branches from Québec to British Columbia.

For the first nine months of 1982 industry cheese sales were down 1.5% per capita. Cheddar cheese sales were down 7% while variety cheese sales were up 4%. For the first time variety cheeses outsold cheddar, traditionally the most popular cheese in Canada.

While the consumption of cheese generally was down slightly, Anco sales in fiscal 1983 increased. At the end of fiscal 1983 Anco acquired the assets of Ingersoll Cheese Co. from Nestlé Enterprises.

Grissol

Grissol manufactures dry bread products such as Melba toast, breadsticks and croûtons, and snack food. Dry soup mixes are manufactured under the name Loney's. Production facilities at the Ste-Martine plant in Québec have been enlarged to meet the increasing demand for these products. Two new products were introduced in fiscal 1983; Crakin, a puffed toast, and Crispbread. Grissol currently holds a 30% share of the Canadian dry bread products market.

Taillefer

The Taillefer division produces over 150 items of specialty meat products, such as ham, bacon, frankfurters, bologna, sausages, pâtés and meat pies.

The company is one of the oldest specialty meat producers in Québec and is the third largest in the province. About 75% of its sales are in Québec with the remainder in Ontario. The meat industry in general in Canada is suffering from over capacity in this recessionary period. Sales and profitability were disappointingly lower this year.

Unico

Unico is primarily an importer/distributor of specialty food products. Although well known for the Italian character of its products, one of Unico's most popular and profitable lines is cooking and salad oil produced from Canadian sunflower seeds. Unico oil ranks in first place among retail customers in Ontario and is third in overall sales in Canada. Unico is also in first place among importers of Spanish olives.

While the canned food industry declined some 6% in 1982, sales of spaghetti sauces are up 8%, tomato sauce 18%, and tomato paste 5%. As a packer/distributor of quality tomato products, Unico enjoys the confidence of the large Italian community in Ontario. This growth in popularity of tomato products offers special opportunities to Unico. Accordingly, a Unico spaghetti sauce was introduced in March in the Hamilton-Niagara Peninsula area and initial results are encouraging.

Unico should continue to increase its market share in Ontario, and will pursue its pro-

gramme of enlarging distribution into other areas of Canada.

Viau

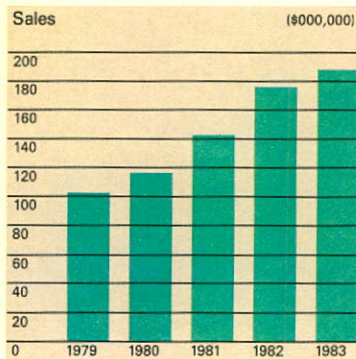
Viau and Biscuits Lido manufacture a wide range of sweet biscuits and candies, including Whippets, the chocolate marshmallow biscuit that has been popular for generations.

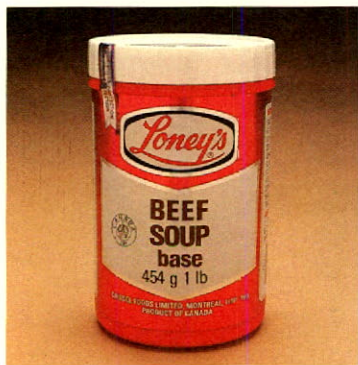
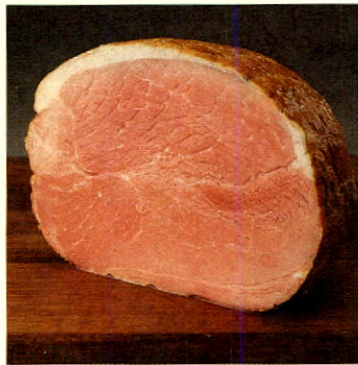
The division is the largest operation of its kind in Québec and has a 30% share of the Québec biscuit market. Among the most popular biscuits are Village, Petit Beurre, Pattes d'Ours and Whippets marketed under the Viau mark; and Goglu and Ti-Coq under the Lido name. Well known candies are Honey-moons, Striped Marble, and Menthol.

Employee relations

Imasco Foods employ 1,603 persons in 19 plants and offices situated in Québec, Ontario and British Columbia. Of these 978 are represented by 11 unions. In fiscal 1983, five agreements covering 415 employees were signed.

The graphs shown exclude businesses sold prior to fiscal 1983.





Divisional Report Imasco Resources



Bernard W. Matte,
President, Imasco Resources

The Resources division was created in February 1983. Its mandate is to broaden Imasco's presence in the energy field and to seek investment opportunities in emerging technologies and other industries with significant growth potential.

Imasco's principal investment in the energy section is a minority interest 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. During the year ended September 30, 1982, Canada Northwest reported increases of 58% in revenues to \$52.9 million; 23% in cash flow to \$24.3 million and 11% in net earnings to \$13.7 million. During the six months ended March 31, 1983, revenues, cash flow and net earnings improved by 93%, 126% and 195% respectively over the corresponding period.

These results reflect primarily the increase in production from the Casablanca field, offshore Spain, in which Canada Northwest has a 12.4% interest. Casablanca is now producing at the rate of 46,000 barrels per day.

The other major development is the significant addition to Canada Northwest's petroleum reserves as a result of the Vega discovery, offshore Sicily, where Canada Northwest's exploration initiatives are believed to have identified one of the largest hydrocarbon reservoirs in the Mediterranean. Design is now underway on the first production platform from which a production rate of 50,000 to 70,000 barrels per day is expected to be reached by mid 1986. It is expected that three platforms will be required to fully develop the field. Canada Northwest holds a 20% interest in the Vega field.

Imasco owns 13.8% of Canada Northwest's issued common shares. This follows the sale by Imasco on February 18, 1983 of 300,000 common shares which resulted in a gain of \$10.8 million net of tax.

In May 1983 Canada Northwest Energy issued \$60 million in securities of which \$52 million was in 8% Convertible Subordinated Debentures. Imasco purchased \$8 million Aggregate Stated Value of 6% Convertible Preferred Shares, Series A, in order to maintain its equity position.

On September 12, 1982, Imasco entered into a partnership agreement with Flame Oil & Gas Ltd., a Calgary-based private company. The partnership is engaged in exploration activities in Canada and the United States. Imasco has committed \$5 million to the first phase of the programme.



Left: Production and drilling platform, Casablanca field, Mediterranean Sea, offshore Spain.

Above: Flame Oil & Gas partnership. Drilling in Altamont-Bluebell field, Utah, U.S.A.

Auditors' Report

To the Shareholders
of Imasco Limited

We have examined the consolidated balance sheet of Imasco Limited as at March 31, 1983 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, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte Haskins & Sells
Chartered Accountants
Montréal, Canada

May 9, 1983

Consolidated Statement of Earnings

	1983	1982
	Thousands of dollars	
Revenues	2,713,901	2,190,756
Sales and excise taxes	592,435	530,186
	2,121,466	1,660,570
Operating costs	1,821,119	1,413,596
Operating earnings	300,347	246,974
Corporate expenses	13,179	10,885
Interest - net	41,804	35,600
Earnings before income taxes	245,364	200,489
Income taxes	88,601	76,313
Earnings before extraordinary items	156,763	124,176
Extraordinary items	4,831	(4,663)
Net earnings	161,594	119,513
Earnings per common share, after giving retroactive effect to the 2:1 stock split on November 23, 1982		
Before extraordinary items		
basic	\$3.47	\$2.78
fully diluted	\$3.24	\$2.63
After extraordinary items		
basic	\$3.58	\$2.67
fully diluted	\$3.34	\$2.53

Consolidated Statement of Retained Earnings

	1983	1982
	Thousands of dollars	
Retained earnings, beginning of year	411,357	329,835
Net earnings	161,594	119,513
Dividends	(42,900)	(37,991)
Expenses of issue of common shares, net of tax of \$2,189,000	(3,189)	—
Retained earnings, end of year	526,862	411,357

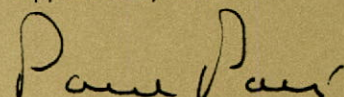
Consolidated Balance Sheet

1983 **1982**

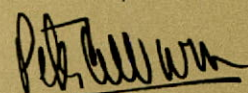
Thousands of dollars

Current assets	Cash and term deposits	134,472	36,799
	Accounts and notes receivable	116,226	110,513
	Inventories	536,959	461,526
	Prepaid expenses	14,363	13,170
	Total current assets	802,020	622,008
Current liabilities	Bank and other short term loans	154,600	153,911
	Accounts payable and accrued liabilities	176,038	160,010
	Income, excise and other taxes	60,456	43,489
	Current portion of long term debt and capital leases	16,169	9,907
	Total current liabilities	407,263	367,317
	Working capital	394,757	254,691
Other assets	Investments and receivables	88,079	92,242
	Fixed assets	541,213	494,976
	Deferred charges	22,626	26,913
	Goodwill	76,125	78,978
	Total other assets	728,043	693,109
	Excess of assets over current liabilities	1,122,800	947,800
Other liabilities	Long term debt	225,353	278,412
	Long term obligations under capital leases	30,496	32,601
	Deferred income taxes	43,790	42,917
	Total other liabilities	299,639	353,930
	Excess of assets over liabilities	823,161	593,870
Shareholders' equity	Capital stock	296,299	182,513
	Retained earnings	526,862	411,357
	Total shareholders' equity	823,161	593,870

Approved by the Board



Paul Paré, Director



Peter Kilburn, Director

Imasco Limited
For the year ended March 31, 1983

Consolidated Statement of Changes in Financial Position		1983	1982
		Thousands of dollars	
Source of funds	Earnings before extraordinary items	156,763	124,176
	Non-fund items	75,895	67,351
	Funds provided from operations	232,658	191,527
	Sale of investment, net of tax	13,343	—
	Issue of common shares	110,811	—
	Long term debt	4,340	128,215
	Investments and receivables	7,304	9,900
	Sale of fixed assets	8,764	9,056
	Total source of funds	377,220	338,698
Application of funds	Purchase of businesses	—	66,038
	Fixed assets	114,675	106,705
	Dividends	42,900	37,991
	Long term debt	68,676	8,812
	Obligations under capital leases	2,105	1,449
	Investments and receivables	7,797	30,488
	Deferred charges	2,144	6,110
	Purchase of common shares for cancellation in excess of treasury shares issued	214	—
	Unrealized foreign exchange	(1,357)	(1,237)
	Total application of funds	237,154	256,356
Working capital	Increase in working capital	140,066	82,342
	Beginning of year	254,691	172,349
	End of year	394,757	254,691

Notes to the Consolidated Financial Statements

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|-----------------------------------|---|
| 1. Summary of accounting policies | <p>The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect the following policies:</p> <p>a) 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.</p> <p>b) Foreign exchange
 Foreign currency amounts are translated into Canadian dollars on the following basis:
 Current assets, current liabilities, other investments and receivables, deferred charges and non-current liabilities at exchange rates in effect at the year end.
 Fixed assets and goodwill at exchange rates in effect at the relevant acquisition dates.
 Earnings accounts at average exchange rates for the year, except that provisions for depreciation and amortization of goodwill are translated at rates used to translate the related assets.
 Net unrealized gains or losses arising on translation of foreign currency amounts are deferred.</p> <p>c) Inventories
 Inventories are valued at the lower of cost and net realizable value. Cost is determined substantially as follows:
 Imperial Tobacco: Average cost.
 Retail: Retail inventory method.
 Food: First-in, first-out.
 Restaurant: First-in, first-out.</p> <p>d) Investments and receivables
 Investments and receivables are shown at cost or are reduced to their estimated realizable value.</p> <p>e) 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 meet certain criteria are designated 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.</p> <p>f) 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:</p> <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. <p>g) Income taxes
 Income taxes are accounted for using the tax allocation basis under which income taxes are provided in the year transactions affect net income 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 financial statements. The impact of the federal investment tax credit is reflected in earnings in the year during which the related expenditures are made.</p> |
|-----------------------------------|---|
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Notes to the Consolidated Financial Statements

2. Segmented financial information

Financial information is presented according to the following industry segments: ¹
Imperial Tobacco - manufactures and distributes a complete range of tobacco products.
Restaurant - operates, licenses, supplies and services a system of fast service restaurants primarily in the United States.
Retail - retail operations which specialize in prescription drugs, health and beauty aids, tobacco products and gifts, dry cleaning and sporting goods.
Food - manufactures and distributes a variety of food products.

Industry segments	Consolidated 1983	1982
Revenues		
Sales	2,665,459	2,163,702
Franchise fees and other income	91,579	64,240
Intersegmental ²	(43,137)	(37,186)
	2,713,901	2,190,756
Operating earnings	300,347	246,974
Capital employed ³		
Net assets	1,106,649	968,317
Goodwill	76,125	78,978
	1,182,774	1,047,295
Inventories		
Finished goods	210,287	157,584
Raw materials and leaf tobacco	326,672	303,942
	536,959	461,526
Net fixed assets	541,213	494,976
Depreciation and amortization expense		
Fixed assets	56,691	43,597
Capital leases	1,765	1,815
Goodwill	2,853	2,311
Deferred charges	6,309	3,525
	67,618	51,248
Capital expenditures	114,675	106,705
Reconciliation of capital employed and excess of assets over current liabilities		
Capital employed	1,182,774	1,047,295
Corporate assets	154,102	70,788
	1,336,876	1,118,083
Less: Corporate current liabilities	214,076	170,283
Excess of assets over current liabilities	1,122,800	947,800

Imperial Tobacco		Restaurant		Retail		Food	
1983	1982	1983	1982	1983	1982	1983	1982
1,242,899	1,120,240	962,766	626,281	271,584	241,968	188,210	175,213
—	—	36,601	19,782	54,978	44,458	—	—
—	—	—	—	—	—	—	—
1,242,899	1,120,240	999,367	646,063	326,562	286,426	188,210	175,213
182,268	156,040	74,888	49,901	27,681	27,147	15,510	13,886
477,363	384,092	416,568	374,787	166,251	157,102	46,467	52,336
—	—	39,388	41,039	35,060	36,112	1,677	1,827
477,363	384,092	455,956	415,826	201,311	193,214	48,144	54,163
90,411	65,182	34,495	26,593	66,898	54,220	18,483	11,589
314,526	291,273	7,398	7,659	—	—	4,748	5,010
404,937	356,455	41,893	34,252	66,898	54,220	23,231	16,599
90,190	73,644	350,751	324,222	74,890	69,326	25,382	27,784
8,545	7,693	34,449	24,478	11,302	9,331	2,395	2,095
—	—	1,765	1,815	—	—	—	—
—	—	1,651	1,075	1,052	1,090	150	146
1,155	1,023	2,845	1,128	1,834	901	475	473
9,700	8,716	40,710	28,496	14,188	11,322	3,020	2,714
26,778	17,272	69,970	64,587	17,799	21,321	128	3,525

¹ Other than the Restaurant segment, operations outside of Canada are not significant in the whole.

² Intersegmental transactions consist of sales from Imperial Tobacco to Retail at normal selling prices.

³ Capital employed consists of directly identifiable assets, at net book value, less the current liabilities of each segment exclusive of short term borrowings and corporate items.

Notes to the Consolidated Financial Statements		1983	1982
3. Interest expense - net	Interest on long term debt and capital leases	27,850	18,522
	Other interest expense - net	17,102	21,544
	Income from other investments	(2,666)	(4,859)
	(Gain) loss on securities transactions	(482)	393
		41,804	35,600
Interest on promissory notes classified as term loans (note 6) is included in other interest expense.			
4. Investments and receivables	BAC Cosmetiques Inc. (a related company) variable rate second preference shares (average; 1983 - 11.0%, 1982 - 14.5%)	20,000	20,000
	Canada Northwest Energy Limited common shares (approximate market value; 1983 - \$49,000,000, 1982 - \$30,000,000)	8,632	11,206
	Scientific research contract amortized against guaranteed royalty income to be received from fiscal 1984 to 1987	13,454	13,454
	Notes receivable	41,129	44,180
	Other investments and receivables	4,864	3,402
		88,079	92,242
Notes receivable include \$26,237,000 due from retail drug store associates which are non-interest bearing with no fixed maturity.			
5. Fixed assets	Land	59,488	58,212
	Buildings	174,025	157,437
	Equipment	371,657	323,095
	Leasehold improvements	176,481	149,231
		781,651	687,975
	Accumulated depreciation and amortization	259,484	215,068
		522,167	472,907
	Leased property under capital leases	37,078	37,926
	Accumulated amortization	18,032	15,857
		19,046	22,069
Net fixed assets		541,213	494,976

Notes to the Consolidated Financial Statements		1983	1982
6. Long term debt	Debentures - 15½% due January 1989 *	61,855	61,355
	Sinking fund debentures		
	8½% Series A due March 1991	22,400	23,450
	10⅞% Series B due August 1995	22,800	23,100
	10¼% Series C due October 1990 *	19,793	22,088
	9% due July 1992	6,090	6,176
		71,083	74,814
	Notes payable		
	10¾% payable in 10 annual instalments beginning in 1985 *	49,485	49,084
	9¼% payable in 11 annual instalments beginning in October 1983 *	13,608	13,498
	9¾% payable in annual instalments to 1986 *	2,876	3,559
		65,969	66,141
	Term loans *	1,258	56,483
	Other long term obligations *	42,585	30,162
		242,750	288,955
	Less:		
	Sinking fund debentures held in treasury	(3,324)	(2,840)
	Payments due within one year	(14,073)	(7,703)
		225,353	278,412
<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, 1983 was \$175,197,000 (US\$141,619,000) and at March 31, 1982 was \$230,521,000 (US\$187,858,000).</p> <p>Required principal payments and sinking fund provisions during the next five years, excluding term loans, are: 1984, \$14,073,000; 1985, \$10,960,000; 1986, \$17,226,000; 1987, \$16,421,000; 1988, \$15,279,000.</p> <p>The net book value of properties securing mortgage and other debt obligations at March 31, 1983 was approximately \$29,400,000 (March 31, 1982, \$27,100,000).</p> <p>Term loans consist of unsecured promissory notes maturing within one year and are supported by non-cancellable bank term credit facilities of \$125,000,000 to 1986. Promissory notes outstanding at March 31, 1983 amounted to \$155,858,000 with an average rate of interest of 8.9% (1982 - 14.8%), and have been classified as short term loans - \$154,600,000, and long term loans - \$1,258,000 (March 31, 1982, \$153,911,000 and \$56,483,000, respectively) based on repayments anticipated within the year.</p>			
7. 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 2003.</p> <p>The minimum annual commitments under such leases are approximately as follows:</p>		
	1984	6,381	
	1985	6,281	
	1986	6,246	
	1987	6,174	
	1988	5,793	
	1989 and thereafter	30,705	
	Total minimum commitments	61,580	
	Less:		
	Imputed interest	28,988	
	Payments due within one year	2,096	
	Long term obligations under capital leases	30,496	

Imasco Limited**For the year ended March 31, 1983**

All tabular figures are in thousands of dollars

Notes to the Consolidated Financial Statements**1983****1982****8. 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.

2,825,000 Series B preference shares, with an annual cumulative dividend of \$3.06, were authorized having a stated value of \$37.00, convertible into common shares on a two-for-one basis until 1991 and redeemable after March 1, 1984 at prices varying from \$37.00 to \$38.85.

c) An unlimited number of common shares.

Issued and outstanding:

(after giving retroactive effect to the two-for-one stock split of November 1982)

1,191,888 6% preference shares	5,800	5,800
2,797,390 Series B preference shares (1982 - 2,825,000)	103,504	104,525
45,454,739 common shares (1982 - 41,406,148)	186,995	72,188
	296,299	182,513

Weighted average numbers of shares outstanding used in the determination of earnings per common share are:

	1983	1982
Basic	42,602,282	41,406,148
Fully diluted	48,237,014	47,056,148

During the year, 4,000,000 common shares were issued for a total cash consideration of \$114,000,000 (\$28.50 per share) and 78,429 common shares were issued in payment of quarterly dividends under the Shareholders' Stock Dividend Plans, at an average stated value per share of \$24.76.

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 24,915 shares was issued under this offering at a price per share of \$36.13.

During the year, 109,973 common shares were purchased for cancellation at an average cost of \$27.19 and 27,610 Series B preference shares were converted to 55,220 common shares.

9. Dividends

6% preference shares	348	348
Series B preference shares	8,622	8,658
Common shares	33,930	28,985
	42,900	37,991

Dividends for the year ended March 31, 1983 consisted of cash payments of \$40,958,000 and of 78,429 common shares with an aggregate stated value of \$1,942,000. These shares were issued under the Shareholders' Stock Dividend Plans which entitle shareholders 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, 1983, all of the Corporation's retained earnings were free from such restrictions.

Notes to the Consolidated Financial Statements

1983

1982

10. Operating lease commitments The Corporation has commitments with respect to real estate leases, most of which are for terms of 3 to 20 years. The minimum annual commitment under such leases is approximately as follows:

	Rental commitment	Rental commitment assumed by franchisees	Net rental commitment
1984	47,468	25,647	21,821
1985	44,650	24,796	19,854
1986	42,401	23,859	18,542
1987	40,121	22,765	17,356
1988	37,280	21,663	15,617

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 \$29,516,000 in 1983 and \$22,621,000 in 1982. 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 \$9,800,000.

11. Extraordinary items	Gain on sale of part of investment in Canada Northwest Energy Limited net of tax of \$3,681,000	10,769	—
	Provision for cost of special voluntary early retirement programme net of tax of \$4,062,000	(5,938)	—
	Loss on realization of investment in PoP Shoppes International Inc.	—	(4,663)
		4,831	(4,663)

The Corporation has offered to eligible employees of its Imperial Tobacco Division, for a limited period of time, an option of early retirement. The Corporation's actuaries have estimated the cost of this programme to be \$10 million, based on a 15-year amortization period. The liability is included in other long term obligations.

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, 1983.		
	b) Research and development costs charged to earnings during the year amounted to \$2,528,000 (1982 - \$3,289,000).		
	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, 1983 was \$41,740,000; the outstanding indebtedness of the franchisees was \$21,860,000.		
	d) As at March 31, 1983 the Corporation acquired the assets, consisting primarily of inventory, of the Ingersoll Cheese Division of Nestlé Enterprises Limited for a consideration of \$7,000,000.		
	e) 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	1,230	1,021
	ii) Export sales of leaf tobacco	13,112	8,093
	iii) Dividend income from BAC Cosmétiques Inc.	2,198	2,903
	iv) Purchases of materials	5,957	7,808

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

		1983	1982	1981	1980	1979
		Thousands of dollars, except "Per common share" statistics				
Operations	System-wide sales	4,953,519	3,853,785	2,264,940	1,721,809	1,586,748
	Revenues	2,713,901	2,190,756	1,423,707	1,150,538	1,161,526
	Depreciation	58,456	45,412	19,739	13,178	11,984
	Operating earnings	300,347	246,974	159,543	127,531	114,378
	Corporate expenses	13,179	10,885	9,634	7,424	6,584
	Interest	41,804	35,600	18,128	13,308	11,339
	Equity income	—	—	9,290	4,554	407
	Income taxes	88,601	76,313	51,521	43,125	40,455
	Earnings, before extraordinary items	156,763	124,176	89,550	68,228	56,407
	Net earnings after extraordinary items	161,594	119,513	89,550	68,228	57,721
	Earnings per common share before extraordinary items					
	basic	3.47	2.78	2.14	1.65	1.41
	fully diluted	3.24	2.63	2.13	1.64	1.35
Dividend record	On preference shares	8,970	9,006	1,188	418	1,281
	On common shares	33,930	28,985	24,844	20,640	16,016
	Per common share	0.80	0.70	0.60	0.50	0.41
Funds provided	From operations	232,658	191,527	109,908	88,356	76,074
Capital expenditures	On fixed assets	114,675	106,705	53,686	37,102	31,055
Financial position	Current assets	802,020	622,008	537,229	405,592	386,403
	Current liabilities	407,263	367,317	364,880	218,030	193,407
	Working capital	394,757	254,691	172,349	187,562	192,996
	Fixed assets (before depreciation)	818,729	725,901	567,325	212,771	179,980
	Fixed assets (less depreciation)	541,213	494,976	377,492	116,955	93,826
	Total assets	1,530,063	1,315,117	1,086,363	677,257	607,077
	Long term debt	225,353	278,412	153,936	96,921	99,967
	Excess of assets over liabilities	823,161	593,870	512,348	344,305	297,974
Shareholders' equity	Preference shareholders	109,304	110,325	110,325	5,800	17,483
	Common shareholders	713,857	483,545	402,023	338,505	280,491
	Per common share	15.70	11.68	9.71	8.17	6.98

Statistical Highlights - Continuing Operations
Five year review for years ended March 31

		1983	1982	1981	1980	1979
		Thousands of dollars, except "Number of outlets"				
Imperial Tobacco	Sales	1,242,899	1,120,240	952,923	826,665	741,405
	Sales and excise taxes	592,435	530,186	458,243	396,934	363,180
	Operating earnings	182,268	156,040	123,248	99,137	78,839
	Inventories	404,937	356,455	296,390	260,960	228,835
	Fixed assets - net	90,190	73,644	64,535	52,349	41,108
	Depreciation expense	8,545	7,693	6,279	5,213	4,509
	Capital expenditures	26,778	17,272	18,791	16,998	14,208
Retail	System-wide sales	1,437,629	1,223,170	1,016,796	807,320	674,314
	Revenues: sales	271,584	241,968	231,962	204,779	221,855
	franchise fees	54,978	44,458	39,358	31,270	27,237
	Operating earnings	27,681	27,147	22,455	18,968	21,691
	Inventories	66,898	54,220	51,129	52,626	42,432
	Fixed assets - net	74,890	69,326	58,478	49,410	39,964
	Depreciation expense	11,302	9,331	8,042	6,473	5,020
	Capital expenditures	17,799	21,321	17,796	15,970	12,903
	Number of outlets					
	Pharmacies	440	440	417	391	365
	Tobacco, sundry and gift	674	657	631	594	560
	Sporting goods	38	38	36	27	25
	Dry cleaners	112	109	99	88	84
		1,264	1,244	1,183	1,100	1,034
	Company-owned	663	629	609	547	502
	Licensed	601	615	574	553	532
		1,264	1,244	1,183	1,100	1,034
Food	Sales	188,210	175,213	141,893	116,019	101,474
	Operating earnings	15,510	13,886	10,219	9,426	8,258
	Inventories	23,231	16,599	15,924	12,690	10,948
	Fixed assets - net	25,382	27,784	26,823	15,196	12,754
	Depreciation expense	2,395	2,095	1,706	1,492	1,200
	Capital expenditures	128	3,525	6,001	4,134	3,094
Note: The above divisional statistical highlights exclude the operating results of businesses sold prior to fiscal 1983.						
		Thousands of U.S. dollars, except "Number of restaurants"				
Restaurant ¹	System-wide sales	1,718,419	1,141,000	922,300	750,000	564,600
	Revenues					
	Sales					
	Company restaurants	544,625	336,464	262,522	204,280	154,753
	Other	232,627	184,165	157,484	140,186	94,229
	Service and licence fees	29,565	16,445	13,252	11,067	8,662
	Operating earnings	60,289	42,001	32,981	25,025	18,888
	Inventories	33,864	27,913	22,313	19,846	16,145
	Fixed assets - net	285,436	264,917	173,025	133,369	96,259
	Depreciation expense	30,051	21,707	15,893	11,866	8,837
	Capital expenditures	56,581	52,421	60,764	52,614	33,893
	Number of restaurants					
	Company-owned	840	805	484	449	417
	Licensed	1,314	1,360	820	782	708
		2,154	2,165	1,304	1,231	1,125

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.

Directors

Paul Paré^{1,3,4}
 Chairman and
 Chief Executive Officer,
 Imasco Limited
 H. Purdy Crawford, O.C.^{1,2}
 Partner,
 Osler, Hoskin & Harcourt
 Roderick C. Foster, C.A.
 Executive Vice-President,
 Imasco Limited
 Rowland C. Frazee^{1,2,3,4}
 Chairman and
 Chief Executive Officer,
 The Royal Bank of Canada
 Yves Hudon
 President, Imasco Foods
 Limited
 Anthony I. Kalhok
 President, Imasco Retail 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 U.S.A. Inc.
 Jean-Louis Mercier
 President,
 Imperial Tobacco Limited
 L. Edmond Ricard¹
 President and
 Chief Operating Officer,
 Imasco Limited
 Jean H. Richer, C.M.²
 President,
 Jean H. Richer Associés Ltée

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
 Bernard W. Matte,
 President,
 Imasco Resources Division;
 Vice-President,
 Corporate Development
 Noël Pérusse,
 Vice-President,
 Industry Relations
 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
 Wilmat Tennyson,
 Executive Vice-President
 Clifford Warren,
 Executive Vice-President
 Robert C. Bégin, C.A.,
 Vice-President
 Marius Dagneau, Vice-President
 Patrick J. Dunn, Vice-President
 André Laporte, Vice-President
 Claude Mercier, Vice-President
 William J. Ross, Vice-President
 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 U.S.A. Inc.

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

Operates and licenses 2,154
 fast service restaurants
 principally in the U.S. and
 operates manufacturing and
 distribution facilities.

Jack A. Laughery,
 Chairman, President
 and Chief Executive Officer
 Richard F. Sherman,
 Senior Executive
 Vice-President
 Ralph E. Peterson
 Executive Vice-President

Hardee's Food Systems, Inc.

John E. Martin, President

Fast Food Merchandisers, Inc.

Hugh Todd, Jr., President

Specialty Food Service Division

Gene G. Arnold, President

Burger Chef Systems, Inc.

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

James A. Chronley, President

¹ Member of the Executive
 Committee

² Member of the Audit
 Committee

³ Member of the Salary
 Committee

⁴ Member of the Nominating
 Committee

Imasco Retail Inc.

Royal Bank Plaza
North Tower, Suite 2000
Toronto, Ontario
M5J 2J2

Manages a group of specialized retail organizations.

L. Edmond Ricard, Chairman
Anthony I. Kalhok, President
John J. Ruffo,
Executive Vice-President

Shoppers Drug Mart

225 Yorkland Blvd.
Toronto, Ontario
M2J 4Y7

Top Drug Mart
Toronto, Ontario
Pharmaprix
Montréal, Québec

A group of 440 licensed and company-owned drug stores operating in Canada and the United States.

Murray B. Koffler, C.M.,
Chairman
Jack Gwartz, Vice-Chairman
David Bloom, President and
Chief Executive Officer

Embassy Cleaners

133 Wynford Drive
Toronto, Ontario
M3C 1K1

A chain of 112 dry cleaning stores in Ontario.

Emile Haick, President

The UCS Group

50 Overlea Blvd.
Toronto, Ontario
M4H 1B9

A chain of 478 retail tobacco and gift shops.

Norman Latowsky, President

The Tinder Box International, Ltd.

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

A group of 196 licensed and company-owned retail specialty tobacco shops in the United States.

George W. Townson, President
and Chief Executive Officer

Collegiate/Arlington

800 Tapscott Road
Toronto, Ontario
M1X 1A4

A chain of 38 retail sporting goods stores.

John J. Ruffo, President

Imasco Foods Limited

4945 Ontario Street East
Montréal, Québec
H1V 1M2

Manufactures and distributes a variety of food products through several divisions.

Anco:
specialty cheese products;
Grissol:
bread specialties;
Loney's:
dry soup mixes and soup bases;
Taillefer:
prepared meat products;
Unico:
Italian food products;
Viau, Lido:
biscuits and candies.

L. Edmond Ricard,
Chairman of the Board
Yves Hudon, President
Yves Bertrand, C.A.,
Vice-President,
Secretary and Treasurer
Pierre Denault, Vice-President
Raymond Denis, Vice-President
Romuald Frenette,
Vice-President
Pierre Groulx, Vice-President
Robert C. Nadeau,
Vice-President
Gérald Pelletier, Vice-President

Imasco Resources

4 Westmount Square
Montréal, Québec
H3Z 2S8

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

Bernard W. Matte, President

Imasco B.V.

Amsterdam, Netherlands

Finances associated businesses.

Fribourg Branch
30 St. Pierre Street
1700 Fribourg, Switzerland

John Macnab, Managing Director

Corporate information

The Corporation	Incorporated under Federal Charter April 3, 1912 Continued under the Canada Business Corporations Act August 6, 1976
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Auditors	Deloitte Haskins & Sells Chartered Accountants 1 Place Ville-Marie Montréal, Canada H3B 2W3
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Transfer agent and registrar	Montreal Trust Company, Halifax, Montréal, Toronto, Winnipeg, Regina, Calgary, Vancouver
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Stock exchange listings	Montréal Toronto Vancouver
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Symbols	
Common	IMS
6% Preference	IMSC
Series B Preference	IMSB

Banks	The Royal Bank of Canada Canadian Imperial Bank of Commerce The Bank of Nova Scotia Bank of Montreal The Continental Bank Morgan Guaranty Trust Company of New York Bank of America First Union National Bank, Charlotte, N.C. First National Bank of Chicago
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Financial calendar 1983/1984	Fiscal Year End: March 31 Interim reports mailed: August, November, February
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	Dividend dates: Common shares Series B preference shares Quarterly; June, September, December, March 6% preference shares Semiannually; September, March
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	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
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	Debentures 15 1/2% due January 1989, interest payable January 15
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