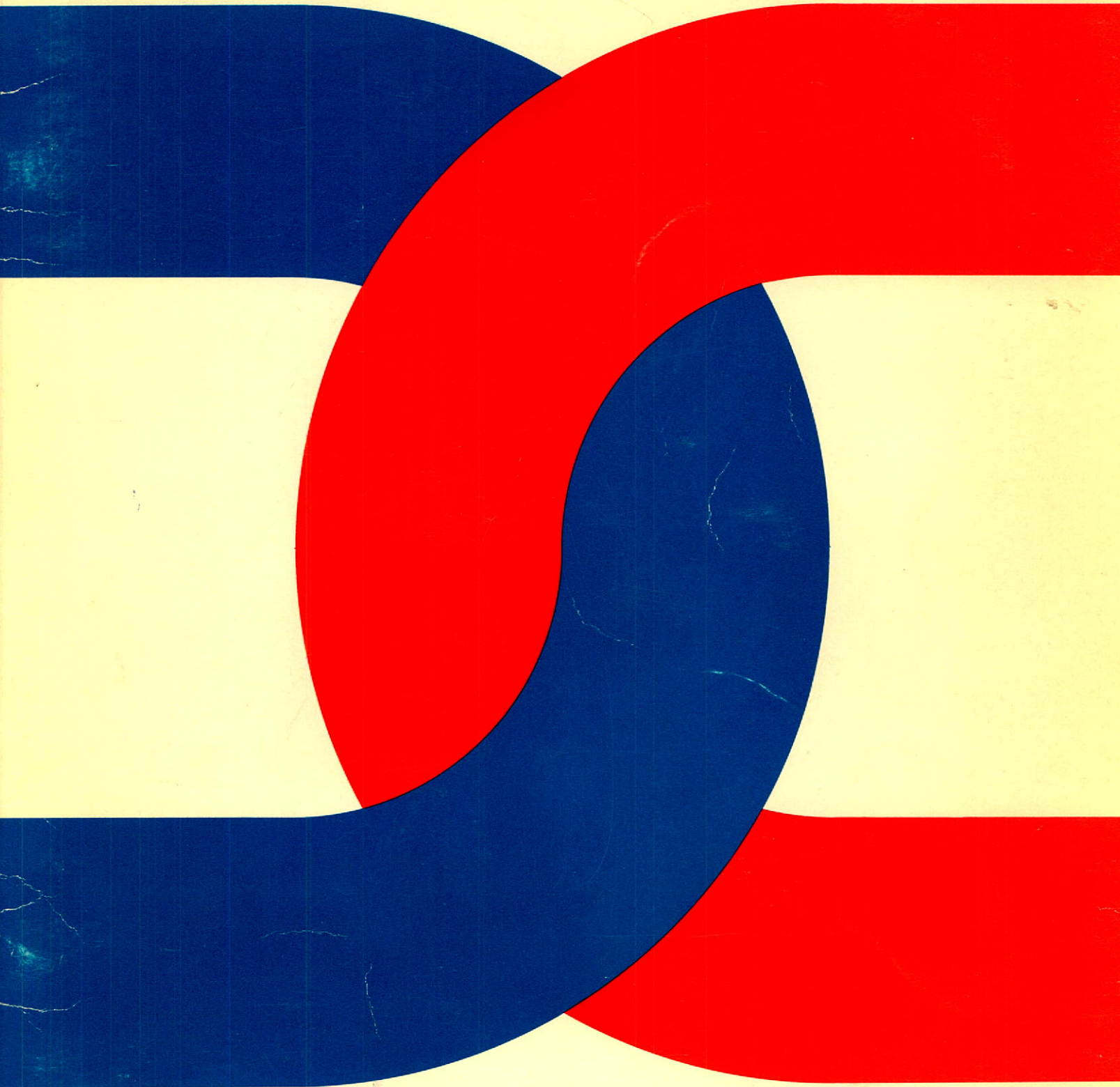


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Si vous désirez recevoir ce rapport annuel  
en français, veuillez vous adresser à:

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



**Imasco Limited**  
**Directors and Officers**

Imasco Limited is a multi-divisional corporation manufacturing consumer products and supplying consumer services in Canada and the United States. Principal products are tobacco and food. Services consist of retail outlets specializing in tobacco products, health and beauty aids, prescription drugs, sporting goods, gifts and sundries.

*Directors*

Paul Paré  
John H. Coleman  
Purdy Crawford, Q.C.  
Peter Kilburn  
L. Edmond Ricard  
Jean H. Richer  
George G. Ross, C.A.  
John J. Ruffo  
Robert T. Ruggles  
Clifford Warren  
Hubert B. Wells

*Officers*

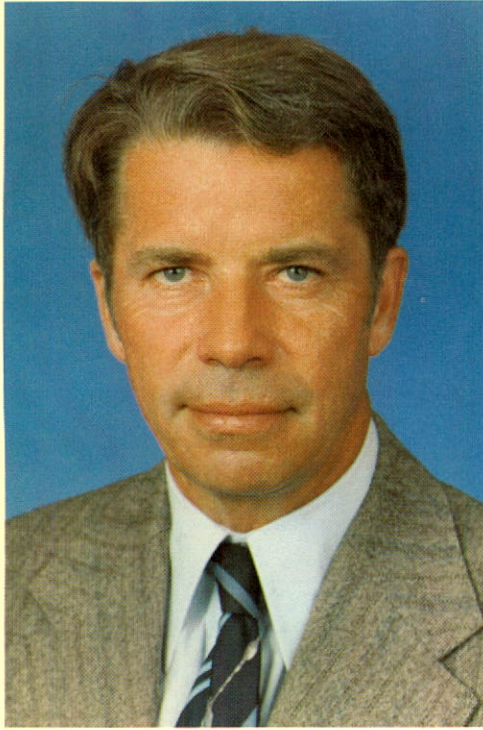
Paul Paré, President  
Norman A. Dann, Vice-President  
E. Peter Gage, Vice-President  
L. Edmond Ricard, Vice-President  
George G. Ross, C.A., Vice-President  
John J. Ruffo, Vice-President  
Robert T. Ruggles, Vice-President  
Clifford Warren, Vice-President  
Hubert B. Wells, Vice-President  
Norman J. Flynn, Secretary  
Matthews Glezos, Treasurer  
Roger S. Ackman, General Counsel  
Ronald F. Findlay, C.A.,  
Corporate Comptroller  
Paul K. Ryan, Assistant Secretary  
John N. Economides, Assistant Treasurer  
Yves Bertrand, C.A., R.I.A.,  
Assistant Comptroller

Head Office:  
4 Westmount Square  
Montréal, Canada H3Z 2S8  
Tel. (514) 937-9111  
Telex 05-24176



**Financial Results at a Glance**

	1977	1976
	Thousands of dollars	
Sales	1,031,642	941,223
Earnings before extraordinary item	34,921	36,516
Net earnings after extraordinary item	35,215	34,564
Earned per common share before extraordinary item	\$3.58	\$3.74
Earned per common share after extraordinary item	\$3.61	\$3.54
Dividends per common share	\$1.35	\$1.30
Working capital	182,823	184,044
Total assets	455,278	383,750
Shareholders' equity	206,411	186,055



For the first time in the Company's history, sales for 12 months exceeded one billion dollars. Sales for the year ended March 31, 1977 were \$1,031,642,000, an increase of \$90,419,000 or 10 per cent over 1976.

Earnings before extraordinary items were \$34,921,000 or \$3.58 a share, a decrease of \$1,595,000 or 16 cents a share. After extraordinary items, earnings were \$35,215,000 or \$3.61 a share, an increase of \$651,000 or seven cents a share.

During the year, Anti-Inflation Board restraints affected the profits of all our Canadian operations.

Imperial Tobacco Limited had an outstandingly successful year in terms of sales. Through a combination of perceptive product development and astute marketing several new cigarette brands rapidly achieved widespread acceptance among Canadian smokers. Sales of established brands also increased and the total volume constitutes a significant increase in Imperial Tobacco's share of the cigarette market.

In our U.S. operations, our food profits were adversely affected by the decline in sales of Tic Tac and by writing off development expenses in connection with our planned Mexican food expansion.

#### **Dividends**

Dividends were increased in December 1976 to the limit permitted by the Anti-Inflation Board and are now at the rate of \$1.40 a year. Total dividends for fiscal 1977 were \$1.35.

#### **Investments**

Our diversification policy is under constant review and assessment. During the year Editel, Inc. and Amco Services were sold. It was thought that Editel had no place in our long-term

plans and Amco created trading conflicts with some of our major customers.

Two additions were made to our Food Division. Les Biscuits Montmagny was acquired by Grissol Foods and Topmost Foods by the Piñata Division.

Rights under a convertible debenture in Canada Northwest Land Limited were exercised and further shares were purchased to bring our position in that company up to 21%.

In addition, significant equity positions were taken in two companies which show promise of exceptional growth and profitability.

In November, the Company acquired 20% of the common and preferred shares of PoP Shoppes of America, Inc. for U.S. \$3,200,000. This company is a subsidiary of PoP Shoppes International, Inc., a Toronto-based soft drink company. The Company also agreed to lend PoP Shoppes of America up to U.S. \$7,000,000 in the ensuing 12 months to facilitate expansion of the American operation. Under the terms of the agreement, the Company may convert the loan into a further 30% of the shares of PoP Shoppes of America within two years of the original investment.

In March 1977 the Company purchased 1,200,000 4% cumulative preferred shares at \$12.50 each of Hardee's Food Systems Inc., North Carolina. The total consideration was U.S. \$15,000,000.

These preferred shares are convertible into common shares on a one for one basis up to April 15, 1980. After that date, if the shares are not converted, the dividend rate will increase to 6% and Hardee's will have the right to redeem them at \$12.50.

Hardee's, with some 960 company-owned and franchised restaurants, is the third largest hamburger restaurant chain in the United States. Annual sales are approximately \$188,000,000.



## Board of Directors

Mr. Hubert B. Wells, president of Imasco Associated Products Division, was elected to the board of directors and appointed a vice-president in December. Mr. Wells joined United Cigar Stores Limited in 1965.

## Outlook

We expect continued growth from all operating divisions and in our equity holdings. However, the political climate in Canada is uncertain. We are a Canadian company and in thinking of the future, one has to think about the future of Canada.

## The Idea of Canada

A scant ten years after celebrating our 100th birthday, we have awakened to the fact that our nation is in peril, not from external menace but from internal dissension. Regional loyalties, racial resentments, language differences and greed have eaten away like an insidious rot at the foundations of our nation and threaten to pull it down.

What is this Canada that so many of us are willing to place in jeopardy for narrow and doubtful advantage?

It is a nation of many peoples come together to share a conviction in the value of freedom, in the importance of the individual and his right to the free expression of his particular culture. It is a country blessed with natural grandeur, almost limitless space and rich in resources. It is a nation with many friends and no enemies; with a history of peace and steady growth and prosperity; a haven of freedom to the less fortunate people of many lands. We are the envy of the world.

How have we so mismanaged our political and social affairs that various regions could become so discontented as to be willing to threaten the unity of

this country? What new vision do we see of ourselves that would replace the one that led our founding fathers to create one nation from sea to sea?

I believe that we have become pre-occupied with material advantage. The prosperity of Canada since World War II has left us with a naive conviction that standards of living can only go up. We demand as our right the most expensive social services from governments and resent the taxes required to pay for them. We take our standards of income from our richer capitalist neighbours and produce less than they do. We take our standards of social services from poorer socialist countries and we pay less taxes for them than they do. If we continue in this fashion, we shall achieve an economic bankruptcy that will be a fitting complement to our spiritual poverty.

We have before us the unedifying discussions about who most benefits financially from Confederation. These soulless arguments contribute only acrimony to a debate that should be above the level of single entry bookkeeping. As the fortunes of the provinces ebb and flow, as some get richer and surpass their neighbours, we look to our central government to redress the imbalances and help out the less fortunate regions. If we care about our country, our fellow citizens, we cannot quarrel with this. The various provinces that make up our country were not invited to join in Confederation on the basis of what they could contribute to the material comfort of the older members. They were invited to share the idea of Canada and to help make it a reality. As we approach that reality so shall we gain and hold the respect of our international neighbours. As we turn away from it in a competition for mean advantage so shall we earn and deserve the contempt of the world.

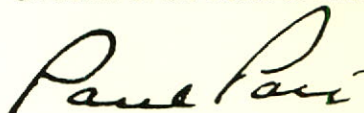
The single greatest danger to our country today comes from the threat of Québec separation. This is a major issue and its resolution will call for goodwill and

understanding on all sides. However, there can be no compromise with separation and the subsequent fracturing of the nation.

We need not put aside our differences. We need only respect them. The idea of Canada must not be lost or obscured in the fog of grievance. It is there to be realised by good men who have but to extend their reach and exchange their grasp for an embrace.

This is a time for all of us to look inward to the most generous instincts in our nature, to cultivate them and bring them to the fore in our consideration of the questions that face the nation. But this generosity of spirit must be firmly based on the conviction of the rightness of a united Canada. The sophisticated blandishments of those who offer to replace it with a promise of material gain or a mystical ideal must be rejected. If we believe in Canada, it is a time to speak out and to join our voices with others of like mind.

On behalf of the Board of Directors



Paul Paré, President  
Montréal, June 1, 1977



Tobacco Division sales for the year were \$605,411,000, an increase of eight per cent. Earnings were \$60,891,000, up \$191,000 over 1976.

#### Cigarettes

Industry cigarette sales increased by some four per cent during 1976, but some of this increase may be attributed to larger shipments to wholesalers, particularly just before price increases. Total cigarette sales of the industry continue to grow at a rate of about three per cent a year.

Imperial Tobacco's cigarette sales increased by some seven per cent during the period, resulting in a significant increase in the company's share of market. This dramatic increase in the sales of Imperial's brands results from the outstanding success of new products and the steady growth of established brands. Player's Light, introduced last year met immediate market acceptance and continues to attract an increasing number of smokers. Matinée Special Filter has also proved widely popular. Cameo Extra Mild is winning increasing popularity among those who prefer a menthol-flavoured cigarette.

Matinée and du Maurier also continue their upward trend in sales.

The trend to the milder cigarettes is growing and the introduction of new brands and extensions of established brands with milder smoking qualities can be expected.

#### Cigars and cut tobacco

The shortage of regular cigars was somewhat eased as another manufacturer began production in December. Colts Mild, a little cigar, were distributed nationally during the year. Sales of little cigars suffered a setback following an increase in price and taxes in August 1976.

Sales of fine cut tobacco for roll-your-own cigarettes remained steady. Pipe

tobacco sales continue to decline in Canada with imported brands gaining an increasing share of this market. Borkum Riff remains a highly popular pipe tobacco and a new flavour, Champagne, was introduced in December.

#### Special events

The Canadian Open, presented by Peter Jackson, will be held at the Glen Abbey Golf Club, Oakville, Ontario, July 18-24, 1977. This new golf course was designed by Jack Nicklaus and is now the permanent home of Canada's premier golf tournament. The Canadian Open is conducted by the Royal Canadian Golf Association. It is a major event for world-famous professional golfers and attracts thousands of spectators.

The Peter Jackson Classic, sanctioned by The Ladies' Professional Golf Association, will be held at the Lachute Golf and Country Club, Québec, June 27-July 3, 1977.

The du Maurier Council for the Performing Arts is now entering its seventh year of support for concerts, theatre and ballet across Canada. In March, the Council announced grants totalling \$255,000 to 27 Canadian performing arts organizations in Canada.

#### Community relations

In November, the company donated its tree farm situated in Saint-Liguori, Québec, to the municipality. This farm containing 30,000 trees of different types and a small artificial lake was established in 1961 to encourage conservation and to promote the importance of the cultivation of forest products in the area.

#### Leaf tobacco

The 1976 Ontario flue-cured leaf tobacco crop amounted to 159,000,000 pounds, considerably less than the target of 175,000,000 pounds. Average price for the crop was \$1.02 a pound. Overseas

buyers purchased 30,000,000 pounds. The target for the 1977 crop is 205,000,000 pounds with a price of \$1.00 a pound guaranteed by the Canadian buyers. In addition the Canadian tobacco manufacturers will establish a fund of some \$9,000,000 to stimulate overseas sales.

#### Employee relations

After a 3½ week strike at the Guelph, Ontario plant, two-year agreements were concluded with the Tobacco Workers International Union covering plant employees in Ontario and Québec. These agreements have yet to be ratified by the federal Anti-Inflation Board.

#### Packaging and distribution

The inflationary spiral in packaging material costs abated somewhat in fiscal 1977. Costs are continuing stable and supplies remain adequate.

Distribution problems occasioned by the strike at the Guelph plant were overcome by the hard work and cooperation of all employees concerned and shipments to customers were maintained.

#### Outlook

Imperial Tobacco's new brands should continue to enjoy increasing popularity. Several established brands will also continue their upward sales trend. The small price increases permitted by the Anti-Inflation Board will help to offset higher production costs which have been absorbed by the company.



# Player's light.

Its flavour has a certain quality which sets it apart from other milder brands.

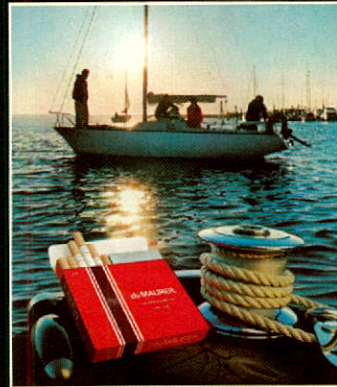


Available in Regular and King Size.

All the experience of Player's  
in a milder cigarette.



For people with a taste for something better.



For people with a taste for something better.

Tasteful advertising reflects the fine quality of Imperial Tobacco's cigarette brands.

Player's Light was introduced across Canada in 1976 and won immediate popular acceptance.

du Maurier, a Canadian favourite, continues to make new friends.

## du Maurier:

**des chiffres  
qui dépassent  
les prévisions.**

Augmentation de 1.7 million de  
cartouches en 1975.  
Augmentation de 3.4 millions de  
cartouches en 1976.  
Les ventes du Maurier ont  
augmenté de plus de 5 millions de  
cartouches ces deux dernières  
années impressionnantes.  
Voilà pourquoi il est toujours  
profitable de garder un stock  
important de cigarettes du Maurier.  
C'est la meilleure façon de  
satisfaire des profits constants.

**the brand  
that's climbing  
off the chart.**

A 1.7 million carton increase  
in 1975.  
A 3.4 million carton increase  
in 1976.  
du Maurier sales have increased  
by over five million cartons in just  
two years. Impressive.  
That's why it pays to keep plenty  
of du Maurier on hand.  
It's the best way to  
keep the profits  
rolling in.





## Divisional Report Imasco Food

Sales were \$247,781,000, up 13 per cent. Earnings were \$7,082,000, an increase of \$57,000.

Sales of the food division continued to increase in all areas. Extension of Imasco Foods products into new market areas is on schedule. Divisional earnings were affected by product and machinery development costs of some \$1,500,000.

Packaging costs in the canning industry continue to rise. Tin, glass and cartons have all sharply increased in price. Transportation, warehousing and raw material costs are expected to continue rising at a more rapid rate than are other factors.

California food crops have been abundant in recent years. However, the region is suffering under its worst drought in fifty years. Food processors will have to face tighter supplies, lower quality and higher prices, at least in the short term.

### S & W Fine Foods

S & W's sales increased in its largest market area, the west coast. Sales volume also increased in several other states where S & W has acquired solid customer confidence over the years.

Products, sizes and varieties have been rationalized and inventories reduced. Marketing emphasis is being intensified on the most profitable items.

The United States government is preparing to ban the use of saccharin by July 9, 1977. It appears that under the proposed ban, S & W will be permitted to sell its inventory of Nutradiet foods packed with saccharin.

### Piñata Foods

Mexican foods production and marketing have been grouped under Piñata Foods division, a trade mark that is gaining increasing acceptance in this growing market. Piñata's tortilla sales continue

to expand. Sales of tortilla chips are also increasing and production capacity has been enlarged. A new flavour of tortilla chips, nacho cheese, was recently introduced and is rapidly gaining popularity.

Topmost Foods, acquired in April 1976, processes a broad range of refrigerated Mexican convenience foods. Sales are chiefly to the food service market. Sales have exceeded expectations and production will be expanded in 1977. Mexican foods should be a significant contributor to food division earnings in fiscal 1978.

### Progresso Foods

Progresso's reputation as the premier producer of quality Italian foods continues to grow in its major market areas in the northeastern States. Some ten products have been introduced and advertising has been increased to broaden awareness of Progresso products beyond the ethnic markets.

Government measures to protect inshore clam resources have made it necessary to harvest further asea off the east coast. A new boat equipped for deep-sea operations was commissioned in April of this year to assure the company an adequate supply for clam sauces which are an important Progresso product.

Tic Tac sales declined sharply during the year, reflecting increased competition and a general change in consumer preference for this type of candy.

Unemployment in Progresso's major marketing areas remains higher than the national average, but an upturn in economic conditions is expected in 1977.

### Unico Foods

The extension of Unico products into major chain stores in Ontario is proceeding well. While Unico continues to retain the loyalty of its customers of Italian descent, it is also successfully attracting a growing

clientele among shoppers previously unfamiliar with Italian-style foods. A number of sales promotions are being planned to accelerate the introduction of Unico products to these new customers.

Sales in western Canada are also increasing and market coverage will be extended in 1977.

As Unico is a substantial importer, the decline in the value of the Canadian dollar will bring increased prices for several high volume products.

### Grissol Foods

Sales increased but earnings were adversely affected because of start-up and development costs at the Magog, Québec, division of Taillefer. This new meat processing plant came on stream on schedule in August 1976. Market acceptance of its products has exceeded expectations by a wide margin. Taillefer hams, bologna, sausages, and wieners are now widely available in Québec and distribution to Ontario markets has also begun.

Les Biscuits Montmagny, a biscuit manufacturer, and Henri & Fils, a candy manufacturer, were acquired in November. Sales of these companies' products are mainly in rural Québec, but plans are under way to extend sales to the major urban centres of the province.

Chocolate prices have increased dramatically, affecting the sales of one of the Viau division's premier biscuit lines, Chocolate Whippets.

### Outlook

External conditions in the U.S. will remain uncertain, but the division is developing new strategies and organizations to increase efficiency and aggressively seek new business and profitable product lines. Major expenditures are past and fiscal 1978 should see a turn to increasing profitability of the division.





2



3

Traditional recipes and modern technology combine to produce fine meat products at Taillefer.

Progresso's popular spaghetti sauces are now available in convenient family size.

Piñata's Mexican foods make delicious snacks and nourishing meals.

More and more Canadians look for the Unico label when they want the best in Italian foods.



5



4

Chocolate Whippets celebrate their 50th anniversary at Viau and remain a favourite with young and old.



**Divisional Report**  
**Imasco Associated Products**

Divisional sales were \$206,871,000, an increase of 10 per cent. Earnings were \$6,747,000, down seven per cent.

Prices were deliberately restrained in order to comply with Anti-Inflation Board regulations which restrict profits to levels of the company's "base year". Unfortunately, the base year was characterized by exceptionally poor weather conditions for winter sports which severely depressed profits in the sporting goods division. The problem should not arise in fiscal 1978 as, under AIB regulations, we shall move to a new and more representative base year.

In spite of the general slowdown in the economy the division continued to achieve a steady, if modest, growth. The retailing environment remains highly competitive. Operating costs associated with the leasing and maintenance of premises continue to rise. Increases in minimum wages, particularly in Québec and in British Columbia, and consumer resistance to higher prices caused by inflation have made skilful management essential to profitable operation. The division has met this challenge through increased efficiency and higher sales per store. Recognizing that service as well as competitive prices is the key to customer loyalty, the division has extended staff training programmes both in-house and in conjunction with community educational institutions. The goal of these programmes is a staff with a firm grasp of the principles of good retailing practice, a thorough knowledge of the merchandise, and a commitment to customer satisfaction.

Two operating groups of the division have been sold. Amco Services, an automatic vending operation, was sold to Hudson's Bay Company. Editel, Inc., a television services operation, was also sold.

**United Cigar Stores**

UCS continued its policy of expansion and sales increased. Sales of stores in

hotels were affected because of low hotel occupancy rates during the period. However, conditions should improve in this area and the group continues to seek out opportunities for new stores in these profitable locations. UCS now operates 373 stores, an increase of 16 over last year.

**The Tinder Box International**

The Tinder Box chain of franchised specialty tobacco shops in the United States also continued its expansion programme. The number of stores rose from 134 to 152 during the year. A limiting factor in the expansion of The Tinder Box is a shortage of suitable store locations. However, steady growth is expected with a number of new store openings planned for fiscal 1978.

**Top Drug Mart**

Top Drug also continued its expansion plans. Total number of stores is now 67. A chain of four stores in northeast Toronto was purchased late in the year and converted to Top Drug Marts. Several unprofitable stores were sold or closed.

Sales of all products increased in spite of heavy competition.

**Collegiate/Arlington Sports**

Collegiate/Arlington Sports had an exceptionally good year. Excellent winter weather in 1976/77 resulted in greatly increased sales of ski clothing and equipment. The preceding summer weather was not equally favourable for summer sports. However, the 1976 Olympic Games held in Montreal created a greater national awareness of sports and undoubtedly stimulated sales of sports equipment.

A new Collegiate store was purchased in Calgary. A fifth Toronto store will be opened in May 1977. Other new locations are in the planning stage.

**Outlook**

Competition will increase in fiscal 1978. However, the four operating groups should continue to grow in profitability.





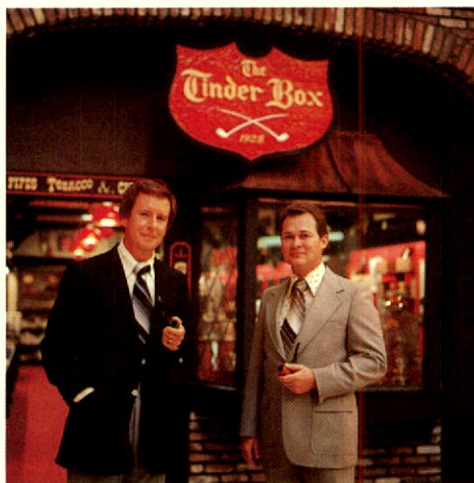
1 Ski instruction at Arlington Sports, Montréal.



2 Senior executives at Imasco Associated Products. Norman Latowsky, Top Drug Mart, Hubert Wells, president of the division, Dr. Brian McGrath, Collegiate/ Arlington Sports, and Frederick Van Parys, United Cigar Stores.



3 United Cigar Stores – Canada's leading retail tobacconist.



4 Quality gift items and fine tobacco products at the Den for Men, Toronto.



5 Tinder Box President Karl Kolpin and Ex-  
5 ecutive Vice-President Laurence Simpson.



**Imasco Limited**  
**Operating divisions**

**Imperial Tobacco Division**

*Imperial Tobacco Limited*  
*Montréal, Québec*

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

Paul Paré, Chairman of the Board  
 L. Edmond Ricard, President  
 Jean-Louis Mercier,  
 Executive Vice-President  
 Clifford Warren, Executive Vice-President  
 Marius Dagneau, Vice-President  
 E. Peter Gage, Vice-President  
 Robertson M. Gibb, Vice-President  
 Anthony I. Kalhok, Vice-President  
 André Laporte, Vice-President  
 Claude Mercier, Vice-President  
 William J. Ross, Vice-President  
 J. I. Leonard Storey, Vice-President  
 Georges A. Dufort, Secretary  
 Robert Bégin, C.A., Comptroller

*General Cigar Company Limited*  
*Montréal, Québec*

Manufactures and distributes cigars.

*Imperial Leaf Tobacco Company*  
*of Canada Limited*  
*Aylmer, Ontario*

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

**Imasco Food Division**

*Imasco Foods Limited*  
*Montréal, Québec*

John J. Ruffo, President  
 Bruce S. McCubbin, Group Vice-President  
 Gordon W. Fuller, Vice-President  
 Ronald M. Statham, C.G.A., Comptroller

*Unico Foods Limited*  
*Toronto, Ontario*

Markets over 200 Italian food products.  
 Edward C. Pasquale, Jr., President

*Grissol Foods (1975) Limited*  
*Montréal, Québec*

Manufactures and distributes a variety of food products through several divisions.  
 Grissol : Bread specialties. Viau : biscuits, candies. Taillefer : prepared meat products.  
 Loney : dried soup mixes, soup bases.  
 Yves Hudon, President

*Imasco Foods Corporation*  
*Rochelle Park, New Jersey*

*Progresso Foods*  
*Rochelle Park, New Jersey*  
 Manufactures, imports and distributes food products.  
 Gasper Taormina, President

*S and W Fine Foods*  
*San Mateo, California*  
 Manufactures and markets "fancy" grade canned food products.  
 Norman L. Correia, President

*Piñata Foods, Inc.*  
*San Mateo, California*  
 Manufactures Mexican foods.  
 T. E. Nelson, Jr., President

*Topmost Foods Company*  
*Anaheim, California*  
 Manufactures and distributes refrigerated Mexican foods.  
 Mario P. Leguina, General Manager

*Quality Food Distributors, Inc.*  
*Ardmore, Oklahoma*  
 Distributes refrigerated food products.  
 Edward Van Lewis, President

**Imasco Associated Products Division**

*Imasco Associated Products Limited*  
*Toronto, Ontario*

Hubert B. Wells, President  
 John F. Mathers, C.A., Vice-President and Treasurer  
 Peter A. Thomson, Vice-President  
 Stella M. Pavic, Secretary

*United Cigar Stores Limited*  
*Toronto, Ontario*

A chain of over 370 retail tobacco and gift shops  
 Frederick C. Van Parys, President

*Collegiate /Arlington Sports*  
*Toronto, Ontario*

A chain of 17 retail sporting goods stores.  
 Dr. Brian M. McGrath, President

*Top Drug Mart Limited*  
*Toronto, Ontario*

A chain of 67 stores mainly in Ontario specializing in prescription and non-prescription drugs and personal care products.  
 Norman Latowsky, President

*The Tinder Box International, Ltd.*  
*Santa Monica, California*

A franchisor of over 150 retail specialty tobacco shops in the United States.  
 Karl Kolpin, President

**Consolidated Statement of Earnings**

	1977	1976
	Thousands of dollars	
Sales (Note 3)	1,031,642	941,223
Sales and excise taxes	316,378	293,942
	715,264	647,281
Operating costs	645,038	576,260
Earnings from operations (Note 3)	70,226	71,021
Interest expense	8,756	6,648
Earnings before income taxes	61,470	64,373
Income taxes (deferred \$2,296 ; 1976 \$1,503)	26,252	27,677
	35,218	36,696
Minority interest	297	180
Earnings before extraordinary item	34,921	36,516
Extraordinary item (Note 4)	294	(1,952)
Net earnings after extraordinary item	35,215	34,564
Earnings per common share		
Before extraordinary item	\$3.58	\$3.74
After extraordinary item	\$3.61	\$3.54

**Consolidated Statement of Retained Earnings**

Retained earnings, beginning of year	129,672	106,973
Net earnings after extraordinary item	35,215	34,564
Capital surplus (Note 9)	2,230	—
Goodwill on consolidation of subsidiaries (Note 2)	(1,440)	1,038
Dividends (Note 5)	(13,419)	(12,903)
Retained earnings, end of year	152,258	129,672

The attached notes form an integral part of these statements.

**Consolidated Balance Sheet**

		1977	1976
		Thousands of dollars	
Current assets	Cash and term deposits	4,225	13,603
	Accounts and notes receivable	67,185	53,134
	Inventories (Note 6)	252,486	226,099
	Prepaid expenses	3,034	2,923
	Total current assets	326,930	295,759
Current liabilities	Bank and other short term loans	60,718	15,948
	Accounts payable and accrued liabilities	54,345	46,037
	Income, excise and other taxes	25,375	46,382
	Current portion of long term debt (Note 8)	3,669	3,348
	Total current liabilities	144,107	111,715
	Working capital	182,823	184,044
Other assets	Investments in associated companies	15,173	—
	Other investments	25,304	6,756
	Deferred charges	8,304	5,236
	Fixed assets (Note 7)	74,973	75,816
	Goodwill	4,594	183
	Excess of assets over current liabilities	311,171	272,035
Other liabilities	Long term debt (Note 8)	95,920	79,768
	Deferred income taxes	7,925	5,473
	Minority interest	915	739
		104,760	85,980
	Excess of assets over liabilities	206,411	186,055
Shareholders' equity	Capital stock (Note 9)	54,153	54,153
	Capital surplus (Note 9)	—	2,230
	Retained earnings	152,258	129,672
		206,411	186,055

Approved by the Board,  
Paul Paré, Director  
G. G. Ross, C.A., Director

The attached notes form an integral part of these statements.



<b>Consolidated Statement of Changes in Financial Position</b>		1977	1976
		Thousands of dollars	
Source of funds	Earnings before extraordinary item	34,921	36,516
	Non-cash items	12,647	10,095
	Funds provided from operations	47,568	46,611
	Disposal of operating units	13,042	—
	Working capital sold	(3,734)	—
		9,308	—
	Long term debt	18,480	49,807
	Sale of fixed assets	2,412	1,335
	Extraordinary items	294	(619)
	Other	42	85
		78,104	97,219
Application of funds	Investments in associated companies	10,321	—
	Other investments	23,400	(637)
	Fixed assets	17,118	12,749
	Dividends	13,419	12,903
	Purchase of subsidiaries	8,256	1,100
	Deferred charges	4,423	438
	Long term debt	2,388	3,655
		79,325	30,208
Working capital	(Decrease) increase in working capital	(1,221)	67,011
	Beginning of year	184,044	117,033
	End of year	182,823	184,044

The attached notes form an integral part of these statements.

Notes to the Consolidated Financial Statements

Thousands of dollars

1. Summary of accounting policies

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include the following :

a) Principles of consolidation

The consolidated financial statements include the accounts of Imasco Limited and all subsidiaries. All acquisitions have been accounted for as purchases and the results of operations of acquired businesses have been included from their effective dates of acquisition.

Goodwill and related costs arising from acquisitions of subsidiaries subsequent to March 31, 1974 are capitalized and amortized over their estimated lives, generally five to ten years. For acquisitions prior to April 1, 1974, goodwill on consolidation of subsidiaries was charged directly to retained earnings. Subsequent adjustments of such goodwill including payments to previous owners contingent upon continuing performance of acquired businesses are reflected in retained earnings.

The investments in two associated companies, Canada Northwest Land Limited and PoP Shoppes of America, Inc., representing significant minority interests, are to be accounted for on the equity method based on the latest audited financial statements. As the latest fiscal year-ends of these companies approximate the dates of acquisition of the equity interest, no portion of the earnings of these companies has been included in the consolidated financial statements for the year ended March 31, 1977.

The company's share of the earnings of the associated companies from their fiscal year-ends to March 31, 1977 was not significant.

b) Foreign exchange

United States dollar amounts have been translated to Canadian dollars on the following bases : fixed assets, accumulated depreciation and goodwill at exchange rates in effect at the appropriate acquisition dates ; all other assets and liabilities at exchange rates in effect at year-end ; all earnings accounts, other than depreciation, at average exchange rates for the year. Net accumulated unrealized gains on translation have been deferred.

c) Inventory valuation

Inventories are valued at the lower of cost or net realizable value. Cost is determined for each division substantially as follows :

Imperial Tobacco Division : Average cost

Imasco Food Division : First in, first out

Imasco Associated Products Division : Average cost

d) Fixed assets

Fixed assets are stated 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 are :

Buildings : 40 years

Equipment : 10 to 13 years

e) Pension plans

The companies have pension and retirement plans available to substantially all their employees. Current service costs are charged to income as they accrue. The unfunded liability for past service benefits is estimated at \$16,960 as at March 31, 1977 (March 31, 1976 \$19,982). This amount, with interest, will be funded and charged to earnings annually through 1990. An amount of \$3,293 (March 31, 1976 \$3,532) included in deferred charges and representing the balance of a lump sum payment made in 1972, will be absorbed on the same basis.



**Notes to the Consolidated Financial Statements**

Thousands of dollars

1. Summary of accounting policies (cont'd)	f) Income taxes		
	Income taxes are accounted for on the tax allocation basis. The major portion of accumulated deferred income taxes arises from differences between the amounts of depreciation claimed for income tax purposes and those recorded in the financial statements.		
2. Acquisitions	Acquisitions during the year by division :		
		Imasco Food	Imasco Associated Products
			Total
	Number	2	7
	Net assets acquired	2,232	614
	Goodwill	3,793	1,127
	Total consideration	6,025	1,741
		1977	1976
	Goodwill reflected in retained earnings consists of the following :		
	Income tax savings related to prior years' acquisitions (goodwill written off)	—	1,273
	Goodwill arising prior to April 1, 1974 and adjustments thereto	(1,440)	(235)
		(1,440)	1,038
3. Operating results by division	Sales		
	Imperial Tobacco	605,411	560,089
	Imasco Food	247,781	218,809
	Imasco Associated Products	206,871	187,612
	Interdivisional transactions	(28,421)	(25,287)
		1,031,642	941,223
	Earnings from operations		
	Imperial Tobacco	60,891	60,700
	Imasco Food	7,082	7,025
	Imasco Associated Products	6,747	7,245
		74,720	74,970
	General administration	(4,494)	(3,949)
		70,226	71,021
	Amortization of goodwill and related costs deducted in arriving at earnings from operations	877	10
4. Extraordinary item	Gain on disposal of Editel, Inc. and Amco Services division of United Cigar Stores Limited net of income taxes of \$347	294	—
	Cost of plant relocation net of income taxes of \$1,443	—	(1,952)
		294	(1,952)

**Notes to the Consolidated Financial Statements**

		1977	1976
		Thousands of dollars	
5. Dividends	6% cumulative preference shares	348	348
	Common shares – Class A	12,641	12,370
	– Class B	352	171
	Tax paid to create tax-paid undistributed surplus	78	14
		13,419	12,903
The trust agreements relating to the series A, B and C debentures contain restrictions regarding the payment of dividends. At March 31, 1977 \$58,457 of retained earnings was free from such restrictions.			
6. Inventories by division	Imperial Tobacco		
	Finished goods	42,621	43,053
	Raw material, supplies and work in process	118,444	102,725
		161,065	145,778
	Imasco Food	55,340	48,390
	Imasco Associated Products	36,081	31,931
		252,486	226,099
Inventories of the Imasco Food Division and Imasco Associated Products Division are made up mainly of finished goods.			
7. Fixed assets and accumulated depreciation	Land	4,934	4,955
	Buildings	44,882	44,093
	Equipment	96,559	97,344
		146,375	146,392
	Accumulated depreciation	71,402	70,576
	Net fixed assets	74,973	75,816
	Depreciation expense	8,456	7,526
8. Long term debt	8½% sinking fund debentures series A due March 15, 1991	28,700	29,750
	Less held in treasury	801	1,084
		27,899	28,666
	10½% sinking fund debentures series B due August 1, 1995	29,100	30,000
	10¼% sinking fund debentures series C due October 1, 1990 (payable in U.S. funds)	21,078	19,716
	7½% 5 year notes due February 14, 1982 (payable in U.S. funds)	15,808	—
	Other long term obligations	5,704	4,734
		99,589	83,116
	Less current portion	3,669	3,348
		95,920	79,768
	Interest on long term debt	8,235	5,934
	Required payments during the next five years including \$1,050 annual sinking fund payments on the 8½% sinking fund debentures and \$900 on the 10½% sinking fund debentures amount to : 1978, \$3,669 ; 1979, \$3,099 ; 1980, \$2,872 ; 1981, \$2,719 ; 1982, \$3,302. No sinking fund payments are required on the series C debentures until October 1981.		



**Notes to the Consolidated Financial Statements**

1977 1976

Thousands of dollars

9. Capital stock	<p>The capital of the Company consists of 1,650,000 6% cumulative preference shares and an unlimited number of no par value Class A and Class B convertible common shares. Issued are :</p> <table><tr><td>1,191,888 preference shares</td><td>2.80</td><td>5,800</td><td>5,800</td></tr><tr><td>9,670,532 common shares</td><td>5.00</td><td>48,353</td><td>48,353</td></tr><tr><td></td><td></td><td>54,153</td><td>54,153</td></tr></table> <p>Class A and Class B common shares are interconvertible on a one for one basis. Class B shareholders are entitled to dividends out of tax-paid undistributed surplus and 1971 capital surplus on hand. These dividends are an amount equivalent to the dividends paid on Class A common shares less any applicable income taxes. At March 31, 1977 the number of shares outstanding were :</p> <table><tr><td>Class A</td><td>9,347,708</td></tr><tr><td>Class B</td><td>322,824</td></tr><tr><td></td><td>9,670,532</td></tr></table> <p>During the year ended March 31, 1977 the Company filed Articles of Continuance under the Canada Business Corporations Act and accordingly the capital surplus has been returned to retained earnings since it is not required under the terms of that statute.</p>	1,191,888 preference shares	2.80	5,800	5,800	9,670,532 common shares	5.00	48,353	48,353			54,153	54,153	Class A	9,347,708	Class B	322,824		9,670,532
1,191,888 preference shares	2.80	5,800	5,800																
9,670,532 common shares	5.00	48,353	48,353																
		54,153	54,153																
Class A	9,347,708																		
Class B	322,824																		
	9,670,532																		
10. Remuneration of directors and senior officers	<p>Directors</p> <p>Number at March 31, 1977, 11 ; March 31, 1976, 10</p> <p>Number during the year, 11 ; 1976, 11</p> <p>At March 31, 1977, seven directors were officers (March 31, 1976, six directors were officers)</p> <table><tr><td>Aggregate remuneration of directors as directors</td><td>22</td><td>21</td></tr></table> <p>Officers</p> <p>Number at March 31, 1977, 16 ; March 31, 1976, 14</p> <p>Number during the year, 17 ; 1976, 14</p> <table><tr><td>Aggregate remuneration of officers including directors who are also officers</td><td>2,225</td><td>2,009</td></tr></table>	Aggregate remuneration of directors as directors	22	21	Aggregate remuneration of officers including directors who are also officers	2,225	2,009												
Aggregate remuneration of directors as directors	22	21																	
Aggregate remuneration of officers including directors who are also officers	2,225	2,009																	
11. Long term leases	<p>The companies have commitments with respect to real estate leases most of which are for terms of from five to ten years. Rentals for such leases amounted to \$9,193 (1976 \$7,912) and the minimum annual rental under such leases amounts to approximately \$6,994 before giving effect to escalation and percentage of sales clauses in certain of the leases.</p>																		
12. Anti-inflation legislation	<p>The Company and its subsidiaries are subject to the anti-inflation legislation which provides for the restraint of profit margins, prices, employee compensation and dividends.</p> <p>Under the present legislation the Company is not permitted to pay dividends in excess of its regular quarterly rate of \$0.35 per share on Class A shares and \$0.2975 per share on Class B shares during the twelve month period ending October 13, 1977.</p>																		

## Statistical Highlights – Ten Year Review

1977

1976

Sales and earnings	Sales	1,031,642	941,223
	Depreciation	8,456	7,526
	Earnings before income taxes	61,470	60,978
	Income taxes	26,252	26,234
	Earnings before extraordinary items	34,921	36,516
	Net earnings after extraordinary items	35,215	34,564
	Earnings on common shares before extraordinary items	34,573	36,168
	Per common share (in dollars)	3.58	3.74
Dividend record	On preference shares	348	348
	On common shares	13,071	12,555
	Per common share (in dollars)	1.35	1.30
Capital expenditures	On fixed assets	17,118	12,749
Financial position	Current assets	326,930	295,759
	Current liabilities	144,107	111,715
	Working capital	182,823	184,044
	Investment in non-consolidated subsidiaries including loans and advances	—	—
	Fixed assets (before depreciation)	146,375	146,392
	Fixed assets (less depreciation)	74,973	75,816
	Long term debt	95,920	79,768
	Excess of assets over liabilities	206,411	186,055
Shareholders' equity	Preference share holders	5,800	5,800
	Common share holders	200,611	180,255
	Per common share (in dollars)	20.74	18.64

1976-77 : 12 months ended March 31.

1975 : 15 months ended March 31.

1967-73 : 12 months ended December 31.

1967-68 revised in accordance with 1969 presentation.

1967 revised to include subsidiaries not consolidated in that year.



1975	1973	1972	1971	1970	1969	1968	1967
Thousands of dollars, except 'per common share' statistics							
1,030,293	717,102	625,613	569,629	582,163	512,987	421,265	393,315
8,874	6,642	5,497	4,431	4,132	4,371	4,075	4,135
64,509	49,715	40,761	34,176	31,110	26,016	24,730	25,237
27,553	21,571	18,536	16,349	15,154	12,540	12,207	11,656
36,778	28,036	22,162	17,661	15,691	13,383	12,465	13,581
36,778	28,036	22,162	17,539	15,691	12,226	12,646	13,581
36,343	27,688	21,814	17,313	15,343	13,035	12,112	13,215
3.76	2.86	2.26	1.79	1.59	1.35	1.25	1.37
435	348	348	348	348	348	353	366
15,009	11,605	10,638	9,671	7,736	7,736	7,736	7,736
1.55	1.20	1.10	1.00	.80	.80	.80	.80
15,130	13,203	5,185	6,642	12,104	4,033	4,404	5,187
279,734	209,916	186,458	174,230	173,779	167,818	125,562	124,295
162,701	111,211	89,193	68,887	74,692	72,168	36,465	32,507
117,033	98,705	97,265	105,343	99,087	95,650	89,097	91,788
—	—	—	—	—	—	17,855	14,821
137,177	126,145	118,368	104,563	98,031	89,360	81,257	78,044
71,712	66,843	62,826	56,087	53,508	47,056	40,221	38,845
31,882	35,005	36,667	37,349	34,476	36,956	2,261	2,261
163,356	141,346	131,212	131,556	127,031	119,221	139,746	137,929
5,800	5,800	5,800	5,800	5,800	5,800	5,830	5,973
157,556	135,546	125,412	125,756	121,231	113,421	133,916	131,956
16.29	14.02	12.97	13.00	12.54	11.73	13.85	13.65

**Auditors' Report**

To the Shareholders of Imasco Limited	<p>We have examined the consolidated balance sheet of Imasco Limited as at March 31, 1977 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.</p> <p>In our opinion these consolidated financial statements present fairly the financial position of the company as at March 31, 1977 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.</p> <p><b>Deloitte, Haskins &amp; Sells</b> Chartered Accountants 3210 The Royal Bank of Canada Building 1 Place Ville Marie Montréal, Canada H3B 2W3</p> <p>May 19, 1977</p>
Transfer agents	Crown Trust Company, Montréal The Royal Trust Company, Halifax, Toronto, Winnipeg, Regina, Calgary, Vancouver
Registrars	Montreal Trust Company, Halifax National Trust Company, Limited, Montréal, Toronto, Vancouver The Bankers' Trust Company, Winnipeg, Regina, Calgary
Stock exchange listings	Montréal, Toronto, Vancouver and London, England
Banks	The Royal Bank of Canada Canadian Imperial Bank of Commerce The Bank of Nova Scotia Bank Canadian National Bank of Montreal Morgan Guaranty Trust Company of New York Bank of America
Financial calendar 1977/8	<p>Annual General Meeting : July 6, 1977</p> <p>Quarterly reports mailed : August, November 1977, March 1978</p> <p>Dividend declaration dates : Common shares June 1, 1977 ; August 4, 1977 ; November 3, 1977 ; February 16, 1978 6% cumulative preference shares August 4, 1977 ; February 16, 1978</p> <p>Interest on debentures payable : Series A 8½% : March 15, September 15 Series B 10¼% : February 1, August 1 Series C 10¼% : April 22, October 21</p>





*Canada Northwest Land Limited*  
*Calgary, Alberta*

Percentage owned : 21  
Financial year end : September 30

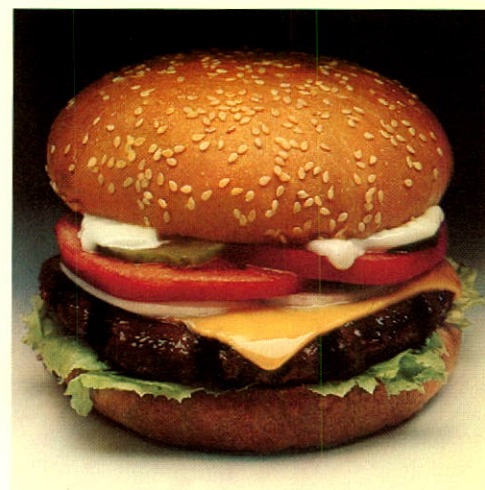
	1976 (9 months)	1975
Revenue :	\$1,700,000	\$1,440,000
Earnings :	\$ 339,000	(\$217,000)



*PoP Shoppes of America, Inc.*  
*Denver, Colorado*

Percentage owned : 20  
Financial year end : December 31

	1976	1975
Revenue :	\$3,933,000	\$1,776,000
Earnings :	\$ 573,000	(\$94,000)



*Hardee's Food Systems, Inc.*  
*Rocky Mount, North Carolina*

Percentage owned : 29  
Financial year end : October 31

	1976	1975
Revenue :	\$188,051,000	\$162,907,000
Earnings :	\$ 4,219,000	\$ 1,098,000







