Imasco

Annual Report 1990

Imasco Limited
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Contents

The Annual Meeting of Shareholders will be held on May 9, 1991 at 14:30 at Le Centre Sheraton, 1201 René-Lévesque Boulevard West, Montréal, Québec.

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

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This report includes selected information on CT Financial Services Inc., a public reporting company with shares trading on the Toronto and Montréal stock exchanges. CT Financial Services produces an annual report and a copy can be obtained by writing to

Corporate Communications
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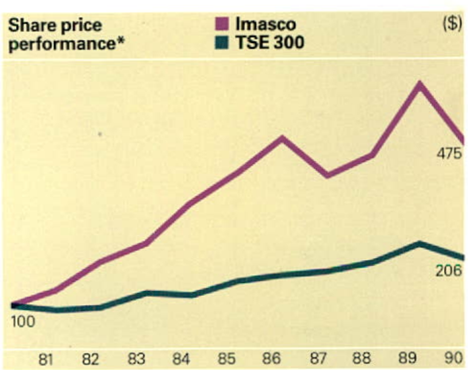
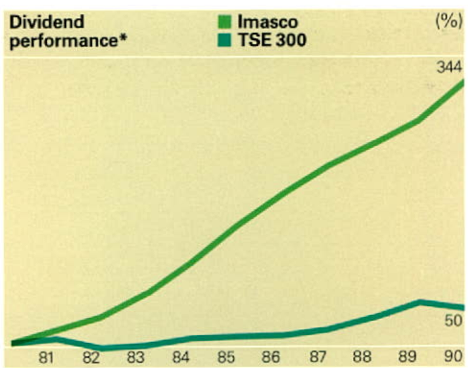
Imasco Limited	1990	1989[1]	1988[1]	1989-90	1988-89
	Millions of dollars, except common share amounts			% change	% change
System-wide sales[2]	15,130.4	13,456.8	11,939.2	12	13
Revenues	5,234.0	4,517.5	4,159.0	16	9
Operating earnings	627.0	684.0	645.0	(8)	6
Earnings before extraordinary items	295.1	366.1	314.3	(19)	16
Cash from continuing operations	428.8	339.1	351.9	26	(4)
Total assets	5,445.0	5,378.0	5,310.2	1	1
Shareholders' equity	2,719.9	2,610.4	2,261.0	4	15
Operating Companies					
System-wide sales[2]					
Imperial Tobacco	2,707.6	2,385.6	2,018.1	14	18
Hardee's	4,833.6	4,146.7	4,058.9	17	2
Shoppers Drug Mart	2,843.6	2,597.7	2,355.6	9	10
The UCS Group	314.7	286.1	256.6	10	12
Imasco Enterprises (includes Canada Trust)	4,572.5	4,220.4	3,401.7	8	24
Operating earnings					
Imperial Tobacco	367.1	334.0	308.0	10	8
Hardee's	69.2	118.6	130.3	(42)	(9)
Shoppers Drug Mart	80.5	70.6	57.1	14	24
The UCS Group	8.6	8.3	7.5	4	10
Equity in net earnings of Imasco Enterprises (includes Canada Trust)	101.6	152.5	142.1	(33)	7
Common Shares					
Earnings per share before extraordinary items	$2.25	$2.87	$2.51	(22)	14
Dividends per share	$1.28	$1.12	$1.04	14	8
Average shares outstanding (in thousands)	119,242	119,237	119,191	–	–

[1] Certain comparative amounts have been restated to exclude the results of Peoples Drug Stores sold on September 17, 1990. (Refer to Note 2 on page 33)

[2] Includes the consolidated revenues of the Corporation, the sales of licensed restaurants and associate drug stores and the revenues of Imasco Enterprises. Intersegmental transactions have been eliminated from total system-wide sales.



*Based on an initial $100 investment and year end closing values. Assuming dividends reinvested.



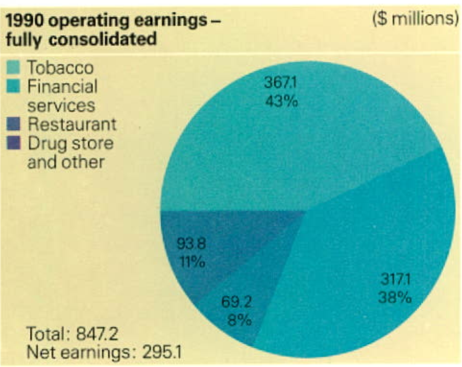
*Over the past 10 years, Imasco's dividend has increased 344%, compared with a 50% increase for the TSE 300.

Imasco's mission is to build shareholder value as a leading North American consumer products and services company. Formed in 1970 to diversify the interests of Imperial Tobacco, Imasco has since acquired and further developed other outstanding businesses in the consumer sector.

The Imasco management structure is highly decentralized and the operating companies are encouraged to aggressively pursue the development of their businesses. An important common thread is the corporate business plan. It identifies a set of convictions, objectives and strategies that are shared by all of the operating companies:

Strong financial performance;
Excellence in operations and an emphasis on increasing asset productivity;
Delivery of goods and services that are of the highest quality and integrity;
Careful measurement of consumer preferences and timely response with new products and services;
Recognition of the importance of corporate and brand trademarks and the enhancement of their value;
Systematic development of the best available human resources;
Community responsibility.

Because Imasco accounts for its investment in Canada Trust by the equity method, the reported figures tend to understate the contribution of financial services to earnings. On a fully consolidated basis, the contribution of each of Imasco's principal lines of business to operating earnings in 1990 is depicted below.



Imperial Tobacco was established in 1912 to manufacture and distribute a full range of quality tobacco products for the Canadian market. Its cigarette trademarks include the two largest selling brand families in Canada, Player's and du Maurier.

For many years, Imperial Tobacco has been steadily increasing its share of the Canadian cigarette market and in 1990 the company's market share reached 60%. Success has been based on recognizing and satisfying consumer preferences with products of the highest quality.

Although total cigarette consumption in Canada is declining, Imperial Tobacco's market leadership has resulted in continued growth in the company's contribution to Imasco's earnings.

Canada Trust, acquired in 1986, is a market leader in Canadian retail financial services with total assets under administration of $103.6 billion and operations in all ten provinces. A complete range of savings and loan services is provided through a network of 338 branches, while 23 offices in major centres offer personal and pension trust services. Other activities include commercial and corporate lending, real estate brokerage, investment counselling and real estate management and investment.

The success of Canada Trust is based on customer convenience, highly efficient information systems, innovative marketing, quality products and friendly service. These attributes have led to steady growth in core services such as personal deposits and loans and residential mortgages.

Hardee's Food Systems ranks third in the sandwich category of the quick service restaurant industry in the United States. Hardee's sister company, Fast Food Merchandisers, supplies food and paper products to the Hardee's system and to a growing number of other customers. Hardee's and FFM have grown steadily since being acquired by Imasco in 1981. At year end, the system consisted of 4,022 licensed and company-operated restaurants.

Well executed plans that respond to consumer needs and expectations are fundamental to the success of Hardee's. They help to ensure that products and services are relevant to today's consumer and that Hardee's succeeds in its mission of being the best quick service restaurant chain in the United States.

Shoppers Drug Mart/Pharmaprix has achieved consistent growth and success since becoming part of Imasco in 1978. With 645 stores, it is Canada's leading drug store group, accounting for approximately 30% of industry sales.

An important strength of the company is the associate concept. Associates are the pharmacists that own and operate the Shoppers Drug Mart/Pharmaprix stores across the country. They contribute energy and initiative to the system while benefitting from innovative national marketing programs, economies of scale in purchasing and a wide variety of specialized support services. The Shoppers Drug Mart positioning statement, *Everything you want in a drugstore*, expresses the company's commitment to its customers and is the cornerstone of its success.

The UCS Group is Canada's leading small space specialty retailer, operating 533 outlets across the country.

Over the years, The UCS Group has adapted its store concepts and product mix to meet changing consumer needs. The company now serves a broad cross-section of consumers, offering tobacco products, confectionery, snack foods, reading materials, souvenirs, gifts, novelties and greeting cards. Stores are typically located in high traffic areas such as shopping malls, commercial centres, airports and hotels.

The UCS Group also operates a growing number of tax and duty free outlets in Canadian airports.

The cover of this year's annual report is representative of the company's first two decades – twenty Imasco symbols, one for each full year of our corporate life, and an upward slope depicting our mission to grow and build value for our shareholders.

In sum, Imasco has fared well over the years and our shareholders have benefitted accordingly. Adjusted for stock splits, Imasco common shares were trading at $1.91 at the beginning of 1971 and earnings per share that year were 22 cents. An Imasco investor who held the stock for 20 years would have seen the share value appreciate at a compound growth rate of 14% per year while earnings per share climbed to $2.25. Over the period, the same investor would have received dividends totalling $76.38 for each share initially purchased.

There have been tremendous changes in the social, economic and political life of Canada. Imasco has anticipated and adapted to those changes in order to best fulfil its mission of building shareholder value. Indeed, Imasco was formed because our leaders foresaw the maturity of the tobacco industry and responded with a diversification strategy. While their forecast for the industry was accurate, Imperial Tobacco continues to prosper. The results of Imasco's early experiments with diversification were spotty and mistakes were made. By carefully applying what could be learned from experience, an asset base of high-quality companies in the consumer products and services sector was assembled.

What Imasco might look like 20 years down the road is an open question, just as it was 20 years ago when the company began. In the near term, however, the course is set by our business plan which was revised in 1988. The plan identifies two distinct phases in Imasco's development to date. The first focused on diversifying earnings and ended in the acquisition of Canada Trust. The second, our current phase, emphasizes asset productivity as the key to shareholder value. Under-performing and non-strategic assets are being attended to.

Given Imasco's successful record of building value, the 1990 results were a temporary setback. Net earnings declined 19% to $295 million and operating earnings were off 8% to $627 million. We recognize that shareholders are interested in the future, not the past and, without question, the management imperative for 1991 is to get back on track and resume our growth pattern.

While last year's consolidated results are certainly unsatisfactory, a closer look at the components of the operating earnings line demonstrates that there is still some very good news for shareholders.

Imperial Tobacco had another banner year in 1990. Operating earnings increased 10% and the company's share of the Canadian manufactured cigarette market rose a further 2.1 share points to 60%.

It is safe to assume that Imperial Tobacco will have another good year in 1991. Just how good will likely depend on tobacco products taxation. Federal and provincial governments are strapped by deficits and have almost no room to manoeuvre. Recession-induced revenue declines and the cost of the gulf war are compounding the problem. Whatever happens, we have every confidence that Imperial will prevail and continue to achieve impressive growth in market share, earnings and cash flow.

Shoppers Drug Mart also had an excellent year with an operating earnings increase of 14%. A deteriorating retail environment resulted in softer sales towards the end of the year. The 1991 operating plan at Shoppers Drug Mart assumes that the softer sales will carry forward. Sales will be stimulated by innovative marketing and promotions that deliver unique value to customers. Gross margin management and productivity improvements will also contribute to the continuation of the company's outstanding record of earnings growth.

Our assessment of Canada Trust is also positive. While net earnings declined 14%, if you assess Canada Trust's performance in the context of the recession and the performance of its competitors, the company did rather well in 1990. The conclusion we reach from this is the importance of asset quality and management quality in the financial services business. Canada Trust has both. In 1991, management will focus on costs and maintain the longstanding policy of taking on only the highest quality assets. Being prudent about asset quality does tend to moderate earnings growth, in good times and bad, but the alternative course of action can lead to very serious problems.

The UCS Group achieved a 4% increase in operating earnings last year. While less than expected, it was a very good performance in light of the impact of the recession, particularly at hotel and airport locations.

The largest swing in Imasco's earnings occurred at Hardee's Food Systems where operating earnings declined 42%. Hardee's disappointing performance resulted from the convergence of the recession, difficulties associated with the Roy Rogers acquisition, an intense competitive environment and the evolution of the restaurant industry. In short, while the recession was a factor, it was not the only one.

The real challenge for Hardee's management is to get the company into a position where it can generate strong cash and earnings growth in a mature industry environment. Hardee's has the tools to get the job done. The company has an excellent trademark supported by a diversified and high-quality menu. With more than 4,000 well-located restaurants it has a leading or second-place share of locations in almost all of its markets. Finally, Hardee's has a senior management group that blends in-depth industry experience with some very solid new contributors in the key areas of marketing and finance.

The short term priorities for Hardee's are to ensure that the menu offerings evolve in tune with changing consumer preferences. Pricing strategies will be more competitive and meet the value expectations of customers. Marketing communications will become a more effective component of sales growth. Costs will be contained and all operations managed to ensure that earnings growth is restored.

There were a number of other important developments in Imasco's year. The April acquisition of the Roy Rogers chain is very significant to the longer term development of Hardee's. The acquisition is consistent with Imasco's business plan which defines the role of acquisitions as a means to strengthen existing lines of business. It is also consistent with Hardee's development strategy of expanding into contiguous markets. One could argue that the timing could have been better, given the tumultuous state of the U.S. restaurant industry. Perhaps, but in more stable times quality assets are often not available.

Another major development was the sale of Peoples Drug Stores. Shareholders will recall that Peoples' operations had been systematically rationalized over a three year period. Operating earnings improved steadily throughout the process. However, with time it became apparent that significant further investment would have been required to generate returns that meet Imasco's longer term objectives. With asset values restored, Peoples was sold at a very good price to a competitor.

In September, Canada Trust agreed to invest US $150 million in First Federal Savings and Loan Association of Rochester, New York. First Federal is one of the largest mutual savings and loan operations in the United States. As a mutual, it is presently owned by its depositors. First Federal will be converted to a stock company and the major shareowner will be Canada Trust.

The transaction is subject to the approval of regulatory authorities in the United States and the closing is conditional on First Federal maintaining certain prescribed financial ratios. Because there are no shareholders to buy out, Canada Trust's investment will remain in the company to fund future growth. While the financial aspects alone make the investment attractive, it is also expected that Canada Trust and First Federal will benefit from sharing retail banking skills.

During the year, the proposed revisions to the federal legislation governing trust and loan companies were tabled. Important business powers will be extended to trust companies, such as allowing them to compete directly with major banks in the commercial and consumer loan sector. Regrettably, the proposed legislation does not remove the competitive problems that Canada Trust faces because it is regulated at both the federal and provincial levels. The legislation would allow Imasco to retain a 65% voting interest in Canada Trust. Our willingness to fully comply with the proposal that 35% of the voting shares of a trust company be publicly traded and widely held is well known. Maintaining Canada Trust's integrity and protecting the interests of depositors are of the utmost concern to Imasco and other Canada Trust shareholders. The timetable established by the new legislation would require compliance with the ownership limits within five years of the proclamation date.

Merv Lahn retired as Chairman and Chief Executive Officer of Canada Trust in September. I became non-executive Chairman and Peter Maurice became President and Chief Executive Officer.

Merv worked for Canada Trust for 22 years. For 12 years, he was either Chief Operating Officer or Chief Executive Officer. In that time, corporate assets increased from under $5 billion to more than $35 billion and Canada Trust emerged as one of Canada's largest and most successful financial institutions. Imasco, and all shareholders of Canada Trust, owe Merv a lasting debt of gratitude for his leadership and for the standards of integrity, respect for depositors and financial soundness that accompanied and characterized this expansion. He remains a member of the Canada Trust Board of Directors and his experience and wisdom will continue to benefit the company.

The Canada Trust Board was unanimous in its decision that Peter Maurice should assume the position of Chief Executive Officer. We are excited by the perspectives and commitment he brings to the business and we will provide him our full support in the years ahead.

On February 1, 1991, Brian Levitt became President of Imasco Limited. Brian has been our senior outside legal counsel for the past five years and a member of the Board of Directors since 1989. He has also served as a director of Canada Trust since 1986. Brian's initial responsibilities are to oversee Imasco's investments in financial services as well as the corporate development, legal and secretarial functions at the Imasco Centre.

Of all the external issues considered by the Imasco Board of Directors in 1990, none concerns us more than the future of Canada itself. After the collapse of the Meech Lake Accord last June, we have moved into a new and uncertain period of Canada's constitutional development, with possible dramatic change in the structure of the federation. The issues are complex and discontent is widespread. However, I remain optimistic that the situation will evolve to the relative satisfaction of all Canadians. Canada is the envy of the world, holding great advantage in resources and people. If you examine the prosperity of this country and the freedoms enjoyed by its citizens, it is a remarkable story that should not end.

Purdy Crawford, Chairman and Chief Executive Officer.

How well a company performs in challenging economic times is perhaps the best measure of its quality and, by extension, the quality of its people. In the past year, there were countless examples of employees extending themselves to the limit to meet plans and objectives. On behalf of the directors, I sincerely thank all employees for their efforts and congratulate them on their achievements.

Clearly, we are facing another difficult year and all of our operations will again be challenged by the soft economy and heightened competition. Each of our companies deals with the retail consumer and recognizes that today's consumer has choices. Success demands that we understand what customers want and respond with quality products and services that exceed their expectations. Achieving that objective requires excellent people, thorough research and a commitment to information technology. Throughout this report, you will find many examples of these attributes, as well as several new products and services introduced to our changing markets.

In 1991, we will meet our challenges head-on and aggressively pursue all opportunities to increase earnings and shareholder value. I have confidence in our management and in their resolve to achieve these goals in tough times as well as good.

On behalf of the Board of Directors,

Purdy Crawford
Chairman and Chief Executive Officer

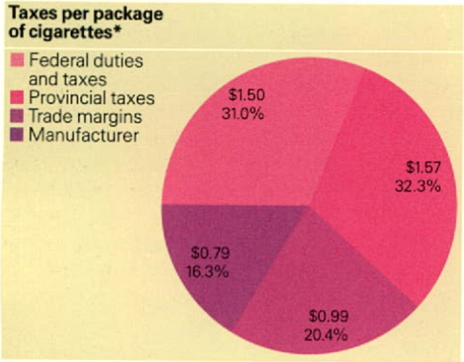
February 6, 1991

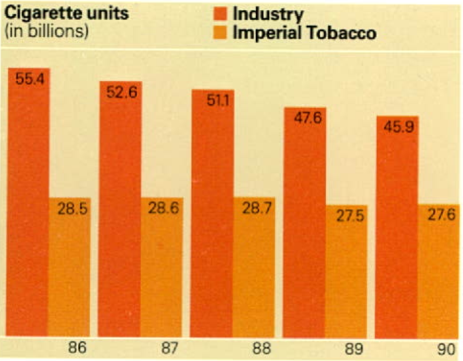
Highlights of operations				Twelve months ended December 31	
Millions of dollars, except as noted	**1990**	1989	1988	1987	1986
Revenues	**2,707.6**	2,385.6	2,018.1	1,926.0	1,754.6
Revenues, net of sales and excise taxes	**963.1**	896.2	862.0	816.2	712.0
Operating earnings	**367.1**	334.0	308.0	279.1	208.1
Operating margins (%)	**38.1**	37.3	35.7	34.2	29.2
Market share – domestic cigarettes (%)	**60.0**	57.9	56.2	54.4	51.5
Capital expenditures	**23.2**	22.9	18.9	25.6	23.3

Imperial Tobacco's share of the Canadian manufactured cigarette market increased 2.1 share points to 60%.

Imperial Leaf Tobacco purchased 74 million pounds of flue-cured tobacco leaf, about 54% of the Canadian crop. Of this amount, 14 million pounds will be exported to overseas manufacturers.

Imperial Tobacco has a long history of excellent employee relations. A new labour agreement that will carry through to 1992 was reached.





*Based on a retail price of $4.85 per pack of 25 cigarettes in the Province of Ontario, October 1990.

Imperial Tobacco posted a 10% rise in operating earnings in 1990 and again strengthened its position in the manufactured cigarette industry, increasing market share by 2.1 share points to 60%.

While industry cigarette sales fell 3.5% to 45.9 billion units, Imperial Tobacco sales increased slightly to 27.6 billion units. The company's share of the market for fine cut tobacco, which is used for roll-your-own cigarettes, fell 4.8 share points to 42.4%. Federal and provincial government tax policies over several years have pushed the retail price of cigarettes to extraordinary levels. The very high retail prices, more than any other factor, account for the decline in domestic industry sales. High prices have also encouraged a significant black market for smuggled and stolen cigarettes as well as a large increase in cross-border shopping. Not only do these activities have a negative impact on industry sales, they also result in a significant loss in government taxation revenues.

Federal legislation, which took effect in 1989, prohibits, with some transitional provisions, Canadian advertising and promotion of tobacco products. Imperial Tobacco challenged the constitutional validity of the legislation and the trial was completed in December. The judgment has not yet been rendered.

Imperial Tobacco's operating margins are growing steadily in this difficult environment, in large part because market share growth has helped to sustain volumes. The value of trademarks to market share is fundamental. Canadian smokers almost always ask for a brand name and about 60% of the time, they ask for Imperial Tobacco products. Player's and du Maurier are Canada's two leading brands, accounting for nearly half of all cigarette sales in the country.

The Player's family now has a market-leading share of more than 26%. The brand family includes Player's Plain, Player's Filter, Player's Medium, Player's Light and Player's Extra Light.

The du Maurier family is a close second with 24% of the market. In 1990, we added du Maurier Ultra Light to the line of du Maurier, du Maurier Light, du Maurier Extra Light and du Maurier Special. As with all new products, the introduction of du Maurier Ultra Light was strictly guided by extensive consumer research. The product offers the smooth du Maurier taste at a slightly lower tar level than was previously available.

Our third major brand family, Matinée, Matinée Special Mild, Matinée Extra Mild and Matinée Slims, was stable last year with a 6% market share.

Sustained sales volumes also contribute to efficient manufacturing operations. In manufacturing, and in all other areas of the business, the company is constantly looking for ways to improve productivity. We are committed to success and recognize that success depends on our ability to control costs without compromising the quality of our products.

Our dedication to being the best extends to all activities of the company. Imperial Tobacco and its affiliated companies play a sponsorship role that is second to none in both sports and the arts in Canada.

The world's best tennis professionals compete in Canada each summer in the *Player's Ltd. Challenge* and *Player's Ltd. Interna-*

The Canadian Open, Canada's premier men's golf event sponsored by du Maurier Ltd.

As with all new products, the introduction of du Maurier Ultra Light was strictly guided by extensive consumer research.

The company manufactures in Montréal, Guelph and Joliette and has sales offices and distribution centres across Canada.

Jean-Louis Mercier, Chairman and Chief Executive Officer (l.) with Wilmat Tennyson, President and Chief Operating Officer (r.).

tional tournaments. Large and enthusiastic crowds appeared at the National Tennis Centre in Toronto, which hosted the men's event and at the Jarry Tennis Stadium in Montréal, site of the women's tournament.

The Player's Ltd. commitment to motorsport continued across Canada with the *Formula Atlantic* series and the *Player's Ltd./GM Motorsport* series. The *Player's Ltd. Pacific* in Vancouver, the *Player's Ltd. 500* in Calgary and the *Player's Ltd. Mondial* in Montréal rounded out the season.

The *Canadian Open*, Canada's premier men's golf event sponsored by du Maurier Ltd., was again held at the challenging Glen Abbey course in Oakville. The *du Maurier Ltd. Classic*, held at the Westmount Golf Club in Kitchener, is recognized as one of the four major events on the women's professional tour. In equestrian events, the *du Maurier Ltd. International* drew a record 44,000 spectators to Spruce Meadows in Calgary while the *du Maurier Ltd. Cup* was again a stellar attraction in Halifax. Altogether, over one million spectators attended sporting events across Canada sponsored by du Maurier Ltd. and Player's Ltd.

Major summer jazz festivals in Ottawa, Toronto, Saskatoon and Vancouver were sponsored by du Maurier Ltd. In addition, du Maurier Ltd. has pledged $500,000 to l'Orchestre Symphonique de Québec. Continuing its historic role in support of Canadian culture, du Maurier Arts Ltd. contributed nearly $1 million to 87 of the country's leading performing arts groups last year.

In spite of the tax burden on consumers and the continuing controversy over tobacco, millions of Canadians still choose to smoke. It is difficult to speculate on the tax and legislative environment in the years ahead but, even if unit sales continue to decline, the market will still be substantial and profitable.

Experience has taught us that when you consistently do everything as well as you possibly can, over time you build trademarks that are very meaningful to consumers. Our continued earnings and cash flow growth is assured by the strength of those trademarks and the high quality people, marketing and products that make them the preferred brands of Canadian smokers. That is the hallmark of Imperial Tobacco and the foundation for our success in the years ahead.

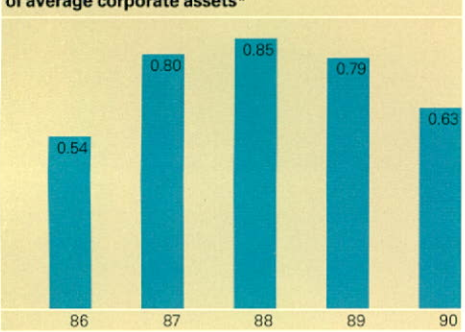
Jean-Louis Mercier
Chairman and Chief Executive Officer

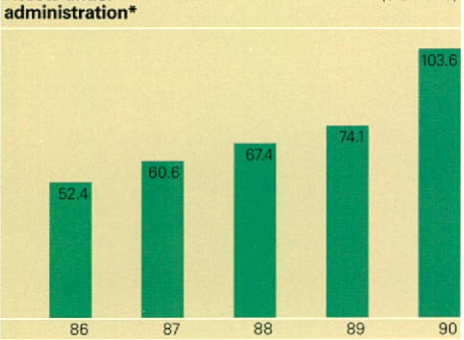
Highlights of operations	Twelve months ended December 31		
Millions of dollars, except as noted	**1990**	1989	1988
Assets under administration	**103,612.0**	74,096.0	67,401.0
Corporate assets	**35,087.4**	32,666.0	29,219.2
Loans	**25,518.4**	24,201.1	22,661.7
Deposits	**32,475.2**	30,403.0	27,319.5
Net earnings attributed to common shareholders	**201.4**	240.2	232.0
Return on common shareholders' average equity (%)	**13.2**	17.3	19.0

Canada Trust is the name by which most people know CT Financial Services Inc. and its principal operating companies, Canada Trustco Mortgage Company and The Canada Trust Company.

The JohnnyCash/SuperComptant money machine network consists of 296 banking machines.

Canada Trust's retirement savings plan program is among the most popular. The portfolio increased 7% to $8.4 billion.





*CT Financial Services Inc.

The weak economy resulted in lower growth in business volumes and intensified competition for most of Canada Trust's products and services in 1990. While the contribution to Imasco's earnings declined, the results of Canada Trust were satisfactory when compared with the performance of other financial services companies. Net earnings attributed to common shareholders decreased 16% to $201.4 million and return on equity decreased to 13.2% from 17.3% in 1989. For Canada's six largest banks, return on equity was 15.0% on average last year. Expressed as an annualized return on average corporate assets, net earnings were $0.63 per $100 of assets, compared with $0.79 in 1989 and an average of $0.71 for the six largest banks in fiscal 1990. The ratio of operating expenses to average corporate assets was 2.21% in 1990 compared with 2.13% in 1989. Assets under administration, measured at book value, increased 40% to $103.6 billion. Assets under administration include corporate assets which had increased 7% to $35.1 billion by year end.

Most of Canada Trust's income is earned by intermediation which involves investing depositors' and shareholders' funds in income producing assets such as loans and securities. Net investment income is what is left after paying interest on savings accounts, certificates of deposit and other sources of funds. Because of the slowing economy, $70 million was set aside from net investment income for possible losses in 1990, compared with $30 million in the prior year. Net investment income, after the provision for investment losses, amounted to $776 million compared with $721 million at the end of 1989, a growth rate of 8%.

For Canada Trust, the primary source of funds is customer deposits and total personal deposits are estimated to be the fourth largest among Canadian financial institutions. In the tougher economic times, competition for the savings of Canadians intensified and deposit growth slowed to 7% compared with 11% in 1989. At the same time, lending activity was carefully controlled consistent with the company's policy of conservative asset management. The portfolio of residential mortgages and personal and consumer loans increased by $1.4 billion to $18 billion. The company's residential mortgage portfolio is the third largest in Canada.

Canada Trust is a very significant and growing provider of personal, pension and custodial services. Trust funds at book value were $68.5 billion, up 65% from $41.4 billion at the end of 1989, an outstanding performance. Advanced computer systems and efficient operations helped win major new client contracts during the year. Further, some of the record keeping operations of Montreal Trust were purchased in 1990.

Truscan Realty is a subsidiary that holds and manages real estate investments and also is involved in property development, leasing and management. Leasing in some of the major office towers in which joint venture positions are held advanced at a slower pace, reflecting the generally weaker rental market in the country. Still, net earnings of Truscan increased by $6.3 million to $13.5 million.

Important changes were made in real estate brokerage operations. Canada Trust Realty Inc. was formed as a separate reporting unit to focus on markets where Canada Trust has strong retail savings branch operations and can provide complementary mortgage financing to home buyers. Because the

The Friendly Mortgage offers quick approval, rate protection and flexibility in payment and renewal terms.

The DreamBuilder, a savings product for home purchasers, combines cash and one year term certificates in one convenient account.

One of the 338 branches across Canada.

company has relatively few savings branches in Québec, the Québec real estate division, Le Permanent, was franchised in 1990. Market presence in Ontario, Manitoba and British Columbia was enhanced with the acquisition of Montreal Trust's brokerage operations in those provinces. An extended housing market slump nationwide caused a 30% decline in gross real estate sales commissions to $137.5 million.

This concentration on areas of strength also extended to commercial real estate operations and resulted in the merger of the commercial brokerage unit with Coldwell Banker Canada Inc. Canada Trust holds a 25% interest in the new entity.

In September, Canada Trust agreed to invest US $150 million in First Federal Savings and Loan Association of Rochester, New York. The transaction is subject to the approval of regulatory authorities in the United States and the closing is conditional on First Federal maintaining certain prescribed financial ratios. First Federal is a mutual organization, which means that it is owned by its depositors. Under the agreement, First Federal would be converted to a stock company and, in the process, depositors will have an opportunity to purchase up to 15% of the equity to be issued on the same basis as Canada Trust. Canada Trust will hold the balance of the equity including any of the 15% not taken up by depositors. First Federal is one of the largest mutual savings and loan operations in the United States with US $5.6 billion in assets and 65 branches. The association with Canada Trust would facilitate a sharing of retail banking skills that can be applied on both sides of the border. While the proposed transaction is complex, it is expected to be completed during 1991.

The year ahead will present many challenges including uncertainty in world markets, the impact of the Goods and Services Tax and the economic effects of the continuing constitutional debate. In all likelihood, opportunities will improve for attracting savings business while finding high quality loans with acceptable security will be more difficult. Asset quality will remain a primary objective for Canada Trust along with market share enhancement and cost containment.

The current expectation is that the 1991 contribution to Imasco's earnings will be flat or up moderately.

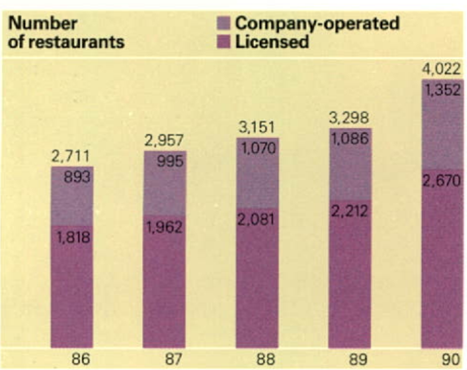
Highlights of operations					Twelve months ended December 31
Millions of Canadian dollars, except as noted	**1990**	1989	1988	1987	1986
System-wide sales	**4,833.6**	4,146.7	4,058.9	4,059.1	3,721.6
Revenues	**2,152.5**	1,786.5	1,756.9	1,801.7	1,642.0
Operating earnings (millions of US dollars)[1]	**59.4**	100.3	106.7	103.7	92.9
Operating earnings[1]	**69.2**	118.6	130.3	137.3	129.0
Share of traffic (%)	**11.3**	9.9	9.9	9.6	9.1
Average sales per restaurant (thousands of US dollars)	**940**	922	920	877	837
Capital expenditures	**144.6**	155.3	209.9	217.0	135.6

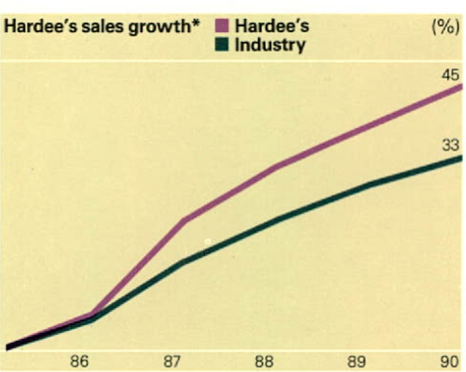
[1]The real estate sale and leaseback transactions completed in 1988 significantly reduced the operating earnings reported thereafter.

The company's share of traffic in the sandwich category, including Roy Rogers, increased to 11.3%. Breakfast revenues, as a percentage of total sales, lead the industry.

A new system is now being introduced which automatically dispenses drinks when orders are recorded at the cash register.

By aggressively developing a more diversified customer base, Fast Food Merchandisers was able to maintain operating earnings in 1990.





*Quick service restaurant sandwich category. Source: CREST. Hardee's sales exclude Roy Rogers.

The past year was difficult for Hardee's Food Systems. While we were able to maintain customer traffic and consolidate our position as the third largest hamburger chain in the United States, the 42% drop in operating earnings was clearly a disappointment.

The year began on an optimistic note with strong first quarter results and successful negotiations in January leading to the acquisition of the Roy Rogers restaurant chain. With Roy Rogers, Hardee's obtained 648 established restaurants in such major urban markets as New York, Washington, Baltimore and Philadelphia.

How could a year which began with such promise turn out to be so disappointing in financial terms? Part of the answer lies with the slow economy which has affected revenues and dramatically accelerated the pace of change within the industry.

The fast food industry in the United States is maturing and the mix of competitors is also changing. Established restaurant chains now find themselves competing directly with lower-priced concepts, convenience stores, supermarkets and casual dining restaurants. This has prompted aggressive price competition which became more severe as the economy slowed and virtually eliminated opportunities to recover rising costs. Sales revenues also suffered, particularly in company-operated restaurants, and the effect on profitability was dramatic. We have recently adopted a new pricing strategy to increase restaurant revenues and meet the competition. However, earnings will remain under pressure in the short term.

Among the hamburger-based chains, Hardee's has been a leader in diversifying its menu to respond to the nutritional concerns of customers. While hamburgers are still the mainstay of our business, chicken sales have been growing by up to 25% a year and our grilled chicken breast sandwich has been widely praised by health groups. We were also the first in the industry to cook fried products in all-vegetable oil. In 1990, many of our initiatives were copied by competitors. We are now back in the kitchen and will be introducing a number of new items in 1991.

Through it all, we were devoting substantial resources and attention to the Roy Rogers acquisition. While the long term significance of the acquisition is not in dispute, maintaining customer traffic while converting the restaurants to the Hardee's format is proving to be more difficult than expected. This too has been a factor in our operating results.

The net effect of these developments has been to focus management attention, more than ever, on performance and results. We made some important changes to our organization in 1990, eliminating over 200 positions. Consequently, overhead costs are now substantially lower and we are much leaner and more responsive to the needs of customers and licensees. We have also carefully revised our marketing and advertising program. New campaigns aimed at today's value-conscious consumer have already been launched and more are presently being developed.

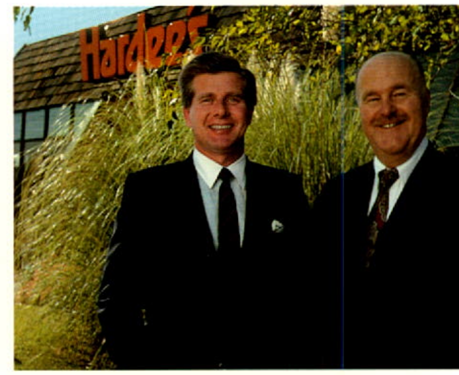
We will put more emphasis on licensing in the future and gradually strike a better balance between licensed and company-operated restaurants. Our plans call for a reduction of the percentage of company-operated restaurants in the system from 34% to 25% over three years. This process has already begun in the Atlanta area where we

Drive through service for customers on the go.

Roy Rogers fried chicken is being introduced to Hardee's restaurants throughout the system.

Hardee's has 4,022 restaurants, of which 2,670 are licensed and 1,352 are company-operated

Bill Prather, President and Chief Executive Officer, Hardee's (l.) with Bob Autry, President and Chief Executive Officer, Fast Food Merchandisers (r.).



have licensed 69 restaurants that were previously company-operated. While some of the larger markets are saturated, there is still good growth potential for Hardee's, particularly in the western United States.There are also many towns with no fast food outlet and Hardee's has traditionally done very well in smaller markets.

Hardee's strategy is to grow from region to region and this has been a major strength of the company. It ranks first or second, by number of locations, in almost all of its major markets. Hardee's is also well positioned in menu quality, technology and supply management.

Our breakfast revenues, as a percentage of total sales, lead the industry and we have opportunities to grow at other meal times, particularly dinner, with the addition of Roy Rogers fresh fried chicken to the menu. In terms of technology, we are investing in information systems and equipment that reduces labour and ensures food quality.

For cost and quality control, supply management and production, Hardee's is a fully integrated company. Our sister company, Fast Food Merchandisers, makes and distributes most of the food and supplies used throughout the system, providing Hardee's restaurants with efficient distribution and quality products at competitive prices. FFM also supplies a growing number of outside accounts.

By aggressively developing a more diversified customer base and carefully controlling costs, FFM was able to maintain operating earnings in 1990 even though demand from Hardee's restaurants was lower than expected.

The environment is one of our major concerns. We have moved away from fluorocarbons in foam packaging and are developing new and better packaging alternatives for the future. Hardee's approach is one of self-regulation, of staying ahead of the trends.

We are aware of the challenges we face in 1991 and very conscious that the immediate goal is to prosper in an increasingly competitive industry. Major changes have been made and we have many strengths to call on. Most important is the experience and quality of our employees and their total dedication to achieving industry leadership in profitability.

Wm. Prather

Bill Prather
President and Chief Executive Officer

Highlights of operations

Millions of dollars, except as noted	1990	1989	1988	1987	1986
			Twelve months ended December 31		
System-wide sales	**2,843.6**	2,597.7	2,355.6	2,073.4	1,775.0
Revenues[1]	**148.1**	136.2	114.9	95.7	86.6
Operating earnings	**80.5**	70.6	57.1	51.3	48.9
Operating margins (%)[1]	**54.4**	51.8	49.7	53.6	56.5
Average sales per store	**4.4**	4.1	4.2	4.1	3.9
Average sales per square foot (dollars)	**778**	736	728	700	663
Number of stores	**645**	633	613	586	543
Capital expenditures	**32.2**	24.0	28.0	27.6	23.3

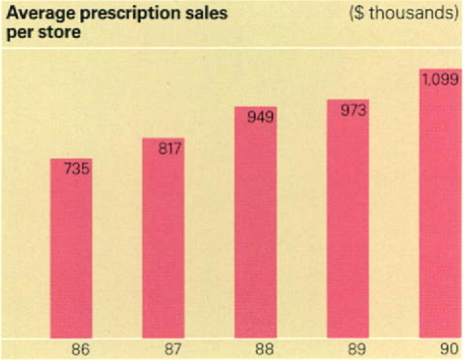
[1] Restated for 1986, 1987 and 1988 to exclude Howie's.

The company's share of the Canadian drug store market is approximately 30%.

Shoppers Drug Mart and Pharmaprix promotional flyers reach over seven million Canadian households 51 times a year.

Corporate brand products, Life Brand, Shoppers Drug Mart, Pharmaprix and Rialto, accounted for 6% of total sales.

More than 75 stores are open until midnight and six are open 24 hours.



Sales and operating earnings growth were very satisfactory in 1990. The year, however, was characterized by lower sales growth in the fourth quarter and strong competition in every region of the country. In each case, we were able to meet the competition and enhance market share.

Shoppers Drug Mart/Pharmaprix leads Canada's retail drug store industry by a wide margin. Over the course of the year, we filled some 26 million prescriptions and recorded over 250 million customer transactions, almost the equivalent of 10 purchases for every man, woman and child in the country. Customer traffic rose by 3.2% on a national basis and the system grew by another 12 stores, bringing Shoppers Drug Mart/Pharmaprix to 645 stores across the country.

A major emphasis in 1990 was preparing for the implementation of the Goods and Services Tax on January 1, 1991. The preparations included ensuring that 22,000 employees were properly trained and that adequate accounting controls were in place. It was an enormous and costly endeavour. However, when the stores opened for business on January 1, we were fully prepared with a comprehensive program to retain customer loyalty, protect profitability and implement the GST in the most productive and fair manner possible.

Shoppers Drug Mart, and all other participants in the drug store industry, continue to be lobbied aggressively by special interest groups, on a wide range of issues. Presently in the limelight is the question of whether or not drug stores should be permitted to sell tobacco products. In the recent past, we have been asked to stop selling many products, from candy to condoms. Our position is that drug stores should not be required to act as a censor for any product which is legal and for which there is a continuing demand by customers.

The underlying strength of the company is clearly our associates, the men and women who own the Shoppers Drug Mart and Pharmaprix stores across Canada. The associate concept encourages the entrepreneurial spirit and gives associates much needed flexibility in the marketplace. At the same time, they benefit from national marketing programs, economies of scale in purchasing and a wide variety of specialized corporate services.

The associates share our corporate culture and commitment to retailing excellence: driven by people, positioning, productivity and technology. Much of the current emphasis is on technology. We now have computerized accounting systems in most stores and pharmacy computers in every store. In 1991, we will be embarking on a five year program to install point-of-sale scanning equipment across the system. Not only do these cash registers improve check-out productivity and reduce pricing errors, they will provide us with very timely information on inventory levels and customer preferences.

From the customer's perspective, Shoppers Drug Mart/Pharmaprix represents convenience, selection, savings, service and trust. We offer convenience that goes beyond having well-located stores to include shopping hours, with more than 75 stores open until midnight. Additional convenience is offered by our Food Basket stores. These stores incorporate a traditional Shoppers Drug Mart with sections of selected foods for time-pressed customers. Shoppers Drug Mart/Pharmaprix stores also fill emergency

Corporate brand products are guaranteed to be equal to or better in quality than the nationally advertised equivalent.

Rialto Naturals meet many consumer concerns about allergic reactions, wasteful packaging and unnecessary animal testing.

Shoppers Drug Mart/Pharmaprix has 645 associate-operated stores located throughout Canada.

David Bloom, Chairman and Chief Executive Officer (l.) with Herb Binder, President and Chief Operating Officer (r.).

prescriptions in six 24-hour locations in Toronto, Montréal and Ottawa.

Selection and savings, in our view, mean more than carrying a wide range of popular products at competitive prices. Shoppers Drug Mart offers customers a comprehensive corporate brands program under which each product is guaranteed to be equal to or better in quality than the nationally advertised equivalent.

Corporate brand products are offered under the trademarks Life Brand, Shoppers Drug Mart, Pharmaprix and Rialto. They offer consumers good value and, in many cases, other advantages. For example, customers are concerned about the environment and it is a major concern for us as well. In 1990, we launched a number of recycled paper products and a cloth diaper program. The new beauty products line of Rialto Naturals meets many consumer concerns about allergic reactions, wasteful packaging and unnecessary animal testing. Initial customer response has been most encouraging and we see this as a major sales growth opportunity for the future.

The most important attribute for our customers is trust. The Shoppers Drug Mart/Pharmaprix pharmacist is a key member of the public health team and is closely involved with the community. We encourage that involvement, from community health care projects to fitness and recreational activities. The community benefits and customers appreciate our contribution. In 1990, we launched a *Blow the Whistle on Violence* campaign through which some of the proceeds from Alert whistles sold in our stores were allocated to fight abuse against women and children in Canada. This too has been well received across the country.

Looking ahead, we are confident the 1990s will be years of further significant growth in revenues and earnings for Shoppers Drug Mart/Pharmaprix. Both the greying of society and the new baby boom are trends that favour drug stores. Our 17 Home Health Care Centres are well positioned to meet particular community health care needs.

Shoppers Drug Mart intends to end this decade as it began, as the outstanding company in the industry, simply by being, as we are today, *Everything you want in a drugstore.* For us, that is more than a positioning statement. It is our mission.

David R Bloom

David R. Bloom
Chairman and Chief Executive Officer

The UCS Group

The UCS Group now operates 533 retail locations in five divisions.

Norm Latowsky, President and Chief Executive Officer.

Highlights of operations

			Twelve months ended December 31		
Millions of dollars, except as noted	**1990**	1989	1988	1987	1986
Revenues	**314.7**	286.1	256.6	235.3	206.0
Operating earnings	**8.6**	8.3	7.5	6.7	6.6
Operating margins (%)	**2.7**	2.9	2.9	2.9	3.2
Average sales per store (thousands of dollars)	**592**	543	489	461	432
Average sales per square foot (dollars)	**834**	790	718	675	651
Number of stores	**533**	531	525	524	494
Capital expenditures	**6.0**	5.3	4.9	6.9	4.1

The company reached a milestone in 1990, surpassing $300 million in total sales. Over 75 million customer transactions were recorded during the year.

A new bookstore concept was established at six Woolco/Woolworth locations, resulting in a more diversified product mix and increased customer appeal.

Point of sale terminals will be installed in 375 stores over a three year period.

The UCS Group, Canada's leading small space specialty retailer, achieved record operating earnings in 1990 for the sixth consecutive year. Average sales per square foot increased from $790 to $834 and productivity gains were also achieved in wage and operating cost ratios. Inventory turns were maintained at the prior year level of six times, even though reduced consumer spending and more product selection led to slightly higher stock levels at year end.

Overall sales targets were reached for the year and all divisions experienced increases. However, the recession affected operating results in many ways. For example, the hotel and airport locations were confronted with significant declines in travel and tourism and these same circumstances affected our Tax and Duty Free stores. The Den for Men/Au Masculin and Specialty divisions also felt the economic downturn but the Woolco/Woolworth Smokeshops division benefitted from increased customer traffic as the public became more and more budget-minded.

We face ever-increasing competition in our core products – tobacco, confectionery and reading materials – which are readily available in many other retail outlets. Core products accounted for 78% of 1990 sales and some 58% of sales were in tobacco which has always been a major product category. Despite the continued decline in smoking, tobacco sales increased 13.7% last year.

The UCS competitive edge is based on service, convenience of locations, greater product selection and consistently high in-stock availability. Our personnel are well aware of the importance of customer service and have been encouraged through our national P.A.R.T. (People Are Really Terrific) program to develop winning attitudes.

Over 60 stores were renovated to improve customer appeal and convenience. Eighteen marginal locations were closed and 20 new stores opened to end the year with 533 retail locations compared with 531 in 1989.

Our current focus is on airport locations, both conventional stores and duty free outlets. In late 1990, the Tax and Duty Free division began operations at Mirabel International Airport in Montréal. This division also operates stores at the Edmonton, Winnipeg, Ottawa and Dorval/Montréal international airports. Early in 1991, we will open 13 stores in the arrival and departure areas of the new Trillium Terminal III at Toronto's Pearson International Airport. These stores represent the largest number of UCS outlets in one location. We expect further opportunities of this type as airport managers recognize the increasing importance of retailing as a valuable revenue source for their facilities.

The good results in 1990 are a tribute to our 3,100 employees who have demonstrated, time and again, that UCS is a company where employees make a difference. Supported by training programs and our growing investment in technology, they will ensure that The UCS Group remains the industry leader. With a slow economy, the current year will certainly be challenging but we are aggressively pursuing every available growth opportunity.

Norm Latowsky

Norman Latowsky
President and Chief Executive Officer

Imasco's Board of Directors has ultimate responsibility for the management of Imasco, its operating companies and investments and Imasco's ownership interest in CT Financial Services Inc.

The Imasco Board of Directors discharges its responsibilities directly and through its committees. At regularly scheduled meetings, the Board receives and discusses reports on Imasco's operating companies, overall financial position, investments and CT Financial Services. In addition, developments and issues of current relevance are reviewed and reports of Board committees are received and considered. The presence on Imasco's Board of senior officers and operating company leaders recognizes their roles and responsibilities and facilitates dialogue with the non-executive members of the Board.

There were 10 meetings of the Imasco Board of Directors in 1990.

The management of CT Financial Services and its subsidiaries is the ultimate responsibility of the Boards of Directors of those corporations. Five senior executives of Imasco are directors of CT Financial Services. Purdy Crawford, Chairman and Chief Executive Officer of Imasco, is the non-executive Chairman of CT Financial Services.

Set out hereafter is a brief description of the mandate of each Board committee, the composition of these committees and the number of meetings held by each one during the year. The membership of the committees reflects the importance Imasco places on the role of the non-executive directors.

Executive Committee

Between meetings of the Board of Directors, the Executive Committee, with certain exceptions, may exercise the powers vested in the Board. The mandate of the Executive Committee includes the following:

Review operating results;
Approve annual and long range plans for submission to the Board of Directors;
Review significant issues facing Imasco and proposals or plans relating thereto;
Review proposals involving important changes in strategic plans or major acquisitions and divestitures;
Consider and act upon reports from the Management Resources and Compensation Committee, with respect to succession planning and human resource development.

The Executive Committee met three times in 1990.

Chairman: Purdy Crawford
Members: Nan-Bowles de Gaspé Beaubien, William R. Bennett, Murray B. Koffler, Jack A. Laughery, Brian M. Levitt, Russell E. Palmer, Paul Paré, Angela C. Peters, Bernard A. Roy.

Management Resources and Compensation Committee

This committee advises and consults with the Chairman and Chief Executive Officer and makes recommendations to the Board on the following matters:

Appointment of officers of Imasco including, where appropriate, operating company officers;
Succession and development plans for executive management within Imasco and, where appropriate, operating company officers;
Introduction of, or major revisions to, benefits, pension/retirement income plans and incentive programs;
Human resource strategies developed to respond to business needs and legislative changes;
Annual review of compensation and benefits of executive directors and fees payable to non-executive directors.

The Management Resources and Compensation Committee met six times last year.

Chairman: Murray B. Koffler
Members: Nan-Bowles de Gaspé Beaubien, Jack A. Laughery, Russell E. Palmer, Paul Paré, Angela C. Peters.

Nominating Committee

The Nominating Committee meets as required to advise on the composition of the Board of Directors and the selection of candidates for election. Nominees are selected on the basis of their personal qualities, experience and the expectation that they will make a meaningful contribution to Imasco.

The Nominating Committee convened twice in 1990.

Chairman: Purdy Crawford
Members: Nan-Bowles de Gaspé Beaubien, Murray B. Koffler, Paul Paré.

Audit Committee

The Audit Committee meets not less than four times a year and reports to the Board following each meeting. The reports include recommendations on the following subjects:

Scope of the annual audit of Imasco as proposed by the external auditors and management, including the nature and extent of the assistance to be provided by internal auditors;
Audit letters from the external auditors;
Annual and quarterly financial statements;
Fees charged by the external auditors;
Performance of external auditors for the preceding fiscal year and their reappointment if deemed appropriate;
Reports of the internal auditors;
Internal auditors' audit plan for the ensuing year, budget, organization, activities and performance;
Adequacy of internal accounting control procedures and systems;
Compliance with Imasco's conflict of interest guidelines.

The Audit Committee met four times in 1990.

Chairman: William R. Bennett
Members: Murray B. Koffler, Bernard A. Roy.

1 2 3 4 5 6 7

1 **William E. Prather**

Rocky Mount, North Carolina. Director since 1990. President and Chief Executive Officer, Hardee's Food Systems, Inc.

2 **Nan-Bowles de Gaspé Beaubien**

Westmount, Québec. Director since 1987. Vice-Chairperson and Director, Telemedia Corporation. Director of Telemedia Inc., Campbell Soup Company Ltd., Confederation Life Insurance Company, Canadian Association of Family Enterprise, Institute for Research on Public Policy, National Centre for Management Research and Development – Women in Management Program, Terry Fox Humanitarian Award Committee, University of Western Ontario.

3 **Purdy Crawford**

Westmount, Québec. Director since 1973. Chairman and Chief Executive Officer, Imasco Limited. Chairman, CT Financial Services Inc. Director of Dominion Textile Inc., Inco Limited, Nova Scotia Resources Limited, Sydney Steel Corporation, Trinova Corporation. Member of the Board of Governors of McGill University and Royal Victoria Hospital Corporation.

4 **Murray B. Koffler,** C.M.

Willowdale, Ontario. Director since 1978. Honorary Chairman, Shoppers Drug Mart. Chairman, King Ranch Health Spa and Fitness Resort. Vice-President and Director, Four Seasons Hotels, Ltd. Director of Canadian Jewish News, Canadian Council for Native Business.

5 **Bernard A. Roy,** Q.C.

Town of Mount Royal, Québec. Director since 1989. Senior Partner, Ogilvy Renault. Director of Domtar Inc., Noranda Inc., Métro-Richelieu Inc. Member of the Board of Governors of Université de Montréal, Royal Victoria Hospital Corporation and Stanstead College.

6 **Russell E. Palmer**

Bryn Mawr, Pennsylvania. Director since 1989. Chairman and Chief Executive Officer, The Palmer Group. Chairman, Huntsman Center for Global Competition and Leadership, The Wharton School, University of Pennsylvania. Director of Alco Standard Corporation, Allied-Signal Inc., Bankers Trust New York Corporation, Federal Home Loan Mortgage Corporation, GTE Corporation, Safeguard Scientifics, Inc., The May Department Stores Company, The Goodyear Tire & Rubber Company.

7 **Raymond E. Guyatt,** C.A.

Westmount, Québec. Director since 1990. Executive Vice-President and Chief Financial Officer, Imasco Limited.

8 9 10 11 12 13 14 15

8 **Jean-Louis Mercier**

Ste-Julie-de-Verchères, Québec. Director since 1979. Vice-Chairman, Imasco Limited. Chairman and Chief Executive Officer, Imperial Tobacco Limited. President and Director, Imasco Pension Fund Society.

9 **Brian M. Levitt**

Toronto, Ontario. Director since 1989. President, Imasco Limited. Director of CT Financial Services Inc., Finsco Services Limited, Westbury Canadian Life Insurance Company, Montcrest School.

10 **Torrance J. Wylie**

Ottawa, Ontario. Director since 1990. Executive Vice-President, Imasco Limited. Director of CT Financial Services Inc., the Montréal Children's Hospital Foundation. Member of the Advisory Board, Faculty of Administration, University of Ottawa.

11 **Angela C. Peters**

Halifax, Nova Scotia. Director since 1987. Director of Cobi Foods Inc., Domtar Inc., Prudential Corporation Canada, Xerox Canada Inc. Member of Standards Council of Canada Committee.

12 **Paul Paré,** O.C.

Montréal, Québec. Director since 1964. Former Chairman and Chief Executive Officer of Imasco Limited. Director of Canadian Investment Fund, Ltd., Canadian Pacific Limited, Canadian Pacific Forest Products Limited, IBM Canada Ltd., Liquid Carbonic Canada Ltd., Telemedia Inc., Timminco Limited. Member of Morgan Stanley Advisory Board.

13 **The Hon. William R. Bennett,** P.C.

Westbank, British Columbia. Director since 1987. Director of Canadian Pacific Forest Products Limited, Prime Resources Group Inc., Teck Corporation. Governor, Olympic Trust.

14 **Jack A. Laughery**

Rocky Mount, North Carolina. Director since 1981. Chairman, Hardee's Food Systems, Inc., Fast Food Merchandisers, Inc. Director of First Union National Bank Corporation, Charlotte, NC, First Union National Bank, Rocky Mount, NC, The Governor's Council of Management and Development, Advisory Budget Commission, North Carolina Zoological Society. Member of the Republican National Committee.

15 **David R. Bloom**

Thornhill, Ontario. Director since 1983. Chairman and Chief Executive Officer, Shoppers Drug Mart. Chairman, Retail Council of Canada, Canadian Association of Chain Drug Stores. Director of CT Financial Services Inc., Color Your World, Juvenile Diabetes Foundation. Governor, Mount Sinai Hospital.

The prestigious Mercuriades Award for community involvement was presented to Imasco in 1990.

As Imasco has grown and entered new areas of business over the years, so too has it continued to enlarge its support for the many communities in which it operates. All members of the Corporation are ever mindful of the beneficial influence that Imasco can have through good corporate citizenship. By concrete actions and cash contributions, Imasco and its family of companies are helping to improve the quality of life today and in the future.

Corporate donations

Imasco is a strong proponent of corporate philanthropy and contributed $100,000 in seed money to the Imagine campaign, an organization dedicated to fostering corporate and individual donations as well as volunteerism in Canada. To date, Imagine has signed up more than 200 Canadian companies committed to donating 1% of pre-tax earnings to charitable or non-profit organizations. Imasco meets that target and has been designated *a caring company* by the Imagine campaign.

In 1969, the company established a Corporate Donations Committee, consisting of eight members representing Imasco's corporate centre and its three wholly owned Canadian operating companies. Each year, the Board of Directors establishes an annual budget for the Committee which meets regularly to consider requests for assistance from organizations across Canada. In 1990, the Committee considered 721 requests and contributed $2.4 million to organizations involved in public welfare, aid to the disadvantaged, health, education, cultural, recreational and youth activities.

Imperial Tobacco, Shoppers Drug Mart and The UCS Group are also active in helping smaller, but no less worthy, charities at the local level. In addition, Canada Trust and Hardee's maintain separate donations programs. In 1990, direct donations from these companies totalled more than $3.5 million.

Volunteerism

Imasco encourages its employees to become involved with their communities. Volunteerism is a vital aspect of community life in both Canada and the United States. More than three million Canadians are volunteers and if a monetary value was placed on their activities, it would total more than $20 billion. The commitment to volunteerism begins at the top and all of the leaders of Imasco and of its operating companies are actively involved in fundraising for a variety of charitable causes.

Montréal Job Creation Initiative

Imasco takes particular satisfaction from the Montréal Job Creation Initiative, the small business incubator and support program to which the company has pledged $8 million over a five year period. The results have been gratifying. After less than four years of operation, more than 1,100 new jobs have been created in about 300 business ventures in the Montréal region. The more than 85% success rate achieved by these small businesses is remarkably high and the $6,500 average cost of creating each job is substantially lower than the cost of similar public sector programs. A detailed study of the project released in early 1990 by an independent firm confirmed the positive results and estimated that the overall economic impact of these small businesses on the community over the duration of the program could well exceed $500 million. In recognition of its job creation initiative, Imasco

received the prestigious Mercuriades Award for community involvement from the Québec Chamber of Commerce in 1990.

Disabled students

Cases of individual need or merit are not overlooked. Through the Imasco Scholarship Fund for Disabled Students, which was established in 1981, qualifying disabled students are helped to pursue university level education. The fund, which was originally endowed with $100,000, has been increased to $250,000 over the years. To date, a total of 122 scholarships have been awarded to 68 students.

Imasco companies are also involved

Through du Maurier Arts Ltd., Imperial Tobacco has an historic commitment to funding the arts in Canada, supporting such organizations as the Royal Winnipeg Ballet and the Montréal Symphony Orchestra, whose programs bring distinction not only to their communities but to all of Canada. Since its inception 20 years ago, du Maurier Arts Ltd. has donated over $8 million to the performing and interpretive arts in Canada. In 1990 alone, nearly $1 million was distributed to 87 cultural organizations across the country.

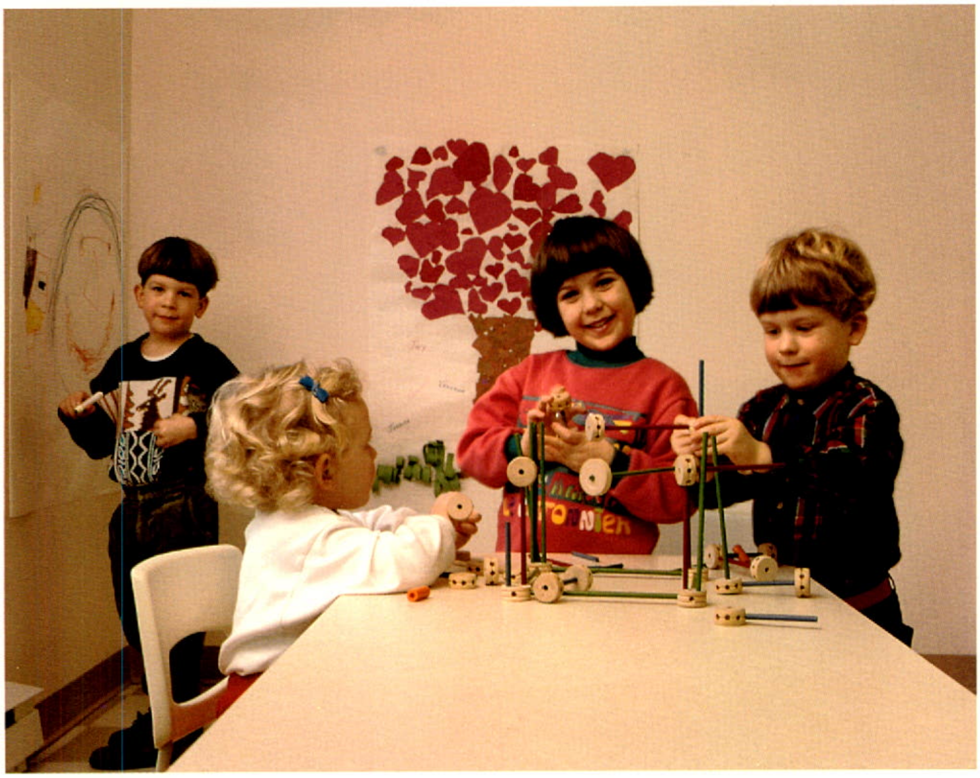
Local Shoppers Drug Mart stores sponsor over 1,000 community youth sports teams across the country and, in many cases, the store owners themselves participate as coaches. Shoppers Drug Mart is also involved in a national school program against drug abuse, the Canadian Offensive for Drug Education, for which it has received recognition from the Canadian Association of Chiefs of Police.

As part of the community health team, Shoppers Drug Mart cooperates with hospitals across the country. In 1990, the company teamed up with the Ottawa Civic Hospital and CJOH Television to raise public awareness of colon cancer, a disease which kills 6,000 Canadians every year. Test kits were distributed free of charge by Shoppers Drug Mart and, as a result, as many as 50 lives were saved through early detection. Shoppers Drug Mart plans to run the testing program in other cities in 1991.

Hardee's was the major donor to the Hardee's Heart Centre which opened in 1990 at Nash General Hospital in Rocky Mount, NC, where the company is headquartered. Hardee's has also funded the Hardee's Children's Bone Marrow Transplant Program at Duke University Medical Centre.

Another concern of Hardee's is the advancement of the black community in the United States. With Big Brothers, it co-sponsors the *100 Black Men of Atlanta* awards, as well as the Black College Beauty Pageant. Hardee's has been presented with the National Black College Alumni Association Award for Excellence for its continuing and

Day care facilities are now available for the children of Imperial Tobacco employees in Montréal.



substantial efforts in support of black colleges and universities.

In 1990, Hardee's and the National Child Care Association established the National Child Care Professional Recognition Program to honour the top child care professionals in the United States. The first cash awards were presented in November at a ceremony in Washington, DC.

Sponsorships

Operating companies are also very active in sponsorship activities. Sponsorships serve to associate Imasco's well known corporate trademarks with major community programs and events across North America.

Player's Ltd. and du Maurier Ltd. sponsor professional world class tennis, golf, motorsport and equestrian events in Canada. In 1990, Shoppers Drug Mart became the lead sponsor of the Toronto Marathon, in which over 4,500 elite and amateur runners competed. Hardee's sponsors the Hardee's Classic, a PGA tour event in the United States. One of the charities to benefit from last year's Hardee's Classic was the Special Olympic Games, to be held in the summer of 1991 in the twin cities of Minneapolis-St.Paul. Hardee's has been a leading sponsor of the Special Olympics for several years.

Employees

In 1987, the Board of Directors adopted a Code of Business Conduct and a Conflict of Interest Policy. Taken together, they provide practical guidelines for directors, officers and employees of Imasco and its operating companies. The objective is to uphold the high standards of conduct for which Imasco has become known.

In the annual survey prepared by *The Financial Post,* Imperial Tobacco, Shoppers Drug Mart and Canada Trust consistently rank among the 100 best companies to work for in Canada. Every effort is made to ensure that salary and benefit programs are fair and competitive. In 1990, a day care centre for the children of Imperial Tobacco employees was opened in a former home adjacent to the company's Montréal headquarters. Imperial Tobacco helped finance the purchase of the facility which is being used by 30 children on a daily basis.

Continuing education is encouraged through company-paid courses and seminars. Extensive in-house training opportunities are also provided by each company to help employees sharpen their skills and advance their careers.

For the past 15 years, Hardee's has presented scholarships that help defray the cost of college for restaurant employees. Since its inception, Hardee's has awarded over US $400,000 in tuition funds, which have been shared by approximately 1,500 employees. In 1990, 154 scholarships were awarded for a total sum of US $65,000.

Employees are also encouraged to become members of trade and professional associations to improve their knowledge and skills. In 1990, some 550 employees participated through company-paid memberships in associations throughout North America.

The environment

The environment is a pervasive concern shared by Imasco and its operating companies. For example, Imperial Tobacco is helping to finance a Québec-wide solid waste reduction program. Canada Trust has established the non-profit Friends of the Environment Foundation to provide financial support for environmental initiatives. When customers designate their accounts *green,* one cent is donated to the local chapter for every dollar of earned interest. Imperial Tobacco, Shoppers Drug Mart and Hardee's are concentrating on environmental improvements in packaging and products. More and more, customers want their consumer choices to help the environment and Imasco's operating companies are continually making changes to products and services that facilitate those choices.

Support for democracy in Canada

Imasco gives money to political parties and other organizations which support the principles of a strong private business sector and democratic government. It is the position of the Corporation that it has the right, if not an obligation, to do so. In 1990, the Board of Directors approved contributions of $119,750 to federal and provincial political parties. Imasco has never asked for, expected, or received any consideration for this money other than the satisfaction of having contributed to the proper functioning of the democratic political process.

Imasco Limited
Locations

Canada	Imperial Tobacco	Canada Trust	Shoppers Drug Mart	The UCS Group
Alberta	1	64	48	76
British Columbia	2	71	78	50
Manitoba	2	18	19	27
New Brunswick	2	9	42	10
Newfoundland	2	5	27	12
Northwest Territories	–	–	1	–
Nova Scotia	–	17	35	18
Ontario	4	392	324	221
Prince Edward Island	–	4	7	–
Québec	6	58	53	99
Saskatchewan	–	19	9	19
Yukon	–	1	2	1
Total	**19**	**658**	**645**	**533**

United States	Hardee's	Roy Rogers	Fast Food Merchandisers
Alabama	155	–	–
Arizona	9	–	–
Arkansas	36	–	–
Colorado	16	–	–
Connecticut	–	24	–
Delaware	10	13	–
District of Columbia	19	4	–
Florida	170	4	1
Georgia	217	–	1
Idaho	1	–	–
Illinois	228	1	1
Indiana	175	–	–
Iowa	133	–	1
Kansas	52	–	–
Kentucky	105	2	1
Louisiana	16	–	–
Maryland	166	34	1
Massachusetts	1	7	–
Michigan	103	–	–
Minnesota	126	–	–
Mississippi	43	–	–
Missouri	165	–	1
Montana	14	–	–
Nebraska	31	–	–
Nevada	1	–	–
New Jersey	–	129	–
New Mexico	3	–	–
New York	9	113	–
North Carolina	349	1	4
North Dakota	20	–	–
Ohio	113	9	1
Oklahoma	65	–	1
Pennsylvania	75	111	–
South Carolina	180	–	–
South Dakota	20	–	–
Tennessee	147	–	1
Texas	32	–	–
Utah	33	–	–
Vermont	1	–	–
Virginia	220	27	–
West Virginia	49	1	–
Wisconsin	179	–	–
Wyoming	10	–	–
Total	**3,497**	**480**	**14**

Other Countries	Hardee's
Bahrain	1
Costa Rica	1
Korea	1
Kuwait	12
Oman	1
Puerto Rico	2
Qatar	2
Saudi Arabia	8
Taiwan	10
United Arab Emirates	7
Total	**45**

Imasco Limited
Unaudited Statement of Earnings
Assuming Consolidation
of Imasco Enterprises
For the years ended December 31

In the consolidated financial statements which commence on page 29, the Corporation accounts for its investment in Imasco Enterprises by the equity method. The Corporation's equity in the net earnings of Imasco Enterprises is shown as a single amount in operating earnings. The accompanying unaudited statement of earnings has been prepared on a basis which assumes that the accounts of Imasco Enterprises, including CT Financial Services, are consolidated with those of the Corporation. Under this approach, the equity in net earnings of Imasco Enterprises is eliminated and the components of the net earnings of Imasco Enterprises are added to those of the Corporation. As a result, the amounts otherwise reported for revenues, operating earnings, interest expense and provision for income taxes are increased. Earnings are reduced by subsidiary companies' dividends on preference shares not owned by the Corporation and by the minority interest in CT Financial Services' earnings attributed to common shares. There is no impact on the net earnings or earnings per common share of the Corporation.

	1990	1989	1988
	Millions of dollars, except earnings per common share		
Revenues	**9,753.8**	**8,635.1**	**7,476.5**
Sales and excise taxes	1,744.5	1,489.4	1,156.1
	8,009.3	7,145.7	6,320.4
Operating costs	4,029.1	3,487.5	3,378.9
Interest on customer deposits	3,133.0	2,748.9	2,085.2
Operating earnings	**847.2**	**909.3**	**856.3**
Corporate expense	32.0	31.6	28.5
Interest expense	290.5	256.6	268.5
Earnings before income taxes and minority interest	524.7	621.1	559.3
Provision for income taxes	181.4	204.5	192.6
Dividends on preference shares of subsidiary companies and minority interest	51.9	55.1	46.8
Earnings from continuing operations	**291.4**	**361.5**	**319.9**
Discontinued operations	3.7	4.6	(5.6)
Earnings before extraordinary items	**295.1**	**366.1**	**314.3**
Extraordinary items	–	–	(110.0)
Net earnings	**295.1**	**366.1**	**204.3**
Net earnings attributed to			
Preference shares	27.0	24.3	15.1
Common shares	268.1	341.8	189.2
	295.1	**366.1**	**204.3**
Earnings per common share			
Earnings from continuing operations	**$2.22**	**$2.83**	**$2.56**
Earnings before extraordinary items	**$2.25**	**$2.87**	**$2.51**
Net earnings	**$2.25**	**$2.87**	**$1.59**
Operating earnings by segment			
Tobacco	367.1	334.0	308.0
Financial services[1]	317.1	338.7	336.3
Restaurant	69.2	118.6	130.3
Drug store	80.5	70.6	57.1
Other[2]	13.3	47.4	24.6
	847.2	**909.3**	**856.3**

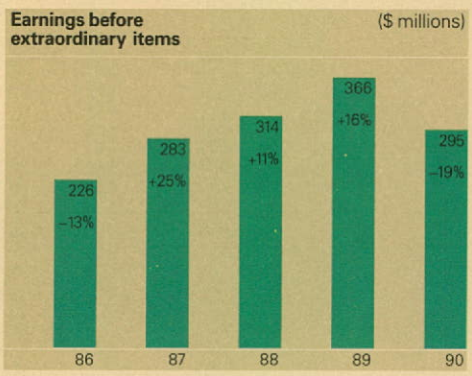
[1] Represents CT Financial Services' pre-tax earnings, before interest expense on notes and mortgages and net of amortization of fair value arising on acquisition. Amounts for prior years have been restated to conform with the financial statement presentation adopted by CT Financial Services for 1990. (Refer to page 49)

[2] Includes The UCS Group and the remaining operations of the former Genstar Corporation.

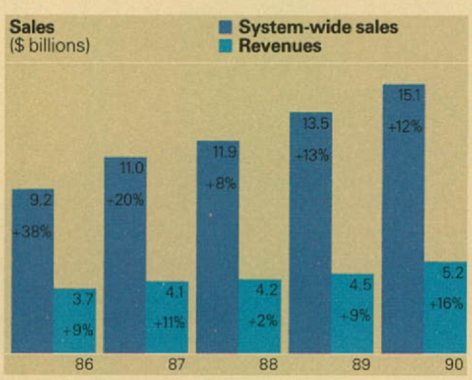
The following comments and analyses are intended to be read in conjunction with the consolidated financial statements of the Corporation which commence on page 29. In conformity with the recently released recommendations of the Canadian Institute of Chartered Accountants, the results of Peoples Drug Stores, which was sold on September 17, 1990, are reported separately as discontinued operations. Certain prior year amounts have been restated for comparative purposes. (Refer to Note 2 on page 33)

Results of operations

During 1990, net earnings were $295.1 million, a decrease of 19% from 1989. The economic downturn in both Canada and the United States contributed to reduced operating earnings and net earnings. Increased interest expense was also a factor in the decline in net earnings.



System-wide sales increased 12% during 1990 with increases reported by each operating company. (See page 1)



The contribution of each operating company to consolidated revenues and operating earnings is detailed in Note 19 on page 42. Variations in these amounts are explained in the discussion of each of the operating companies' results which follows.

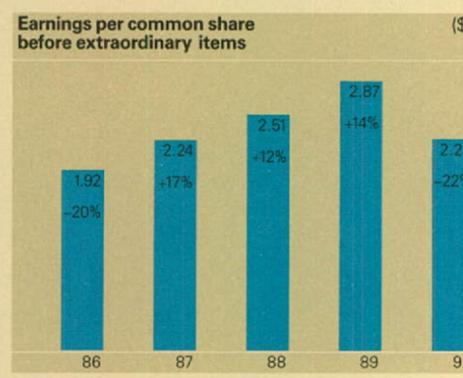
Interest expense increased in 1990 reflecting higher debt levels. Total debt, net of cash and short term investments, amounted to $2.1 billion at December 31, 1990 compared with $1.8 billion the previous year. The increase in debt is primarily due to the refinancing of $300 million of Imasco Financial Corporation preferred shares by debt at the Imasco Limited level on October 22, 1990 and is explained in greater detail under *Liquidity and capital resources*. The refinancing increased by an equivalent amount the Corporation's investment in Imasco Enterprises, the parent company of Imasco Financial Corporation. The weighted average interest rate on total debt was approximately 10.5% compared with 10.4% in 1989. Interest rates declined during the latter part of the year and this trend is expected to continue in 1991. Interest coverage, the ratio of earnings before interest and taxes to interest expense, was 2.8 in 1990 compared with 3.3 in 1989.

Interest expense decreased in 1989 compared with 1988 as a result of a reduction in long term debt. The 1989 reduction was principally the result of an issue of $150 million of Perpetual First Preference Shares and cash generated from business disposals in the Peoples Drug Stores and Hardee's segments. Higher interest rates partially offset the benefits of reduced levels of indebtedness.

The refinancing of the Imasco Financial Corporation preferred shares will increase interest expense in 1991 as the new debt will be outstanding for a full year. However, the higher interest expense, net of the associated tax savings, will be offset by an increased operating earnings contribution from Imasco Enterprises. The overall impact on net earnings will be minimal.

The Corporation's effective income tax rate, excluding equity earnings, increased to 32.3% from 31.3% the previous year. The increase is due to a change in the mix of earnings and the impact of the alternative minimum tax in the United States. During 1989, the effective income tax rate increased slightly from 31.0% in 1988. The Corporation continues to benefit from earnings in jurisdictions with lower rates of taxation than Canada. Such earnings reduced the effective tax rate by 8.9% in 1990 and by 8.5% in 1989. This benefit is dependent upon the continued existence of certain international tax treaties.

Net earnings attributed to preference shares increased in 1990 reflecting dividend payments for a full year on the $150 million of Perpetual First Preference Shares issued in March 1989. This share issue also caused the increase in 1989 net earnings attributed to preference shares.



The Corporation accounts for its investment in Imasco Enterprises by the equity method because the financial structure and operations of Imasco Enterprises and its subsidiaries differ significantly from the Corporation's other businesses.

During the year, the Canadian Institute of Chartered Accountants issued proposed modifications to existing accounting recommendations with respect to consolidation. Under these proposals, the Corporation would be required to consolidate its investment in Imasco Enterprises.

An unaudited Statement of Earnings prepared on this basis is presented as supplementary information on page 21. Use of this alternative accounting method does not change the amount of net earnings reported, but operating earnings in 1990 are increased by $220.2 million. Under the equity method, operating earnings are reduced by the amount of Imasco Enterprises' interest expense, provision for income taxes and minority interest. Assuming the consolidation of Imasco Enterprises, the percentage contribution to operating earnings of each of the Corporation's principal lines of business was: tobacco 43%, financial services 38%, restaurant 8%, drug store and other 11%. In 1989, the contribution was: tobacco 37%, financial services 37%, restaurant 13%, drug store and other 13%.

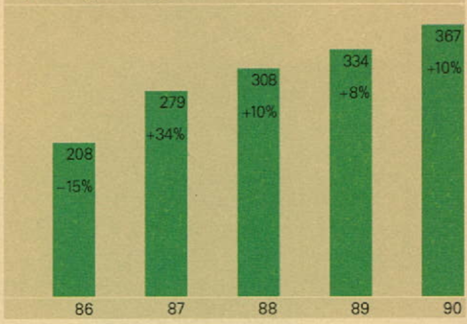
With significant operations in the United States, the Corporation is exposed to exchange rate fluctuations. The risk to both earnings and capital is minimized by the Corporation's practice of maintaining borrowings in US dollars. This exposure is managed with due consideration given to differing costs of borrowing in the two currencies. The average rate of exchange in 1990 was approximately US $1 = Cdn $1.17 compared with US $1 = Cdn $1.18 in 1989 and US $1 = Cdn $1.23 during 1988. Exchange rate variations from 1989 to 1990 did not have a significant impact on 1990 net earnings. However, 1989 net earnings would have been $3 million higher had there been no change in exchange rates from 1988.

Imperial Tobacco

The principal activity of Imperial Tobacco is the manufacture and domestic sale of cigarettes. Revenues in 1990 increased due to tax and price increases. This was also the case in 1989. Shipments during the year were 27.6 billion units compared with 27.5 billion units in 1989, and 28.7 billion units in 1988. Imperial Tobacco's share of this market increased from 57.9% in 1989 to 60.0% in 1990, while industry shipments during the year declined 3.5%. The growth in market share came principally from the two main brand families – Player's and du Maurier. This trend is expected to continue in the future. During 1989, market share increased 1.7 share points.

The operating earnings increases in 1990 and 1989 are due primarily to price increases

Imperial Tobacco ($ millions)
Operating earnings



and to some extent productivity improvements. Operating earnings as a percentage of revenues, net of sales and excise taxes, were 38.1%, up from 37.3% in 1989.

A number of factors may affect the future profitability of Imperial Tobacco and the Canadian tobacco industry, the magnitude of which is impossible to predict.

Significant tobacco tax increases by both the federal and provincial governments in past years have adversely affected unit sales volumes. Federal legislation which became effective in 1989 prohibits, with some transitional provisions, the Canadian advertising and promotion of tobacco products and governs the labelling and monitoring of such products. Imperial Tobacco and the Canadian manufacturers have challenged the constitutional validity of this legislation. The trial before the Québec Superior Court ended in December 1990 and the judgment has not yet been rendered.

Legislation at various levels of government increasingly restricts smoking in public areas and societal pressures continue to disfavour smoking.

Despite these factors, Imperial Tobacco's operating earnings, cash flow and market share are expected to grow in 1991.

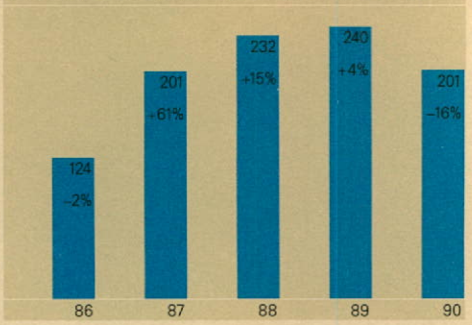
Imasco Enterprises/CT Financial Services

The revenues of Imasco Enterprises totalled $4.6 billion in 1990 compared with $4.2 billion in 1989, an increase of 8%. As a result of the use of the equity method of accounting, the revenues of Imasco Enterprises are not included in the Corporation's reported revenues. They are, however, included in system-wide sales.

CT Financial Services, the principal operating subsidiary of Imasco Enterprises, was the source of the increase in revenues. CT Financial Services' investment income increased 14% to $4.0 billion, fees increased 13% to $247.7 million and gross real estate sales commissions decreased 30% to $137.5 million.

CT Financial Services' net earnings attributed to common shareholders decreased 16% to $201.4 million. The weakened Canadian economy had a considerable impact on CT Financial Services' operations during 1990. Deteriorating economic conditions negatively affected deposit and residential mortgage growth and also contributed to a deterioration in asset quality and significantly increased loan loss provisions. In 1990, growth in deposits was 7% compared with 11% in 1989, and loan growth of 5% was lower than the 7% registered in 1989.

CT Financial Services ($ millions)
Net earnings attributed to common shareholders



Loan loss provisions were increased with $70 million charged to earnings. These provisions were made primarily for investment losses on credit cards, conventional and commercial mortgages and corporate loans. During 1989, $30 million was charged to earnings principally to provide for losses on credit card receivables. Non-performing investments were $189.2 million at December 31, 1990 compared with $80.5 million the previous year. This represented 0.54% of total investments compared with 0.25% in 1989. An allowance for investment losses is provided for known potential credit risks. CT Financial Services controls credit risk through diversification, strict lending and investment criteria, and limits on exposure to individual borrowers. The allowance for investment losses amounted to $88.9 million at December 31, 1990 which provided a coverage of non-performing investments of 0.47 times compared with 0.80 times at December 31, 1989. The allowance should be adequate to absorb all investment losses including any credit problems which may result from anticipated further deterioration of the Canadian economy.

Expressed as an annualized return on average corporate assets, net earnings were 63 cents per $100 compared with 79 cents in 1989. Return on common shareholders' average equity, fully diluted, was 13.2% compared with 17.3% in 1989. Adjusted to a taxable equivalent basis, net interest rate differential before provision for investment losses increased to 2.47% from 2.37% in 1989. A favourable matching position proved advantageous as interest rates declined on average during the year.

A reconciliation of CT Financial Services' net earnings attributed to common shares to the Corporation's equity in net earnings of Imasco Enterprises is provided on page 49. Minority interest decreased due to lower net earnings of CT Financial Services and to reduced dividends on $300 million of Imasco Financial Corporation preferred shares which were redeemed on October 22, 1990. Reduced earnings from Genstar Development Company and losses on the disposal of venture capital investments contributed to the increased loss from financing and other activities.

Effective January 1, 1991, CT Financial Services will be required to pay the Goods and Services Tax (GST) on various goods and services acquired for its operations. CT Financial Services will not be entitled to a refund of GST paid on goods and services acquired to support services provided to customers that are not taxed. Since most financial services provided to customers fall in this category, the GST will result in increased operating costs and price increases on loans and services to customers. It is expected that part of the GST will be absorbed by the company.

In September, the federal government introduced new draft legislation that would replace the Trust Companies Act (Canada) and the Loan Companies Act (Canada) with a single new loan and trust companies statute. The draft legislation proposes to ease current restrictive investment limits and permit full commercial lending powers. With certain restrictions, financial institutions would be permitted to diversify by acquiring institutions in other segments of the financial services industry. Canada Trust would not be permitted to own banks or enter into the auto leasing and insurance retailing fields. Included is a provision which, if enacted as proposed, would require the Corporation to reduce its voting shareholding in CT Financial Services within five years of the bill coming into force to no more than 65%. The bill is the first in a series of bills to reform the laws relating to trust and loan companies, banks, insurance companies and other financial institutions. Only the proposed legislation pertaining to trust and loan companies and banks has been made public to date. Until such time as this draft legislation and regulations are passed in final form, it is not possible to quantify the effects, if any, on CT Financial Services' regulated subsidiaries or its business prospects.

In September, CT Financial Services announced its intention to purchase a minimum of 85% of the common shares of First Federal Savings and Loan Association of Rochester through a US $150 million contribution to capital. Capital funds are currently available to fund the acquisition. The acquisition, expected to close in 1991, is subject to U.S. regulatory approvals and to First Federal maintaining certain prescribed financial ratios to closing. First Federal is one of the largest mutual savings and loan operations in the United States. It has assets of US $5.6 billion and 65 retail banking offices throughout New York State. The acquisition is not expected to have a material impact on earnings in 1991.

The year ahead is expected to be challenging for CT Financial Services. Adverse economic conditions in Canada will affect growth in deposits, net investment income, asset quality and net earnings. Although balance sheet growth is expected to be below the long term target, CT Financial Services' policy of minimizing risk through conservative balance sheet and interest rate sensitivity management will minimize the effects on earnings and will ensure the maintenance of a strong earnings performance relative to the economic climate.

Hardee's Food Systems

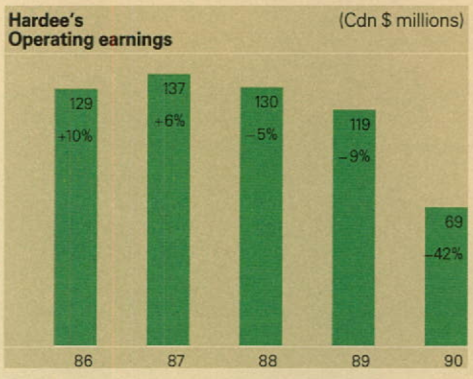
The acquisition of the Roy Rogers chain was completed in April 1990 and consisted of 363 company-operated and 285 licensed restaurants. The acquisition, together with the net addition of 76 restaurants primarily through new restaurant openings, resulted in increased system-wide sales and revenues. At year end, the system consisted of 1,352 company-operated and 2,670 licensed restaurants. System-wide average sales volume per restaurant increased 2% to US $940,000. For company-operated restaurants, the increase in average sales volume was 1% to US $877,000. The disappointing sales results are attributable to extensive price discounting throughout the industry and to weaknesses in competitive marketing activities. The latter deficiency was addressed at the end of the year after a comprehensive review of the marketing program. A downturn in the U.S. economy, particularly in the second half of the year, also contributed to disappointing results.

The share of customer traffic of Hardee's restaurants in the sandwich category of the quick service restaurant industry during 1990 increased from 9.9% to 10.1%. Together with the Roy Rogers restaurants, total share of customer traffic in 1990 was 11.3%. On this measure, Hardee's outperformed its three major competitors. However, the major chains are facing increasingly strong competition from smaller chains, other sectors of the quick service restaurant industry and other non-traditional sources.

The increases in system-wide sales and revenues in 1989 were also due to additional locations. During 1989, the number of company-operated and licensed restaurants increased by 48 and 133, respectively. System-wide average sales volume per restaurant increased slightly in 1989. The 1989 share of customer traffic in the sandwich category remained unchanged from 1988.

Operating earnings decreased during 1990 to US $59.4 million from US $100.3 million in 1989. With a stronger Canadian dollar in 1990, the rate of decline in Canadian dollar operating earnings is greater. The decrease reflects lower profit contribution at the restaurant level which in turn was due to weak sales. In 1990, a special charge of US $7 million was recorded as a result of a program to reduce staff positions at Hardee's principal and area offices. In addition, the program resulted in increased pension costs.

Results of the 156 Roy Rogers restaurants which converted to the Hardee's format did not meet expectations as the strength of the Roy Rogers trademark and the popularity of certain of its products were underestimated. These factors are now understood and corrective action was taken late in the year. Subsequent to the acquisition, Roy Rogers fried chicken has been added to the menu of 328 Hardee's restaurants with favourable results.



Hardee's reported operating earnings also decreased in 1989. However, exchange rate fluctuations and the sale and leaseback of company-operated restaurants in 1988 affect the comparison between 1989 and 1988. After adjustment for the sale and leaseback transactions, operating earnings in US dollars increased 2% in 1989 from the previous year. This was principally due to higher revenues.

Fast Food Merchandisers, the manufacturing and distribution arm of Hardee's, increased revenues and maintained operating earnings in 1990 due to an expanded customer base.

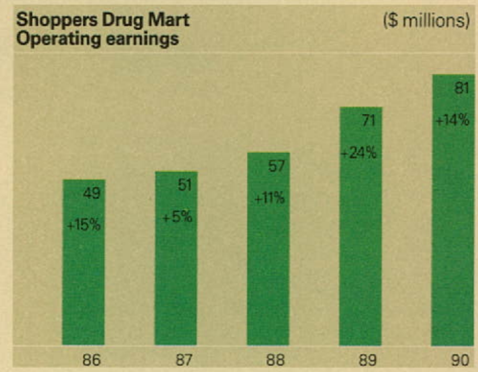
Hardee's financial performance in 1991 will depend on its ability to generate sales increases and contain costs in order to compensate for pricing pressure in a very competitive and recessionary environment.

Shoppers Drug Mart

In 1990, significant increases were reported in system-wide sales, revenues and operating earnings despite the weak Canadian economy. The increase in system-wide sales and revenues is due to additional stores and increased volume at existing stores. The net addition of 12 stores during 1990 brought the total at year end to 645. Comparable store sales increased 7.5% in comparison with a 7.9% increase in 1989. Prescription sales, which accounted for 25% of total sales in 1990, were up 13% on a comparable basis.

System-wide sales increased in 1989 while reported revenues decreased. The decline in revenues was due to the conversion of the company-operated Howie's stores to associate-operated Shoppers Drug Mart stores. For a proper comparison of 1989 and 1988 revenues, the sales of the Howie's stores would have to be excluded from 1988 revenues. On this basis, revenues increased 19% in 1989. The conversion has no impact on the comparison between 1990 and 1989.

Increased store sales volumes resulted in higher operating earnings in 1990 and 1989.

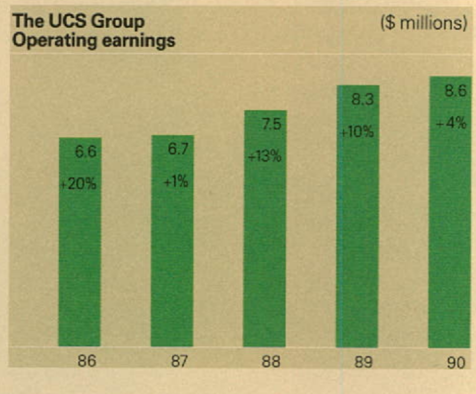


The upcoming year will be challenging for Shoppers Drug Mart. It is expected that the retail market in Canada will be soft well into 1991. The introduction of the GST has resulted in a considerable one-time transition cost and will have an uncertain effect on sales and costs. Action being taken by the governing bodies of pharmacists in Québec and Ontario towards banning the sale of tobacco products in drug stores, Sunday closing legislation and limitations on compensation provided on prescriptions covered by government and health insurance plans are other issues being addressed by Shoppers Drug Mart.

Historically, Shoppers Drug Mart has produced excellent results even in difficult economic times. Operating earnings in 1991 are expected to continue to grow.

The UCS Group

Revenues increased in 1990 primarily through increased sales volumes at existing stores. The number of stores at December 31, 1990 totalled 533, a net addition of two stores during the year. Comparable store sales increased 8% in 1990 compared with 11% in 1989. The increase in operating earnings is due to the increase in revenues with little change in gross margins. In 1991, The UCS Group faces a difficult retail environment and a declining demand for tobacco products. Although The UCS Group faces these challenges as the leader in its market, earnings growth in 1991 could be affected.



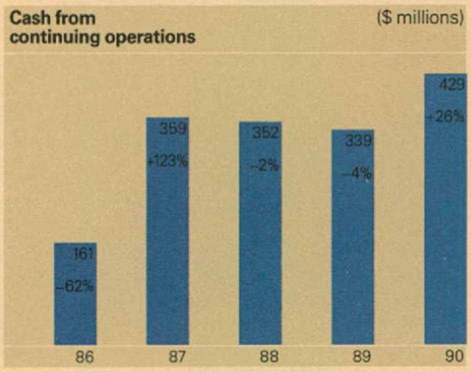
Inflation

In recent years, inflation has not had a material effect on the operations of the Corporation. The potential impact is most pronounced in the financial services sector. In the past, sharp changes in the inflation rate led to material changes in the borrowing and depositing practices of customers. Inflation expectations are reflected in the interest rate expectations of depositors and borrowers and in the selection of deposit and loan instruments. CT Financial Services attempts to control the potential effects of inflation by paying close attention to asset-liability management policies.

Financial condition

Cash from operations

The major components of cash from continuing operations are earnings from continuing operations adjusted for non-cash items and variations in working capital requirements. Consequently, the decline in 1990 earnings had a direct negative impact. A large portion of the equity in net earnings of Imasco Enterprises is not received in cash by the Corporation. Cash distributions from Imasco Enterprises to the Corporation decreased during the year to \$22.2 million from \$64.5 million in 1989 primarily due to debt repayments in 1990 and non-recurring proceeds from the disposal of venture capital investments in 1989. The principal source of cash for Imasco Enterprises is dividends received from CT Financial Services which amounted to \$93.1 million in 1990 and \$87.2 million in 1989. Depreciation and amortization charges, which reduce earnings but do not require an outlay of cash, increased by \$26.2 million primarily due to the acquisition of the Roy Rogers restaurant business.



Cash from continuing operations (\$ millions)

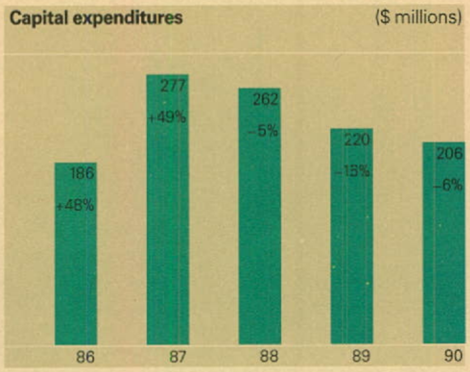
Included in cash generated from changes in working capital are proceeds of \$100.0 million from the sale by Imperial Tobacco of a designated pool of accounts receivable. Other working capital changes, excluding business acquisition and disposal activities, were not significant in total.

Operations at Peoples Drug Stores prior to disposal reduced cash from operating activities by \$12.2 million.

The 1989 decrease in cash from continuing operations was due to higher working capital requirements at Imperial Tobacco, net of increased cash generated through earnings.

Capital expenditures/Asset sales

Capital expenditures on property, plant and equipment for each operating company are listed on page 42. The majority of capital spending continues to be made at Hardee's. Capital expenditures at Hardee's were reduced in 1990 due to significantly fewer company restaurant openings. Adding to capital demands was the conversion of Roy Rogers restaurants to the Hardee's format. Maintenance and renovation expenditures were in line with the previous year. Capital expenditures by Hardee's in 1989 were significantly lower than in 1988. Funds generated by the first restaurant sale and leaseback transaction in February 1988 had permitted a more aggressive capital spending program in that year and consequently had reduced requirements in 1989.



Capital expenditures (\$ millions)

Although the program of converting Roy Rogers restaurants will continue throughout 1991, total capital expenditures by Hardee's should be significantly reduced. The bulk of this reduction will come from reduced spending on new restaurants. This comes as a result of the objective to reduce the ratio of company-operated to licensed restaurants. New restaurant development will be mostly in the form of licensed restaurants with less demand placed on internal capital resources. In addition, efforts will be made to sell a number of company-operated restaurants to licensees. This activity commenced in 1990 and, given favourable market conditions, should continue over the next three years. Proceeds from the sale of company-operated restaurants in 1990 were in the form of cash and notes receivable. Expenditures on the maintenance and renovation of existing restaurants will form a large part of future spending but will be in line with previous years.

Capital expenditures by Shoppers Drug Mart and The UCS Group are primarily on store remodellings and openings while Imperial Tobacco's expenditures are primarily productivity oriented. Capital expenditures at these operating companies in 1991 will not vary significantly from 1990.

Total additions to fixed assets in 1991 are estimated at \$150 million and will be funded internally.

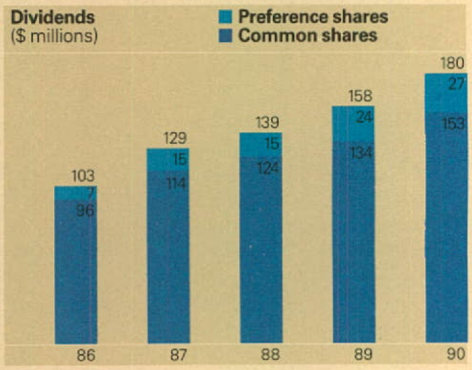
Business acquisitions/disposals

In April 1990, the Corporation purchased the Roy Rogers restaurant business for a total cash consideration of \$427.2 million (US \$365 million). The purchase was financed by approximately \$234 million (US \$200 million) cash on hand and the remainder by the issue of promissory notes. Further details of the acquisition are provided in Note 1 on page 33. In September 1990, the Corporation sold Peoples Drug Stores for cash proceeds of \$374.7 million (US \$325 million) which were applied to reduce indebtedness. Additional disclosure is provided in Note 2 on page 33.

During 1989, the Corporation generated net proceeds of \$201.1 million from business disposals. This was primarily the result of a program to restructure the operations of Peoples Drug Stores which resulted in the disposal of 325 stores mainly in Ohio, Indiana and Georgia. During 1989, the operations of Grisanti, Inc. were also disposed of by Hardee's.

Dividends

Dividend payments per class of share are listed in Note 14 on page 40. The 1990 increase in common share dividend payments is due to the increase in the annual per share dividend rate from \$1.12 to \$1.28. The 1990 per common share dividend represented 45% of the prior year earnings per common share. In 1989, this ratio was also 45%. The increase in 1989 dividend payments was due to an eight cent per share increase in the common share annual dividend rate and the issue in March 1989 of \$150 million of



Dividends (\$ millions)

Perpetual First Preference Shares. Based on the indicated annual dividend rate of \$1.28

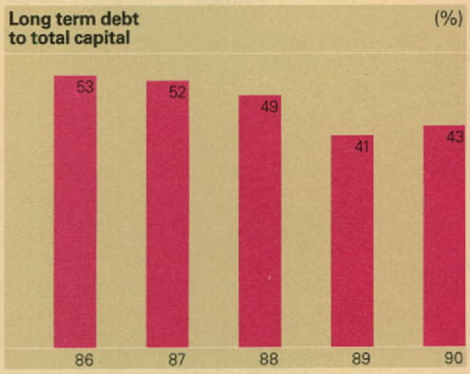
per common share and the outstanding capital stock at December 31, 1990, dividend requirements in 1991 on all classes of shares are expected to approximate $180 million. These requirements will be funded internally through operations.

Liquidity and capital resources

During 1990, cash resources, defined as cash and short term investments less short term borrowings, decreased to $21.0 million from $96.5 million at the end of 1989. Short term investments declined significantly as approximately US $200 million, invested temporarily at December 31, 1989, was used in the purchase of the Roy Rogers restaurant business in April 1990. Short term borrowings decreased due to the application of proceeds from the sale of accounts receivable and due to excess cash generated from operations throughout the year. The working capital balance at December 31, 1990 is $343.4 million lower than 1989 principally due to the disposal of Peoples Drug Stores in September 1990. The ratio of current assets to current liabilities was 1.5 : 1 at December 31, 1990 compared with 1.8 : 1 and 1.7 : 1 the two previous years.

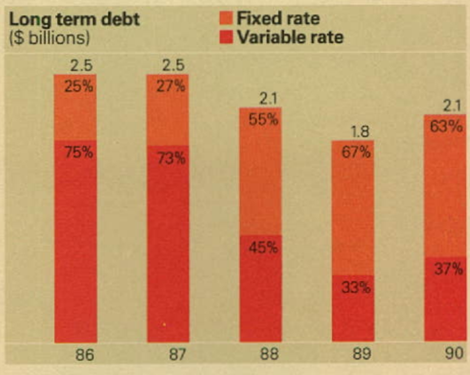
The Corporation maintains committed credit facilities with various financial institutions which make available significant financial resources and provide the Corporation with the flexibility to meet short and long term borrowing requirements. At December 31, 1990, the Corporation had US $1.5 billion available under committed long term credit facilities, of which US $809 million was being utilized by direct borrowings and to back up issues of promissory notes in Canada and Europe.

The long term debt of the Corporation is detailed in Note 7 on page 36. Long term debt increased as a result of refinancing the $300 million preferred shares of Imasco Financial Corporation at the Imasco Limited level by the issue of $150 million of 11.85% debentures due February 1996 and $150 million of promissory notes, and the acquisition of the Roy Rogers restaurant business. The increase in long term debt was partially offset by proceeds from the disposal of Peoples Drug Stores and positive cash flows from operations. On the translation of US dollar debt to Canadian dollars, the stronger Canadian dollar reduced the amount of debt reported. The ratio of long term debt to total capital was 43.2% at December 31, 1990 compared with 41.4% last year and 48.7% in 1988.



Because the Corporation accounts for its investment in Imasco Enterprises by the equity method, its capital structure does not include third party debt of Imasco Enterprises and its subsidiaries. These are listed on page 46. Imasco Enterprises funds its interest requirements internally through operations.

Increases in interest rates pose a risk to the Corporation's earnings. This risk is managed by reviewing the relationship of fixed rate debt to variable rate debt in light of existing and anticipated market conditions. At December 31, 1990, fixed rate debt represented approximately 63% of long term debt compared with 67% at December 31, 1989. Included in these amounts are interest rate swaps through which the interest on $166.0 million of variable rate term loans has effectively been converted to a fixed interest rate.



In 1991, US $150 million of 8⅛% notes and $33.6 million of medium term notes become due. The Corporation may refinance these obligations through existing committed long term credit facilities or, depending upon market conditions, by accessing the long term capital markets.

In August 1990, the Board of Directors authorized a normal course issuer bid to purchase up to five million Imasco Limited common shares, or approximately 4% of the common shares issued and outstanding. The Corporation's issued share capital is nearing its authorized limit and the intention is to purchase a modest number of shares to cover future allotments of options under its stock option plan. While there is no present intention to do so, the Corporation may also purchase common shares to make shares available for issue for other purposes or as an economic investment for the purpose of creating shareholder value. Shares may be purchased at the prevailing market price and such purchases will terminate no later than August 5, 1991. The Corporation may renew the program at that time. During 1990, the Corporation purchased 183,000 common shares for cancellation for a total cash consideration of $5.5 million.

Liquidity for 1991

Cash requirements in 1991 for operations, capital expenditures and dividends are expected to be funded internally through operations. Sufficient credit facilities exist to meet other cash requirements where necessary.

Management's Responsibility for Consolidated Financial Statements

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

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

In fulfilling their responsibilities, management of Imasco and its subsidiaries developed and continue to maintain a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and that the financial records are reliable for preparing the financial statements.

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

The financial statements have been audited by Deloitte & Touche, Chartered Accountants, and their report follows.

Purdy Crawford

Purdy Crawford
Chairman and Chief Executive Officer

R. Guyatt

Raymond E. Guyatt, C.A.
Executive Vice-President and
Chief Financial Officer

February 6, 1991

Auditors' Report

To the Shareholders of Imasco Limited

We have audited the consolidated balance sheets of Imasco Limited as at December 31, 1990, 1989 and 1988 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1990, 1989 and 1988 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Deloitte & Touche

Chartered Accountants
Montréal, Canada

February 6, 1991

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and, with respect to the Corporation's continuing operations, reflect the policies listed below.

Basis of presentation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries, except Imasco Enterprises Inc. and its subsidiaries which include CT Financial Services Inc. Imasco Enterprises Inc., a financial services company, is accounted for by the equity method because its financial structure and operations differ significantly from the Corporation's other businesses. Certain subsidiaries with limited activity, which were formerly subsidiaries of Imasco Enterprises Inc. and are not significant as a whole, continue to be accounted for by the equity method. The condensed consolidated financial statements of Imasco Enterprises Inc., which commence on page 44, are an integral part of the consolidated financial statements of the Corporation.

Licence and service fee income

Initial licence fee (Restaurant): recognized as income upon the opening of a restaurant. Continuing service fees (Restaurant and Drug store): recognized as income as a variable percentage of sales of licensed restaurants and associate drug stores.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined substantially as follows: Tobacco – average cost; Restaurant – first-in, first-out; The UCS Group – retail inventory method.

Investments and notes receivable

Investments are stated at cost and are written down to reflect impairments in value which are other than temporary. Notes receivable are stated at their estimated net realizable value.

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 over the life of the instruments to which they relate except as follows: Drug store opening costs – recovered from drug store associates over three years, commencing the thirteenth month after opening. Restaurant and other store opening costs – first year of operation.

Property, plant and equipment

Property, plant and equipment are accounted for at cost. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the principal classes of assets range from 20 to 40 years for buildings and from two to 20 years for equipment. Leasehold improvements and property under capital leases are amortized on a straight-line basis over the lesser of the estimated useful lives of the assets and the term of the lease.

Goodwill

Goodwill and related costs arising from acquisitions are capitalized and amortized on a straight-line basis over their estimated lives not exceeding 40 years.

Imasco Limited
Consolidated Statement of Earnings and
Consolidated Statement of Retained Earnings
For the years ended December 31

Consolidated Statement of Earnings

	1990	1989	1988
	Millions of dollars, except earnings per common share		
Revenues	**5,234.0**	**4,517.5**	**4,159.0**
Sales and excise taxes	1,744.5	1,489.4	1,156.1
	3,489.5	3,028.1	3,002.9
Operating costs	2,964.1	2,496.6	2,500.0
	525.4	531.5	502.9
Equity in net earnings of Imasco Enterprises (Note 6)	101.6	152.5	142.1
Operating earnings	**627.0**	**684.0**	**645.0**
Corporate expense	32.0	31.6	28.5
Interest expense (Note 11)	212.9	195.5	216.9
Earnings before income taxes	382.1	456.9	399.6
Provision for income taxes (Note 12)	90.7	95.4	79.7
Earnings from continuing operations	**291.4**	**361.5**	**319.9**
Discontinued operations (Note 2)	3.7	4.6	(5.6)
Earnings before extraordinary items	**295.1**	**366.1**	**314.3**
Extraordinary items (Note 13)	–	–	(110.0)
Net earnings	**295.1**	**366.1**	**204.3**
Net earnings attributed to			
Preference shares	27.0	24.3	15.1
Common shares	268.1	341.8	189.2
	295.1	**366.1**	**204.3**
Earnings per common share (Note 8)			
Earnings from continuing operations	**$2.22**	**$2.83**	**$2.56**
Earnings before extraordinary items	**$2.25**	**$2.87**	**$2.51**
Net earnings	**$2.25**	**$2.87**	**$1.59**

Consolidated Statement of Retained Earnings

	1990	1989	1988
	Millions of dollars		
Beginning of year	1,505.7	1,299.1	1,233.9
Net earnings	295.1	366.1	204.3
Dividends (Note 14)	(179.6)	(157.8)	(139.1)
Other capital transactions (Note 16)	(5.7)	(1.7)	–
End of year	**1,615.5**	**1,505.7**	**1,299.1**

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

Imasco Limited
Consolidated Balance Sheet
December 31

		1990	1989	1988
				Millions of dollars
Assets	Cash and short term investments	85.6	301.8	132.0
	Accounts and other receivables	236.0	331.3	282.8
	Inventories	491.7	767.8	900.8
	Prepaid expenses	18.2	35.0	48.1
	Current assets	**831.5**	**1,435.9**	**1,363.7**
	Investments and notes receivable (Note 3)	154.4	113.5	103.9
	Deferred charges (Note 4)	102.2	63.1	82.6
	Property, plant and equipment (Note 5)	1,088.1	911.4	942.4
	Goodwill	200.7	153.9	162.2
	Investment in Imasco Enterprises (Note 6)	3,068.1	2,700.2	2,655.4
	Other assets	**4,613.5**	**3,942.1**	**3,946.5**
		5,445.0	**5,378.0**	**5,310.2**
Liabilities	Bank and other short term loans	64.6	205.3	102.0
	Accounts payable and accrued liabilities	401.9	502.9	612.0
	Income, excise and other taxes	81.9	101.0	68.4
	Current portion of long term debt (Note 7)	10.0	10.2	14.8
	Current liabilities	**558.4**	**819.4**	**797.2**
	Long term debt (Note 7)	2,072.3	1,840.6	2,143.6
	Deferred income taxes	14.5	22.1	15.0
	Other liabilities	**2,086.8**	**1,862.7**	**2,158.6**
Deferred credits	Deferred gain (Note 9)	**79.9**	**85.5**	**93.4**
Shareholders' equity	Capital stock (Note 8)	1,155.6	1,155.5	1,004.4
	Unrealized loss on foreign currency translation	(51.2)	(50.8)	(42.5)
	Retained earnings	1,615.5	1,505.7	1,299.1
	Shareholders' equity	**2,719.9**	**2,610.4**	**2,261.0**
		5,445.0	**5,378.0**	**5,310.2**

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

Approved by the Board,

Purdy Crawford

Purdy Crawford, Director

Murray B. Koffler

Murray B. Koffler, C.M., Director

Imasco Limited
Consolidated Statement of Changes in Financial Position
For the years ended December 31

		1990	1989	1988
				Millions of dollars
Operating activities	Earnings from continuing operations	291.4	361.5	319.9
	Items not affecting cash			
	Equity earnings not received in cash	(79.4)	(88.0)	(80.2)
	Depreciation and amortization	158.6	132.4	119.4
	Other items	(22.1)	(12.1)	(32.7)
	Funds from continuing operations	348.5	393.8	326.4
	Change in non-cash operating working capital	80.3	(54.7)	25.5
	Cash from continuing operations	**428.8**	**339.1**	**351.9**
	Discontinued operations	(12.2)	3.0	77.4
	Total cash from operating activities	**416.6**	**342.1**	**429.3**
Financing activities	Issue of long term debt	427.2	31.5	450.4
	Repayment of long term debt	(187.2)	(317.7)	(704.3)
	Change in capital stock	0.1	151.1	–
	Dividend payments	(179.6)	(157.8)	(139.1)
	Other capital transactions	(5.7)	(1.7)	–
	Total cash from (used for) financing activities	**54.8**	**(294.6)**	**(393.0)**
Investing activities	Business disposals	374.7	201.1	–
	Business acquisition	(426.6)	–	–
	Other changes in the investment in Imasco Enterprises	(288.5)	43.2	38.3
	Purchases of property, plant and equipment	(206.1)	(220.3)	(262.0)
	Disposals of property, plant and equipment	67.6	27.3	361.8
	Deferred charges	(18.7)	(7.6)	(19.5)
	Change in investments and notes receivable	(41.2)	(11.8)	(8.7)
	Discontinued operations	(8.1)	(12.9)	(51.4)
	Total cash from (used for) investing activities	**(546.9)**	**19.0**	**58.5**
Cash and cash equivalents	From operating activities	416.6	342.1	429.3
	From (used for) financing activities	54.8	(294.6)	(393.0)
	From (used for) investing activities	(546.9)	19.0	58.5
	Increase (decrease) for the year	**(75.5)**	**66.5**	**94.8**
	Beginning of year	96.5	30.0	(64.8)
	Increase (decrease) for the year	(75.5)	66.5	94.8
	End of year	**21.0**	**96.5**	**30.0**
	Cash and short term investments	85.6	301.8	132.0
	Bank and other short term loans	(64.6)	(205.3)	(102.0)
		21.0	**96.5**	**30.0**

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

All tabular figures are in millions of dollars

1. Business acquisition

On April 13, 1990, the Corporation acquired the Roy Rogers restaurant business for a total cash consideration of $427.2 million (US $365.0 million). At that time, the Roy Rogers chain consisted of 648 restaurants (363 company-operated and 285 licensed) located primarily in the metropolitan New York, Washington, Baltimore and Philadelphia areas. The acquisition was financed with cash on hand of approximately $234 million (US $200 million) and the remainder by the issue of promissory notes.

Details of the acquisition, which was accounted for by the purchase method of accounting, are as follows:

	1990
Assets at assigned values	
Cash	0.6
Other current assets	11.1
Investments and notes receivable	6.9
Deferred charges	41.7
Property, plant and equipment	286.3
Intangibles	148.0
	494.6
Liabilities at assigned values	
Current liabilities	67.4
Total cash consideration	**427.2**

2. Discontinued operations

On June 25, 1990, the Corporation announced that it had reached an agreement in principle to sell its U.S. based drug store operations, Peoples Drug Stores, Incorporated. The sale was completed on September 17, 1990 for a total cash consideration of $374.7 million (US $325.0 million).

The Corporation has adopted on a prospective basis the new recommendations of the Canadian Institute of Chartered Accountants on the reporting of discontinued operations. Accordingly, the results of Peoples Drug Stores for the current year and prior years are disclosed separately from the results of continuing operations.

The results of operations reported for 1990 are those to June 25, 1990. The results of operations between this date and the disposal date, September 17, 1990, are included in the amount reported as net gain on sale.

The assets and liabilities of Peoples Drug Stores as at December 31, 1989 and December 31, 1988 are included in the Corporation's Consolidated Balance Sheet as previously reported. (Refer to Note 19 on page 42)

This change in accounting policy has had no effect on the net earnings of the Corporation.

The results for Peoples Drug Stores are summarized below:

	1990	1989	1988
Revenues[1]	615.2	1,207.2	1,841.6
Operating costs	609.3	1,199.2	1,849.9
Operating earnings	5.9	8.0	(8.3)
Interest expense	0.3	0.7	0.7
Earnings before income taxes	5.6	7.3	(9.0)
Provision for income taxes	2.1	2.7	(3.4)
Net earnings	3.5	4.6	(5.6)
Net gain on sale[2]	0.2	–	–
	3.7	**4.6**	**(5.6)**

[1] In addition, revenues between June 25, 1990 and September 17, 1990 amounted to $254.4 million.

[2] Includes the net loss from operations between June 25, 1990 and September 17, 1990 of $1.8 million (net of tax recovery of $1.1 million) and the gain on sale of $2.0 million (net of tax of $1.2 million).

All tabular figures are in millions of dollars

3. Investments and notes receivable

	1990	1989	1988
Notes receivable – restaurant licensees			
and drug store associates	103.4	57.1	50.4
Real estate partnership (Note 9)	16.0	17.1	19.1
Other	35.0	39.3	34.4
	154.4	**113.5**	**103.9**

4. Deferred charges

	1990	1989	1988
Cost of leases acquired and other			
acquisition costs	83.2	38.6	40.8
Financing costs	5.9	7.6	10.3
Promotion and advertising costs	4.2	4.6	10.0
Costs of opening facilities	4.3	5.2	6.5
Other	4.6	7.1	15.0
	102.2	**63.1**	**82.6**

Amortization of deferred charges from continuing operations amounted to $17.0 million during 1990 (1989 – $18.8 million; 1988 – $9.3 million).

5. Property, plant and equipment

	1990	1989	1988
Land	108.8	59.8	52.5
Buildings	300.2	267.7	242.2
Equipment	829.3	815.1	822.2
Leasehold improvements	466.5	403.5	415.6
Property under capital leases	35.5	38.9	43.6
	1,740.3	1,585.0	1,576.1
Accumulated depreciation and amortization	(652.2)	(673.6)	(633.7)
	1,088.1	**911.4**	**942.4**

Accumulated depreciation and amortization is summarized below:

	1990	1989	1988
Buildings	70.2	65.1	62.0
Equipment	421.3	429.4	396.8
Leasehold improvements	137.0	156.3	152.8
Property under capital leases	23.7	22.8	22.1
	652.2	**673.6**	**633.7**

Depreciation and amortization expense from continuing operations on property, plant and equipment is summarized below:

	1990	1989	1988
Buildings	12.3	10.6	16.1
Equipment	97.1	76.1	72.5
Leasehold improvements	25.7	23.2	17.8
Property under capital leases	2.0	1.5	1.4
	137.1	**111.4**	**107.8**

All tabular figures are in millions of dollars

6. Investment in Imasco Enterprises

Imasco Enterprises Inc. was established in 1986 to acquire Genstar Corporation. It is composed primarily of an indirect ownership interest in approximately 98.0% of the common shares of CT Financial Services Inc. In addition, Imasco Enterprises Inc. consolidates the assets, liabilities and results of certain other financial services and real estate activities and investments. The investment in Imasco Enterprises also includes other companies with limited activities which were previously subsidiaries of Imasco Enterprises Inc.

Condensed consolidated financial statements of Imasco Enterprises Inc. are presented commencing on page 44.

On September 27, 1990, draft legislation was tabled in the House of Commons to comprehensively revise existing law governing federal trust and loan corporations. The legislation provides for significant changes in respect of the regulation of the financial services industry, the powers of financial institutions and the ownership of financial institutions.

Included in the draft legislation is a provision which, if enacted as proposed, would require the Corporation to reduce its shareholding in CT Financial Services Inc. within five years of the bill coming into force to no more than 65% of the voting shares outstanding. The bill is the first of a series of bills to reform the laws relating to the financial services industry. Only the proposed legislation pertaining to trust and loan companies and banks has been made public to date. The federal government's stated policy is that it will bring all of these bills into force at the same time. Because of the scope of this task, it is difficult to predict when these laws will come into force.

In September 1990, CT Financial Services agreed to purchase a majority interest in First Federal Savings and Loan Association of Rochester through a contribution to capital of US $150.0 million. First Federal is one of the largest mutual savings and loan operations in the United States with assets of US $5.6 billion and 65 retail banking offices throughout New York State. The transaction will require conversion of First Federal from a mutual organization to a stock company in which current depositors will have the opportunity to purchase up to 15% of the common shares with CT Financial Services holding the remainder.

It is anticipated that the transaction will be completed in 1991, following regulatory approval. CT Financial Services has the right to withdraw from the transaction should First Federal not meet certain prescribed financial ratios to the date of closing.

A reconciliation of Imasco Enterprises Inc.'s net earnings to the Corporation's equity in net earnings of Imasco Enterprises is as follows:

	1990	1989	1988
Net earnings of Imasco Enterprises Inc.	147.6	221.3	196.1
Net loss of other companies	(13.0)	(6.0)	–
Interest expense on advances from Imasco Enterprises Inc. and other companies, net of tax	(30.8)	(60.6)	(51.8)
Amortization of intangibles	(2.2)	(2.2)	(2.2)
Equity in net earnings of Imasco Enterprises	**101.6**	**152.5**	**142.1**

A reconciliation of Imasco Enterprises Inc.'s shareholders' equity to the Corporation's investment in Imasco Enterprises is as follows:

	1990	1989	1988
Shareholders' equity of Imasco Enterprises Inc.	2,960.5	3,243.9	3,299.4
Net advances from Imasco Enterprises Inc.	(2.4)	(671.2)	(709.3)
Shareholder's equity of and advances from other companies	49.1	64.4	–
Intangibles, net of accumulated amortization of $10.2 million (1989 – $8.0 million; 1988 – $5.8 million)	60.9	63.1	65.3
Investment in Imasco Enterprises	**3,068.1**	**2,700.2**	**2,655.4**

The intangibles resulted from acquisition expenses and financing costs capitalized by the Corporation.

All tabular figures are in millions of dollars

7. Long term debt

	1990	1989	1988
Term loans (unsecured)[1,2,3]	926.6	766.3	1,072.5
Debentures (unsecured)			
11.85% due February 1996	150.0	–	–
10½% due November 1996	200.0	200.0	200.0
10½% due April 1998	150.0	150.0	150.0
10¼% due December 2001	150.0	150.0	150.0
	650.0	500.0	500.0
Notes payable (unsecured)			
8⅛% due November 1991[2,7]	174.0	173.8	178.9
10½% due July 1993	100.6	100.9	101.1
10¾% payable to September 1994[2]	18.6	23.2	28.6
Medium term notes[4,7]	165.5	230.2	198.9
	458.7	528.1	507.5
Industrial revenue bonds[2,5]	21.3	21.9	23.1
Capital lease obligations[2,6]	19.1	23.7	30.7
Other long term obligations[2]	6.6	10.8	24.6
	2,082.3	1,850.8	2,158.4
Payments due within one year[7]	(10.0)	(10.2)	(14.8)
	2,072.3	**1,840.6**	**2,143.6**

[1] Term loans consisting of unsecured promissory notes, some of which mature within one year, are supported by committed bank term credit facilities of $1.7 billion (US $1.5 billion) expiring in 1996 and 1997. Term loans outstanding at December 31, 1990 carry a weighted average interest rate of 10.4% (1989 – 10.9%; 1988 – 10.3%).

[2] All or partly payable in US dollars. The aggregate principal amount of long term debt payable in US dollars at December 31, 1990 was $791.1 million (US $682.0 million), at December 31, 1989 was $746.2 million (US $644.1 million) and at December 31, 1988 was $753.1 million (US $631.5 million).

[3] Interest payments on $50 million floating rate term loans and on US $100 million floating rate term loans have effectively been converted to fixed interest rates of approximately 10.8% and 9.8% for terms ending up to 1994.

[4] Medium term notes consist of unsecured notes issued for periods ranging from two to seven years and carry a weighted average interest rate of 10.8% at December 31, 1990 (1989 – 10.7%; 1988 – 10.8%).

[5] Industrial revenue bonds of a subsidiary mature on various dates to 2000 and carry a weighted average interest rate of 7.6% at December 31, 1990 (1989 – 8.0%; 1988 – 7.2%). The bonds are secured by property, plant and equipment with a net book value of approximately $38.8 million (1989 – $27.5 million; 1988 – $25.6 million).

[6] Expire on various dates to 2018. The aggregate minimum commitments under such leases total $37.6 million at December 31, 1990 (1989 – $46.1 million; 1988 – $58.5 million).

[7] Long term debt maturities over the next five years are estimated as follows: 1991 – $217.6 million; 1992 – $46.6 million; 1993 – $173.9 million; 1994 – $31.1 million; 1995 – $9.4 million. During 1991, $174.0 million (US $150.0 million) 8⅛% notes payable and $33.6 million medium term notes become due. These will be refinanced either through existing committed long term credit facilities or by accessing the long term capital markets and, accordingly, have been classified as long term debt.

All tabular figures are in millions of dollars,
except number of shares data

8. Capital stock

Authorized:

1,650,000 6% Cumulative Preference Shares;
An unlimited number of First and Second Preference Shares, issuable in series;
120,500,000 common shares.

Issued and outstanding:

	1990	1989	1988
1,191,888 6% Cumulative Preference Shares	5.8	5.8	5.8
8,000,000 7.375% Retractable First Preference Shares Series C[1]	200.0	200.0	200.0
300 7.90% Perpetual First Preference Shares Series D[2]	150.0	150.0	–
119,113,133 common shares (1989 – 119,246,833; 1988 – 119,190,833)[3,4]	799.8	799.7	798.6
	1,155.6	**1,155.5**	**1,004.4**

Changes in common shares issued and outstanding were:

	Shares	Amount
December 31, 1988	119,190,833	798.6
Issued at $18.50 to $26.375 on the exercise of stock options	56,000	1.1
December 31, 1989	119,246,833	799.7
Issued at $26.375 to $28.25 on the exercise of stock options	49,300	1.3
Shares cancelled[5] (Note 16)	(183,000)	(1.2)
December 31, 1990	119,113,133	799.8

[1] Retractable First Preference Shares Series C of a stated value of $25.00 each bear a cumulative preferential dividend of 7.375%. Each share is retractable at the holder's option on July 17, 1993 at $25.00 per share plus accrued and unpaid dividends and is redeemable on or after July 17, 1991 at $26.00 per share before July 17, 1992; thereafter and before July 17, 1993 at $25.50 per share; and on or after July 17, 1993 at $25.00, together in each case with accrued and unpaid dividends.

[2] During 1989, 300 Perpetual First Preference Shares Series D were issued at $500,000 per share. The dividend rate is set at 7.90% until June 30, 1994 and thereafter can be reset through negotiations with the holders. The shares are redeemable at the Corporation's option at par plus accrued and unpaid dividends on, or anytime after, June 30, 1994.

[3] At December 31, 1990, there were stock options outstanding in respect of 1,297,640 common shares granted to certain employees of the Corporation with a weighted average exercise price of $31.14. These options expire at various dates to 1997.

[4] The weighted average number of shares outstanding used in the determination of earnings per common share at December 31, 1990 was 119,241,741 (1989 – 119,236,554; 1988 – 119,190,833).

[5] Represents the net book value of shares purchased for cancellation under the normal course issuer bid authorized by the Corporation's Board of Directors during 1990. Under this program, the Corporation is authorized to purchase up to five million of its common shares at the prevailing market price up to August 5, 1991.

All tabular figures are in millions of dollars

9. Deferred gain

During 1988, two sale and leaseback transactions were completed in the Restaurant segment which, in total, generated net cash proceeds of approximately $321 million. The gains resulting from these transactions have been deferred and the unamortized balances at December 31, 1990 total $79.9 million (1989 – $85.5 million; 1988 – $93.4 million). The leases under both transactions are accounted for as operating leases.

The first transaction, which was completed in February 1988, generated net cash proceeds of approximately $235 million. The land and buildings of 279 restaurant properties were sold to a partnership capitalized by a subsidiary of the Corporation and an unrelated third party and subsequently leased back. The Corporation, through a subsidiary, maintains a 50% interest in the partnership and accounts for its investment in the partnership by the equity method. The deferred gain arising from this transaction totals $65.9 million at December 31, 1990 (1989 – $70.6 million; 1988 – $77.0 million) and is being amortized on the basis of 50% over the 15 year life of the lease and 50% over 25 years. The latter period approximates the estimated remaining lives of the assets sold to the partnership.

On December 29, 1988, a second transaction was completed pursuant to which the land and buildings of 101 restaurant properties were sold to an unrelated third party for net cash proceeds of approximately $86 million and leased back for an initial minimum period of 15 years. The deferred gain which amounts to $14.0 million at December 31, 1990 (1989 – $14.9 million; 1988 – $16.4 million) is being amortized over the term of the lease.

10. Retirement benefits

Pension benefits are available to substantially all full time employees under the Corporation's defined benefit plans. Benefits under these plans are based on the employee's years of service and final average pay. Pension funding is provided based on actuarial estimates and is subject to limitations under applicable income tax regulations. The projected benefit obligations were determined using assumed discount rates ranging from 8% to 8½% (1989 and 1988 – 8% to 8½%) and assumed rates of compensation increases ranging from 6% to 6½% (1989 and 1988 – 6% to 6½%). The assumed rates of return on assets range from 8% to 8½% (1989 and 1988 – 8% to 8½%). The Corporation has immunized itself against future changes in the projected benefit obligation related to Canadian retirees which amounts to approximately $170 million. The assumed discount rate used to project this obligation and the assumed rate of return on the related assets are both 10.4%.

The Corporation provides limited health benefits to eligible employees upon retirement. The cost of these benefits is expensed as incurred. During 1990, these costs were approximately $1.0 million and related almost entirely to Canadian retirees.

Pension expense from continuing operations is summarized below:

	1990	1989	1988
Service cost on benefits earned	18.6	10.1	7.6
Interest cost on projected benefit obligations	37.0	34.3	28.3
Expected return on plan assets	(36.3)	(37.1)	(30.0)
Amortization of net transition assets and other gains and losses	1.1	1.9	(1.5)
Total pension expense	**20.4**	**9.2**	**4.4**

The status of the Corporation's pension plans was as follows:

	1990	1989	1988
Plan assets at market related value	430.0	488.7	465.4
Projected benefit obligations	(451.5)	(445.4)	(428.1)
Plan assets (less than) in excess of projected benefit obligations	(21.5)	43.3	37.3
Unrecognized net transition assets and other gains and losses	(1.5)	(35.6)	(27.3)
Net pension (liability) asset	**(23.0)**	**7.7**	**10.0**

All tabular figures are in millions of dollars, except tax rate data

11. Interest expense

	1990	1989	1988
Interest on long term debt	209.3	202.4	223.1
Interest on capital leases	2.9	3.7	4.2
Other interest, net	0.7	(10.6)	(10.4)
	212.9	**195.5**	**216.9**

Interest expense capitalized during the year ended December 31, 1990 amounted to $0.2 million (1989 – $0.8 million; 1988 – $1.1 million).

These amounts represent interest on funds expended on construction projects until the completion of the project in the Restaurant segment.

12. Income taxes

The effective income tax rate varies from year to year due to factors such as changes in statutory income tax rates, the imposition of temporary surtaxes, variations in special tax incentives made available under tax legislation and differences in the extent to which they may be claimed, and differences in the geographic and industrial mix of earnings.

The effective income tax rate of the Corporation is calculated from its consolidated statement of earnings as follows:

	1990	1989	1988
Provision for income taxes	90.7	95.4	79.7
Earnings before income taxes	382.1	456.9	399.6
Equity in net earnings of Imasco Enterprises	(101.6)	(152.5)	(142.1)
Pre-tax earnings excluding equity earnings	280.5	304.4	257.5
Effective income tax rate	**32.3%**	**31.3%**	**31.0%**

The principal factors causing the difference between the effective income tax rate and the combined federal and provincial income tax rate in Canada are as follows:

	1990	1989	1988
Combined federal and provincial income tax rate	39.5%	40.0%	41.6%
Foreign income taxed at lower rates	(8.9)	(8.5)	(10.0)
Manufacturing and processing allowances	(1.2)	(0.5)	(1.1)
Other items	2.9	0.3	0.5
Effective income tax rate excluding equity earnings	**32.3%**	**31.3%**	**31.0%**

The components of the provision for income taxes are as follows:

	1990	1989	1988
Current	98.3	90.9	91.5
Deferred	(7.6)	4.5	(11.8)
	90.7	**95.4**	**79.7**

All tabular figures are in millions of dollars

13. Extraordinary items

During 1988, the Corporation recorded extraordinary provisions to reorganize the operations of Peoples Drug Stores and to dispose of the operations of Grisanti, Inc. The provision for Peoples Drug Stores resulted from losses on disposal of 325 stores mainly in Ohio, Indiana and Georgia and amounted to $99.7 million. A provision of $34.9 million was also recorded to reflect the estimated loss on disposal of Grisanti, Inc. and the write-down of other smaller investments.

	1990	1989	1988
Provision for reorganization of Peoples Drug Stores, net of tax recovery of $17.7 million	–	–	(82.0)
Provision for disposal of Grisanti, Inc. and write-down of other investments, net of tax recovery of $6.9 million	–	–	(28.0)
	–	**–**	**(110.0)**

14. Dividends

	1990	1989	1988
6% Cumulative Preference Shares	0.3	0.3	0.3
7.375% Retractable First Preference Shares Series C	14.8	14.8	14.8
7.90% Perpetual First Preference Shares Series D	11.9	9.2	–
Common shares	152.6	133.5	124.0
	179.6	**157.8**	**139.1**

15. Operating lease commitments

The Corporation has commitments with respect to real estate operating leases, most of which are for terms of three to 20 years.

The minimum rental commitments existing at December 31, 1990, before deducting amounts assumed by drug store associates and other third parties, are approximately as follows: 1991 – $181.5 million; 1992 – $172.8 million; 1993 – $162.7 million; 1994 – $148.5 million; 1995 – $139.1 million. These minimum annual rental commitments do not reflect escalation and percentage-of-sales clauses contained in some leases.

Net rentals under leases, including escalation and percentage-of-sales payments, amounted to $108.0 million for the year ended December 31, 1990 (1989 – $92.5 million; 1988 – $65.3 million). In addition, the Corporation has operating lease commitments for equipment which are for terms of one to 10 years, with an annual rental of approximately $16.2 million.

The minimum annual commitments under leases, excluding escalation and percentage-of-sales clauses and net of amounts assumed by drug store associates and other third parties, are approximately as follows:

	1990	1989	1988
1st year	98.9	115.3	115.1
2nd year	94.6	110.1	128.1
3rd year	89.6	106.0	122.5
4th year	81.1	99.9	117.9
5th year	79.9	89.6	110.9

All tabular figures are in millions of dollars

16. Other capital transactions

	1990	1989	1988
Costs of issuing shares, net of tax	–	0.8	–
Costs of issuing securities by a non-consolidated subsidiary, net of tax	1.4	0.9	–
Loss on common shares purchased for cancellation	4.3	–	–
	5.7	**1.7**	**–**

17. Related party transactions

B.A.T Industries p.l.c., through the ownership of 40.5% of the Corporation's common shares, is defined as a related party.

Transactions with B.A.T Industries p.l.c. and its subsidiaries were as follows:

	1990	1989	1988
i. Payment of fees for research and development, marketing and manufacturing services	1.4	1.4	1.0
ii. Export sales of leaf tobacco	7.3	6.9	8.4
iii. Purchases of materials	2.0	7.7	5.5

18. Other information

a. Research and development costs charged to earnings during the year amounted to $5.0 million (1989 – $5.2 million and 1988 – $4.9 million).

b. Goodwill amortization from continuing operations, related to consolidated segments and charged to earnings during the year, amounted to $4.5 million (1989 – $2.2 million; 1988 – $2.3 million).

c. During 1990, a transaction was completed in the Tobacco segment where the ownership of a pool of designated accounts receivable was sold to a third party. The cash proceeds from the transaction amounted to $100.0 million and were used to repay long term debt.

d. The Corporation has provided guarantees to various banks in respect of certain borrowings by drug store associates. The total of these guarantees at December 31, 1990 was $93.6 million (1989 – $87.3 million; 1988 – $71.6 million).

e. For balance sheet purposes, amounts denominated in US dollars have been converted to Canadian dollars at the rate of exchange in effect at year end as follows: December 31, 1990 – US $1 = Cdn $1.16; December 31, 1989 – US $1 = Cdn $1.16; December 31, 1988 – US $1 = Cdn $1.19.

f. The Corporation and its subsidiaries are parties to claims and suits brought against them in the ordinary course of business. In addition, certain of the subsidiaries acquired as part of the acquisition of Genstar Corporation are subject to numerous claims and suits, most of which are asbestos related. Certain of these claims and suits allege significant damage. In the opinion of management, all such claims and suits are adequately covered by insurance or are provided for in the financial statements or, if not so covered or provided for, the results are not expected to materially affect the Corporation's financial position.

g. In addition to retirement benefits available under qualified, fully funded, defined benefit plans, certain former employees of Genstar Corporation are participants in unfunded, nonqualified supplementary executive retirement and deferred income plans pursuant to which participants deferred compensation. The obligations to make payouts under such nonqualified plans are unfunded and unsecured promises to participants to pay money in the future. An indirectly wholly owned subsidiary is the beneficiary of certain life insurance policies. Proceeds from such policies will be added to general assets and together with corporate funds will be sufficient to cover the payments under the supplementary executive retirement and deferred income plans.

h. In conformity with the 1986 letter of undertakings to the Minister of Finance, as amended, no prohibited transactions have been initiated between the Corporation and CT Financial Services Inc. and its subsidiaries.

i. Certain comparative figures have been reclassified to conform to the current year's presentation.

All tabular figures are in millions of dollars

19. Segmented financial information

Financial information is presented according to the following industry segments.

Consolidated segments:

Tobacco – Imperial Tobacco: manufactures and distributes tobacco products.

Restaurant – Hardee's: operates, licenses, supplies and services a system of quick service restaurants primarily in the United States.

Drug store – Shoppers Drug Mart: retail operations which specialize in prescription drugs, health and beauty aids, and a broad mix of consumer products.

Other – The UCS Group: retail operations specializing in tobacco products, confectionery, reading materials and gifts. – Imasco corporate activities.

Non-consolidated segment:

Financial services – Imasco Enterprises: consists primarily of the operations of CT Financial Services Inc. which is engaged in savings, loans, trust and real estate brokerage services.

Industry segments outside Canada, other than the Restaurant segment, are not significant. Amounts reported as discontinued operations represent Peoples Drug Stores, a U.S. drug store chain divested in 1990. (Refer to Note 2 on page 33)

		1990	1989	1988
Revenues[1]	Tobacco	2,707.6	2,385.6	2,018.1
	Restaurant	2,152.5	1,786.5	1,756.9
	Drug store	148.1	136.2	194.9
	Other	314.7	286.1	256.6
	Intersegmental[2]	(88.9)	(76.9)	(67.5)
		5,234.0	**4,517.5**	**4,159.0**
Operating earnings[1]	Tobacco	367.1	334.0	308.0
	Restaurant	69.2	118.6	130.3
	Drug store	80.5	70.6	57.1
	Other	8.6	8.3	7.5
		525.4	531.5	502.9
	Equity in net earnings of Imasco Enterprises	101.6	152.5	142.1
		627.0	**684.0**	**645.0**
Depreciation and amortization expense[1]	Tobacco	17.6	20.0	14.6
	Restaurant	105.8	78.9	78.0
	Drug store	27.7	26.6	20.6
	Other	7.5	6.9	6.2
		158.6	**132.4**	**119.4**
Capital expenditures[1,3]	Tobacco	23.2	22.9	18.9
	Restaurant	144.6	155.3	209.9
	Drug store	32.2	24.0	28.0
	Other	6.1	18.1	5.2
		206.1	**220.3**	**262.0**

[1] Amounts presented exclude the results of discontinued operations.

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

[3] Capital expenditures on property, plant and equipment.

All tabular figures are in millions of dollars

19. Segmented financial information (cont'd)		**1990**	1989	1988
Property, plant and equipment[4]	Tobacco	125.0	118.8	113.3
	Restaurant	817.7	539.1	516.7
	Drug store	106.2	95.3	90.9
	Other	39.2	34.9	23.3
	Discontinued operations	–	123.3	198.2
		1,088.1	**911.4**	**942.4**
Inventories	Tobacco	379.7	381.0	321.4
	Restaurant	67.5	66.5	66.8
	Drug store	–	0.5	14.2
	Other	44.5	37.4	35.4
	Discontinued operations	–	282.4	463.0
		491.7	**767.8**	**900.8**
Capital employed[5]	Tobacco	511.1	558.1	496.4
	Restaurant	1,071.2	618.3	587.7
	Drug store	213.0	204.1	209.8
	Other	50.2	41.4	45.6
	Discontinued operations	–	369.4	523.5
		1,845.5	**1,791.3**	**1,863.0**
Reconciliation of capital employed to total assets	Capital employed	1,845.5	1,791.3	1,863.0
	Investment in Imasco Enterprises	3,068.1	2,700.2	2,655.4
	Other corporate assets	153.8	358.4	170.6
	Current liabilities included in capital employed	377.6	528.1	621.2
	Total assets	**5,445.0**	**5,378.0**	**5,310.2**

[4] Property, plant and equipment is presented net of accumulated depreciation and amortization.

[5] Capital employed of each consolidated segment consists of directly identifiable operations related assets at net book value, less current liabilities, excluding income taxes payable and bank and other debt. Corporate assets and corporate current liabilities are excluded.

Imasco Limited
Condensed Consolidated
Financial Statements
of Imasco Enterprises Inc.
For the years ended December 31
All tabular figures are in millions of dollars

The accompanying summary presents the condensed consolidated statement of earnings and the condensed consolidated balance sheet of Imasco Enterprises Inc. Notes to the condensed consolidated financial statements follow this summary.

Condensed Consolidated Statement of Earnings	**1990**	1989	1988
Revenues			
Investment income	3,999.3	3,503.1	2,747.7
Fees, commissions and other revenues	507.7	598.3	569.8
Interest income on advances to parent and affiliated companies	53.3	102.4	84.1
	4,560.3	4,203.8	3,401.6
Expenses			
Interest on customer deposits	3,133.0	2,748.8	2,085.1
Other	1,112.9	1,029.9	928.4
	4,245.9	3,778.7	3,013.5
Earnings before income taxes, preference share dividends and minority interest	314.4	425.1	388.1
Provision for income taxes	114.9	148.7	145.2
Preference share dividends and minority interest	51.9	55.1	46.8
Net earnings	**147.6**	**221.3**	**196.1**

Condensed Consolidated Balance Sheet	**1990**	1989	1988
Assets			
Cash and short term notes	2,770.2	2,876.2	2,223.2
Securities	5,922.9	4,884.2	3,986.9
Loans	25,546.5	24,270.1	22,701.3
Real estate investment properties	922.2	804.5	620.0
Advances to parent companies	2.4	671.2	709.3
Advances to affiliates	21.2	4.1	–
Property, equipment and other assets	379.6	347.2	398.6
Intangibles	1,391.9	1,432.9	1,480.5
	36,956.9	**35,290.4**	**32,119.8**
Liabilities			
Deposits	32,479.3	30,417.2	27,351.8
Borrowings, notes and mortgages	935.6	731.4	584.8
Other	217.4	283.7	372.2
Preference shares of subsidiary companies and minority interest	364.1	614.2	511.6
Shareholders' equity	2,960.5	3,243.9	3,299.4
	36,956.9	**35,290.4**	**32,119.8**

All tabular figures are in millions of dollars

Notes to the Condensed Consolidated Financial Statements of Imasco Enterprises Inc.

A. Basis of presentation

The condensed consolidated financial statements include the accounts of Imasco Enterprises Inc. and its subsidiaries which include CT Financial Services Inc.

B. Advances to parent and affiliated companies

The advances consist principally of demand notes that bear interest at a rate based upon the prime rate charged by a major Canadian bank.

C. Loans

	1990	1989	1988
Mortgages	19,052.8	17,633.9	15,949.6
Consumer and collateral	3,493.0	3,377.1	3,265.0
Corporate term	1,965.6	2,126.4	2,426.9
Other	1,035.1	1,132.7	1,059.8
	25,546.5	24,270.1	22,701.3

D. Non-performing investments

	1990	1989	1988
Delinquent loans and reduced rate mortgages	170.6	62.0	24.0
Real estate acquired in settlement of loans	18.9	20.6	15.0
	189.5	82.6	39.0

E. Allowance for investment losses

	1990	1989	1988
Beginning of year	77.5	60.1	59.6
Provision charged to (recovered from) earnings	75.3	42.4	(23.3)
Investment losses and write-offs, net of recoveries	(56.1)	(25.0)	23.8
End of year	96.7	77.5	60.1

F. Intangibles

Intangibles arising from acquisitions are capitalized and amortized on a straight-line basis over their estimated lives not exceeding 40 years. Amortization of intangibles charged to earnings during the year amounted to $39.4 million (1989 – $39.7 million; 1988 – $40.0 million).

G. Minority interest

	1990	1989	1988
Preferred shares of Imasco Financial Corporation[1]	–	300.0	300.0
Common shares and retained earnings of CT Financial Services Inc.	30.5	27.4	20.9
Preference shares of CT Financial Services Inc. and its subsidiaries	333.6	286.8	190.7
	364.1	614.2	511.6

[1] Redeemed on October 22, 1990 at the stated value of $25.00 per share.

All tabular figures are in millions of dollars

Notes to the Condensed Consolidated Financial Statements of Imasco Enterprises Inc. (cont'd)

H. Borrowings, notes and mortgages

	1990	1989	1988
Imasco Enterprises Inc.			
10¾% to 11¾% debentures due to 1999[1]	60.0	69.1	74.7
10% to 12% mortgages due to 1993[2,3]	29.1	41.5	13.8
9¾% note payable to 1993[2]	26.1	36.5	48.4
Short term notes at variable rates[3]	87.0	86.9	89.4
Bank borrowings	28.0	28.0	3.5
	230.2	262.0	229.8
Imasco Financial Corporation			
11¾% debentures due 1995	75.0	75.0	75.0
Bank borrowings	–	–	24.9
	75.0	75.0	99.9
CT Financial Services Inc. and subsidiaries			
10¼% to 13¼% notes due to 2009	133.5	152.0	118.8
Mortgages due to 2012 at various rates[2]	214.9	162.3	57.0
Prime rate Series A convertible redeemable debentures due 2009[4]	80.3	80.1	79.3
Variable rate money market convertible redeemable debentures due 2010[5]	201.7	–	–
	630.4	394.4	255.1
	935.6	731.4	584.8

[1] Secured by a floating charge on all assets of Imasco Enterprises Inc.

[2] Secured by assets of $392.2 million at December 31, 1990 (1989 – $323.0 million; 1988 – $167.6 million).

[3] Payable in part in US dollars.

[4] Convertible at any time into preference shares of Canada Trustco Mortgage Company at the option of the holder or the issuer and redeemable on or after July 1, 1991 at the option of the issuer.

[5] Convertible at the issuer's option, in whole, at any time after May 17, 1992 into preference shares of CT Financial Services Inc. and also convertible into preference shares, at the option of the holder, in whole, at any time after May 17, 2009.

I. Shareholders' equity

	1990	1989	1988
Capital stock[1]	2,364.9	2,659.9	2,734.9
Contributed surplus	200.0	200.0	200.0
Unrealized gain on foreign currency translation	4.3	4.7	2.5
Retained earnings	391.3	379.3	362.0
	2,960.5	3,243.9	3,299.4

[1] During the year, Imasco Enterprises Inc. redeemed 295,000 (1989 – 75,000) Series A 8% Non-Cumulative Preference Shares at their issue price of $1,000 per share. All capital stock is owned by Imasco Limited and its affiliates.

J. Other information

CT Financial Services Inc., Canada Trustco Mortgage Company and Truscan Realty Limited all have capital stock listed on various securities exchanges and issue annual reports.

Imasco Limited
Operating Company Statistics
Six year review
For the years ended December 31

Canadian operations		**1990**	1989	1988	1987	1986	1985
				Millions of dollars, except number of stores			
Imperial Tobacco	Revenues	2,707.6	2,385.6	2,018.1	1,926.0	1,754.6	1,701.8
	Sales and excise taxes	1,744.5	1,489.4	1,156.1	1,109.8	1,042.6	944.3
	Operating earnings	367.1	334.0	308.0	279.1	208.1	243.7
	Inventories	379.7	381.0	321.4	360.4	396.5	343.4
	Property, plant and equipment[1]	125.0	118.8	113.3	110.6	112.0	102.1
	Capital expenditures[2]	23.2	22.9	18.9	25.6	23.3	16.6
Shoppers Drug Mart	System-wide sales	2,843.6	2,597.7	2,355.6	2,073.4	1,775.0	1,522.3
	Revenues						
	Sales[3]	–	–	80.0	74.6	41.5	–
	Service fees and other	148.1	136.2	114.9	95.7	86.6	73.4
		148.1	136.2	194.9	170.3	128.1	73.4
	Operating earnings	80.5	70.6	57.1	51.3	48.9	42.5
	Inventories	–	0.5	14.2	19.5	14.4	5.8
	Property, plant and equipment[1]	106.2	95.3	90.9	79.4	65.0	49.6
	Capital expenditures[2]	32.2	24.0	28.0	27.6	23.3	16.4
	Number of stores	645	633	613	586	543	431
The UCS Group	Revenues	314.7	286.1	256.6	235.3	206.0	187.8
	Operating earnings	8.6	8.3	7.5	6.7	6.6	5.5
	Inventories	44.5	37.4	35.4	39.2	33.1	31.9
	Property, plant and equipment[1]	22.9	21.2	19.9	18.9	15.2	10.6
	Capital expenditures[2]	6.0	5.3	4.9	6.9	4.1	3.0
	Number of stores	533	531	525	524	494	460

[1] Net of accumulated depreciation and amortization.

[2] Capital expenditures on property, plant and equipment.

[3] In 1986, includes the sales of company-operated stores effective April 1. Revenues of these stores were previously reported as though they were operated by associates.

U.S. operations

Hardee's Food Systems

	1990	1989	1988	1987	1986	1985
	Millions of **US dollars,** except number of restaurants					
System-wide sales	4,146.4	3,503.2	3,305.5	3,063.7	2,676.5	2,376.5
Revenues						
Sales						
Company-operated restaurants	1,200.7	920.2	887.9	761.6	667.7	623.4
Other	569.3	523.4	483.4	544.9	468.0	403.1
Service and licence fees	76.8	65.7	59.6	53.6	46.2	39.9
	1,846.8	1,509.3	1,430.9	1,360.1	1,181.9	1,066.4
Operating earnings[1]	59.4	100.3	106.7	103.7	92.9	85.6
Inventories	58.1	57.4	56.0	53.9	39.2	35.1
Property, plant and equipment[2]	704.9	465.4	433.3	516.7	399.0	354.2
Capital expenditures[3]	124.0	131.1	170.9	163.7	97.7	73.3
Number of restaurants						
Company-operated	1,352	1,086	1,070	995	893	876
Licensed	2,670	2,212	2,081	1,962	1,818	1,662
	4,022	3,298	3,151	2,957	2,711	2,538

[1] Includes the amortization of purchase price allocations.

[2] Net of accumulated depreciation and amortization.

[3] Capital expenditures on property, plant and equipment.

Imasco Limited
CT Financial Services Inc. Statistics[1]
Three year review
For the years ended December 31

		1990	1989	1988
		Millions of dollars, except per common share, locations and financial ratios		
Operations	Investment income	4,032.7	3,541.8	2,783.9
	Net investment income after provision for investment losses	775.6	721.2	678.9
	Fees, net commissions and other income	287.1	295.3	281.7
	Earnings before operating expenses	1,062.7	1,016.5	960.6
	Earnings before income taxes and dividends on preference shares of subsidiary companies	318.2	357.2	359.0
	Provision for income taxes	89.0	93.2	110.8
	Dividends on preference shares of subsidiary companies	16.8	18.0	16.2
	Net earnings	212.4	246.0	232.0
	Dividends on preference shares	11.0	5.8	–
	Net earnings attributed to common shareholders	201.4	240.2	232.0
Per common share	Net earnings	$1.70	$2.03	$1.97
	Dividends paid	$0.80	$0.75	$0.65
	Book value	$13.15	$12.25	$10.95
Financial position	Assets under administration (at book value)	103,612.0	74,096.0	67,401.0
	Corporate assets	35,087.4	32,666.0	29,219.2
	Loans	25,518.4	24,201.1	22,661.7
	Deposits	32,475.2	30,403.0	27,319.5
	Shareholders' equity	1,710.9	1,551.1	1,294.0
Locations	Financial services branches	338	331	317
	Real estate offices	297	275	278
	Trust services offices	23	22	22
Financial ratios	Return on common shareholders' average equity	13.2%	17.3%	19.0%
	Return on average corporate assets	0.63%	0.79%	0.85%
	Loan loss experience as a percentage of loans outstanding	0.177%	0.103%	(0.105%)
	Allowance for investment losses as a multiple of non-performing investments	0.5	0.8	1.6
Reconciliation to Imasco Limited's equity in net earnings of Imasco Enterprises	Net earnings attributed to common shareholders	201.4	240.2	232.0
	Minority interest	(24.0)	(31.3)	(30.6)
	Fair value amortization	(45.0)	(42.1)	(40.0)
	Financing and other activities, net of tax	(30.8)	(14.3)	(19.3)
	Equity in net earnings of Imasco Enterprises	101.6	152.5	142.1
Contribution to Imasco Limited's operating earnings assuming consolidation	Earnings before income taxes	318.2	357.2	359.0
	Interest on notes and mortgages	43.9	23.6	17.3
	Fair value amortization	(45.0)	(42.1)	(40.0)
	Operating earnings	317.1	338.7	336.3

[1] The highlights presented above have been extracted from CT Financial Services Inc.'s annual report for the year ended December 31, 1990. Certain figures for 1989 and 1988 have been reclassified to conform with the financial statement presentation adopted for 1990.

Imasco Limited
Selected Eleven Year Financial Data
For the years ended December 31

		1990	1989
Operations	System-wide sales[1]	15,130.4	13,456.8
	Revenues[1]	5,234.0	4,517.5
	Depreciation and amortization expense[1]	158.6	132.4
	Operating earnings[1]	627.0	684.0
	Corporate expense	32.0	31.6
	Interest expense[1]	212.9	195.5
	Provision for income taxes[1]	90.7	95.4
	Earnings before extraordinary items	295.1	366.1
	Net earnings after extraordinary items	295.1	366.1
	Earnings per common share before extraordinary items[2]	$2.25	$2.87
Dividend record	On preference shares	27.0	24.3
	On common shares	152.6	133.5
	Per common share[2]	$1.28	$1.12
Cash provided	From continuing operations	428.8	339.1
Capital expenditures	On property, plant and equipment[1]	206.1	220.3
Financial position	Current assets	831.5	1,435.9
	Current liabilities	558.4	819.4
	Working capital	273.1	616.5
	Property, plant and equipment		
	Before accumulated depreciation and amortization	1,740.3	1,585.0
	Net of accumulated depreciation and amortization	1,088.1	911.4
	Total assets	5,445.0	5,378.0
	Long term debt[3]	2,072.3	1,840.6
	Excess of assets over liabilities	2,799.8	2,695.9
Shareholders' equity	Preference shareholders	355.8	355.8
	Common shareholders[4]	2,364.1	2,254.6
	Per common share[2]	$19.85	$18.91
Financial ratios	Return on average common shareholders' equity[5]	11.6%	15.9%
	Return on average total assets	5.5%	6.9%
	Interest coverage ratio[1]	2.8x	3.3x
	Current ratio	1.5:1	1.8:1
	Debt to total capital ratio[3,6]	43.2%	41.4%
	Common dividend payout ratio[7]	44.6%	44.6%

[1] Data previously reported has been restated to exclude the results of Peoples Drug Stores which are now reported separately as discontinued operations. (Refer to Note 2 on page 33)

[2] Prior years' amounts are restated to reflect the subdivisions of common shares on a two for one basis on March 22, 1985 and November 23, 1982.

[3] Data previously reported has been restated to include the long term portion of capital lease obligations.

[4] Common shareholders' equity includes unrealized loss or gain on foreign currency translation.

[5] Net earnings before extraordinary items less dividends on preference shares as a percentage of average common shareholders' equity.

1988	1987	1986	1985	1984	1983	1982	1981	1980
					Millions of dollars, except per common share and financial ratios			
11,939.2	11,037.6	9,176.2	6,634.5	5,853.2	5,303.7	4,695.2	3,623.1	1,973.4
4,159.0	4,074.2	3,674.1	3,372.9	2,969.1	2,854.9	2,599.5	2,082.4	1,267.4
119.4	115.9	101.4	92.5	78.9	72.7	64.4	45.9	18.1
645.0	600.9	455.5	411.6	365.7	330.0	295.9	237.5	156.2
28.5	29.6	23.3	19.2	16.5	14.6	12.9	11.2	8.2
216.9	186.6	126.7	36.5	46.8	26.3	43.4	32.8	15.1
79.7	87.9	78.6	128.1	106.6	104.3	87.5	70.2	50.9
314.3	282.7	226.4	261.6	222.4	184.9	152.1	123.4	82.0
204.3	253.6	226.4	261.6	211.2	211.7	152.1	118.7	82.0
$2.51	$2.24	$1.92	$2.40	$2.19	$1.81	$1.72	$1.40	$0.99
15.1	15.1	7.1	0.3	2.1	8.6	9.0	7.6	0.3
124.0	114.4	95.8	78.4	59.1	43.4	32.1	28.0	23.8
$1.04	$0.96	$0.84	$0.72	$0.59	$0.475	$0.388	$0.338	$0.288
351.9	359.3	161.5	427.5	224.9	215.5	170.2	137.6	72.4
262.0	277.2	186.3	126.3	154.8	101.0	109.5	105.5	42.2
1,363.7	1,541.6	1,434.2	1,609.7	1,349.0	927.2	757.3	638.4	427.6
797.2	897.0	862.8	808.1	613.8	391.9	332.8	329.7	235.7
566.5	644.6	571.4	801.6	735.2	535.3	424.5	308.7	191.9
1,576.1	1,693.6	1,521.2	1,348.6	1,135.8	825.8	799.9	649.8	250.6
942.4	1,094.5	989.1	912.2	785.5	533.1	534.0	427.4	143.5
5,310.2	5,656.6	5,505.5	2,905.7	2,560.9	1,658.5	1,479.0	1,235.9	743.4
2,143.6	2,454.1	2,450.4	575.4	626.8	256.0	300.8	300.2	117.4
2,354.4	2,254.3	2,137.1	1,488.6	1,285.6	968.6	798.7	578.0	390.3
205.8	205.8	205.8	5.8	5.8	98.8	110.7	110.3	5.8
2,055.2	2,048.5	1,931.3	1,482.8	1,279.8	869.9	688.0	467.6	384.5
$17.24	$17.19	$16.22	$13.62	$11.75	$9.43	$7.57	$5.65	$4.64
14.6%	13.4%	12.8%	18.9%	20.5%	22.6%	24.8%	27.2%	23.0%
5.7%	5.1%	5.4%	9.6%	10.5%	11.8%	11.2%	12.5%	11.8%
2.8x	3.1x	3.4x	10.7x	7.5x	12.0x	6.5x	6.9x	9.8x
1.7:1	1.7:1	1.7:1	2.0:1	2.2:1	2.4:1	2.3:1	1.9:1	1.8:1
48.7%	52.1%	53.4%	27.9%	32.8%	20.9%	27.4%	34.2%	23.1%
46.4%	50.0%	35.0%	32.9%	32.6%	27.6%	27.7%	34.1%	36.5%

[6] Long term debt as a percentage of long term debt and total equity.

[7] Dividend per common share as a percentage of prior year earnings per common share before extraordinary items.

Millions of dollars, except per common share

1990	March	June	September	December	**Total**
System-wide sales	3,421.6	3,823.3	3,953.4	3,932.1	15,130.4
Revenues	1,113.2	1,334.1	1,424.2	1,362.5	5,234.0
Operating earnings					
Imperial Tobacco	80.2	85.0	98.3	103.6	367.1
Hardee's	7.8	44.3	22.6	(5.5)	69.2
Shoppers Drug Mart	16.8	17.4	19.7	26.6	80.5
The UCS Group	(0.2)	0.6	2.3	5.9	8.6
Equity in net earnings of Imasco Enterprises	30.3	33.2	21.5	16.6	101.6
	134.9	180.5	164.4	147.2	627.0
Corporate expense	8.0	8.2	7.6	8.2	32.0
Interest expense	47.6	56.8	54.2	54.3	212.9
Provision for income taxes	14.1	25.6	25.3	25.7	90.7
Earnings from continuing operations	65.2	89.9	77.3	59.0	291.4
Per common share					
Earnings from continuing operations	$0.49	$0.70	$0.59	$0.44	$2.22
Dividends	$0.32	$0.32	$0.32	$0.32	$1.28
Market price – High	38¼	37¾	37⅜	31⅞	
– Low	33⅜	34	30⅝	25½	

1989	March	June	September	December	**Total**
System-wide sales	2,978.0	3,299.4	3,582.3	3,597.1	13,456.8
Revenues	939.5	1,113.9	1,258.8	1,205.3	4,517.5
Operating earnings					
Imperial Tobacco	73.0	78.7	89.4	92.9	334.0
Hardee's	4.2	36.9	44.4	33.1	118.6
Shoppers Drug Mart	14.1	14.0	17.7	24.8	70.6
The UCS Group	(0.3)	1.3	2.1	5.2	8.3
Equity in net earnings of Imasco Enterprises	33.9	38.8	36.3	43.5	152.5
	124.9	169.7	189.9	199.5	684.0
Corporate expense	8.1	7.9	7.6	8.0	31.6
Interest expense	55.5	51.5	46.2	42.3	195.5
Provision for income taxes	7.5	20.8	32.7	34.4	95.4
Earnings from continuing operations	53.8	89.5	103.4	114.8	361.5
Per common share					
Earnings from continuing operations	$0.42	$0.69	$0.81	$0.91	$2.83
Dividends	$0.28	$0.28	$0.28	$0.28	$1.12
Market price – High	32½	35⅝	40½	38⅞	
– Low	27⅝	29½	33⅝	35¼	

Officers

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Vice-President, Public Affairs
Annette Verschuren
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Vice-President, Finance
Marius Dagneau
Vice-President, Human Resources
Patrick J. Dunn
Vice-President, Research and Development
André Laporte
Vice-President, Manufacturing
Thomas F. Lee
Vice-President, Materials Management
Édouard Darche, C.A.
Controller

General Cigar Company
Montréal, Québec

Imperial Leaf Tobacco
Aylmer, Ontario

du Maurier Arts Ltd.
Montréal, Québec

du Maurier Ltd.
Montréal, Québec

Matinée Ltd.
Montréal, Québec

Player's Ltd.
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Stan A. Martin
Executive Vice-President, Retail Financial Services National Operations
John F. Schucht
Executive Vice-President, Property Investments and Real Estate Services
President, Truscan Realty Limited
Christopher J. Stringer
Executive Vice-President, Trust Services
Richard B. Coles
Senior Vice-President, Corporate Development
Liam S. O'Brian
Vice-President, Corporate Relations
Robert E. Redgwell, C.A.
Vice-President, Audit Services
John A. Whaley
Vice-President, General Counsel and Secretary

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The Canada Trust Company
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Truscan Realty Limited
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Executive Vice-President, General Counsel and Secretary
Richard L. Hall
Executive Vice-President and Chief Financial Officer
Michael D. Simpson
Executive Vice-President, Marketing
James L. Jaffre
Executive Vice-President, International
Wayne Knox
Executive Vice-President, Strategic Planning
Gerald L. McGinnis
Executive Vice-President, Development
John D. Merritt
Senior Vice-President, Public Relations
Edna Morris
Senior Vice-President, Human Resources

Fast Food Merchandisers, Inc.

Robert F. Autry
President and Chief Executive Officer
F. Winslow Goins
Executive Vice-President, Distribution Services
Dean Spangler
Executive Vice-President, Manufacturing

Shoppers Drug Mart/Pharmaprix

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Chairman and Chief Executive Officer
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Senior Executive Vice-President, Finance and Planning, and Chief Financial Officer
Dale Daley
Senior Executive Vice-President, Operational Services
Marvin A. Goldberg
Senior Executive Vice-President, Legal and Corporate Affairs, and Secretary
Stanley A. Thomas
Senior Executive Vice-President, Marketing
Fred K. Van Laare
Senior Executive Vice-President, Operations
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Brian P. Relph
Executive Vice-President, Ontario
David H. MacDonald
President, Shoppers Drug Mart West
Raymond A. Hallett
Senior Vice-President, Human Resources
Arthur Konviser
Senior Vice-President, Public Affairs
Gordon Stromberg
Senior Vice-President, Advertising

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Switzerland

John F. Mathers, C.A.
Managing Director

Incorporation

Under Federal Charter April 3, 1912.
Continued under the Canada Business Corporations Act August 6, 1976.

Shareholder and analyst contact

Peter McBride
Vice-President, Public Affairs
(514) 982 6407

Other enquiries

(514) 982 9111

Stock exchange listings

Montréal, Toronto, Vancouver

Symbols

IMS Common shares
IMS.PR.C 7.375% Retractable First Preference Shares Series C
IMS.PR.A 6% Cumulative Preference Shares

Reporting calendar

The fiscal year end is December 31.
The annual report is mailed in March and interim reports are mailed in May, August and November.

Dividend dates

Common shares;
7.375% Retractable First Preference Shares Series C;
7.90% Perpetual First Preference Shares Series D;
Quarterly: March, June, September and December.
6% Cumulative Preference Shares
Semiannually: March and September.

Debentures

11.85% due February 1996,
interest payable February 15 and August 15;
10½% due November 1996,
interest payable May 20 and November 20;
10½% due April 1998,
interest payable April 28 and October 28;
10¼% due December 2001,
interest payable June 18 and December 18.

Notes

8⅛% US due November 1991,
interest payable November 13;
10½% due July 1993,
interest payable July 7;
Medium term notes,
interest payable February 15 and August 15.

Transfer agent and registrar

The Montreal Trust Company
Stock and Bond Transfer Department
Place Montréal Trust
1800 McGill College Avenue, 6th floor
Montréal, Québec, H3A 3K9
(514) 982 2800

Montreal Trust is responsible for the maintenance of shareholder records and the cancellation and issuance of stock certificates. Transfers can be effected at their Montréal, Halifax, Toronto, Winnipeg, Regina, Calgary and Vancouver offices. Montreal Trust also distributes dividends and proxy circulars. Enquiries with respect to these matters should be addressed to Montreal Trust.

Direct dividend deposit service

For convenience and security, Imasco offers a direct dividend deposit service to its Canadian shareholders. The dividend payments are transferred electronically to the shareholder's bank account on the date they become due. Shareholders wishing to take advantage of this service should direct their request to Montreal Trust.

Payments of dividends in US funds

Shareholders with addresses of record in the United States can receive their dividends in US funds. To apply for this service, please send written instructions to Montreal Trust. The dividend amount will be converted at the Bank of Canada noon rate of exchange on the record date. Canadian withholding tax will be applied.

Auditors

Deloitte & Touche
Chartered Accountants
800 Tour de la Place Victoria, Suite 3000
P.O. Box 325
Montréal, Québec
H4Z 1H8

Shareholdings

On December 31, 1990, there were 10,038 registered holders of Imasco common shares. By country, the ownership was distributed as follows:

	Common Shares	6% Preference Shares	7.375% Preference Shares Series C	7.90% Preference Shares Series D
Canada	57.70%	98.52%	100%	100%
U.S.A.	1.41%	0.06%	–	–
U.K.	40.84%	1.28%	–	–
Other countries	0.05%	0.14%	–	–
	100%	100%	100%	100%

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