Imasco Annual Report 1992

Imasco Limited
Annual Report 1992

Contents

The Annual and Special Meeting of Shareholders will be held at 2:30 p.m. on May 5, 1993 at Le Château Champlain, 1 Place du Canada, Montréal, Québec.

Si vous désirez recevoir le 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 contacting

Corporate Communications
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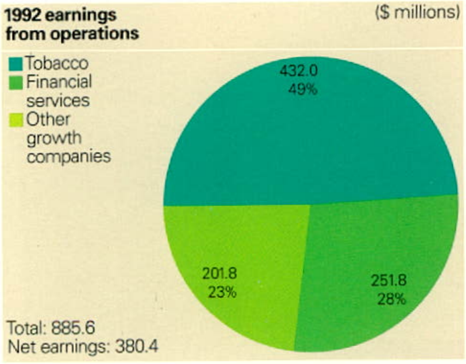
A Caring Company
IMAGINE

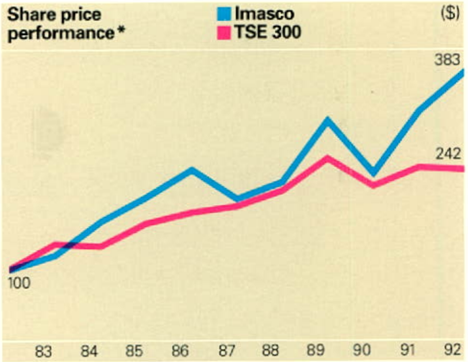
Financial Highlights

Imasco Limited[1]	1992	1991	1990	1991-92	1990-91
	Millions of dollars, except common share amounts			% change	% change
System sales[2]	**16,259.2**	15,558.0	15,023.1	**5**	4
Revenues	**9,957.2**	9,870.2	9,646.5	**1**	2
Earnings from operations	**885.6**	879.6	883.9	**1**	–
Net earnings	**380.4**	331.6	295.1	**15**	12
Cash from continuing operations	**845.3**	760.1	625.6	**11**	21
Total assets	**48,519.0**	46,419.6	39,573.8	**5**	17
Shareholders' equity	**3,057.8**	2,813.2	2,677.9	**9**	5
Operating Companies					
System sales					
Imperial Tobacco	**3,049.7**	2,952.7	2,707.6	**3**	9
CT Financial Services	**4,048.0**	4,370.6	4,319.8	**(7)**	1
Hardee's Food Systems	**5,749.9**	5,012.2	4,833.6	**15**	4
Shoppers Drug Mart	**3,089.5**	2,934.1	2,843.6	**5**	3
Genstar Development Company	**95.9**	67.1	92.7	**43**	(28)
The UCS Group	**301.7**	305.1	314.7	**(1)**	(3)
Earnings from operations					
Imperial Tobacco	**432.0**	397.0	367.1	**9**	8
CT Financial Services	**251.8**	320.2	318.2	**(21)**	1
Hardee's Food Systems	**77.2**	46.0	72.6	**68**	(37)
Shoppers Drug Mart	**95.2**	88.9	81.5	**7**	9
Genstar Development Company	**34.3**	29.5	35.9	**16**	(18)
The UCS Group	**(4.9)**	(2.0)	8.6	**–**	–
Common Shares					
Net earnings per share	**$2.97**	$2.56	$2.25	**16**	14
Dividends per share	**$1.36**	$1.28	$1.28	**6**	–

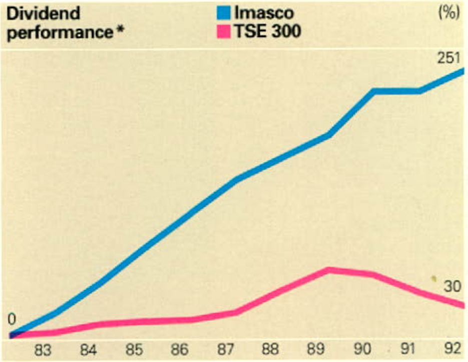
[1] During 1992, there was a change in accounting policy with respect to the consolidation of subsidiaries. The Corporation now consolidates its investment in Imasco Enterprises which was previously accounted for by the equity method (refer to Changes in accounting policies on page 26). Certain comparative amounts have been restated to conform with the current year's policy and presentation.

[2] Includes the consolidated revenues of the Corporation and the sales of licensed restaurants and associated drug stores. Intersegmental transactions have been eliminated from the totals.





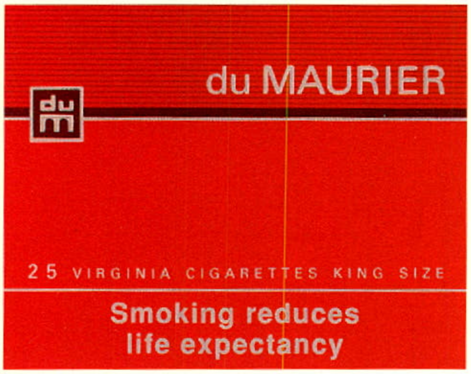
*Based on an initial $100 investment and year end closing values. Assuming reinvestment of dividends.



*Over the past 10 years, Imasco's dividend has increased 251%, compared with a 30% increase for the TSE 300.

Overview

Imasco's mission is to build shareholder value as a leading North American consumer products and services company.

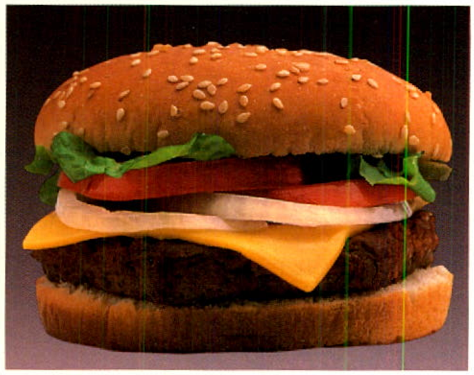


Imperial Tobacco manufactures and distributes a full range of quality tobacco products and is the industry leader in Canada. Its cigarette trademarks include the two largest selling domestic brand families, *Player's* and *du Maurier*.

Over the years, Imperial Tobacco has steadily increased its share of the domestic cigarette market resulting in continued growth in its contribution to Imasco's earnings. The key success factor has been the company's ability to recognize consumer preferences and satisfy them with tobacco products of the highest quality.

CT Financial Services, known to consumers as Canada Trust, is a market leader in retail financial services and has been serving Canadians for over 135 years. Success is based on customer convenience, top quality products and friendly service. These attributes support Canada Trust's mission of being *The best retail bank in Canada.* The company has assets under administration of $138 billion and operations in all 10 provinces. A complete range of savings and loan services is provided through a network of 373 branches, while 24 offices in major centres offer personal and pension trust services. Canada Trust is also one of the country's largest residential real estate brokers with services available through 124 company-operated and 160 franchised offices.

CT Financial Services entered the U.S. market in 1991 with the acquisition of First Federal Savings and Loan Association of Rochester. First Federal, which operates 68 branches, also specializes in retail financial services.



Hardee's Food Systems ranks third, by system sales, in the sandwich category of the U.S. quick service restaurant industry. The restaurants operate under two well established trademarks, Hardee's and Roy Rogers. A sister company, Fast Food Merchandisers, supplies food and paper products primarily to Hardee's and Roy Rogers restaurants, and also to an increasing number of other customers. At year end, the system consisted of 4,019 restaurants of which 1,234 were company-operated and 2,785 were licensed.

Well executed plans that respond to consumer needs and expectations are fundamental to the success of Hardee's. They help to ensure that Hardee's achieves its mission of being *The best restaurant in the neighborhood.*

Shoppers Drug Mart/Pharmaprix is Canada's leading drug store group, with 678 stores across the country.

An important strength of the company is the associate concept. Associates are the pharmacists who own and operate the Shoppers Drug Mart and Pharmaprix stores. 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 customers which is the cornerstone of its success.

Genstar Development Company has established its reputation as a provider of high quality residential building sites which meet the needs of individual home buyers. The business consists of accumulating raw land and, over time, converting it to residential subdivisions and serviced building lots. The company's skills are also being applied through joint ventures with other landowners.

Presently, there are more than 20,000 developable acres in the land bank, predominantly in Western Canada. Genstar Development Company has a growing presence in the United States with one project under way in Minneapolis and a second being prepared in San Diego.

GENSTAR

The UCS Group is Canada's leading small space specialty retailer, operating 501 outlets across the country. The company serves a broad cross-section of consumers, offering tobacco products, reading materials, confectionery, snack foods, 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 number of duty free outlets in Canadian airports.

UCS

Earnings grew substantially in 1992, generating strong cash flows, and the balance sheet was strengthened with a further reduction in long term debt. These results were very satisfactory considering the difficult business conditions that persisted across North America. Full credit belongs to our employees. Their initiative, talents and hard work are the foundation for everything we do. On behalf of all shareholders, I thank them sincerely.

While earnings growth is important, another measure of our strength is cash flow. Imasco's initial mandate was to invest cash flow from Imperial Tobacco in a balanced portfolio of consumer businesses with favourable growth prospects. This has been accomplished and all of our principal operating companies are now generating significant amounts of cash, more than enough to cover their capital expenditures. Cash from continuing operations increased by 11% in 1992 to $845.3 million.

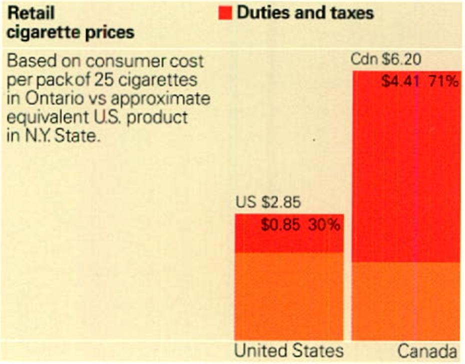
The consumer is at the core of all our businesses and Imasco companies benefit from the active exchange of market and operating knowledge made possible by common ownership. Our consumer based portfolio is thus a major advantage and stabilizing factor. In 1992, Imasco's performance demonstrated how superior trademarks, responsiveness to customers and sound strategies can lead to solid earnings advances, even when there is little or no growth in the marketplace.

Operating company highlights

At *Imperial Tobacco*, success is a long standing tradition and 1992 was another good year. The company's leaders and employees overcame the effects of excessive taxation in the Canadian marketplace and, most notably, an alarming surge in smuggling, to once again increase earnings from operations. With respect to the most critical performance indicator, market share, results were mixed. In the domestic market, Imperial Tobacco's share of manufactured cigarette sales grew by more than four share points, reaching 66.2% at December 31. However, for reasons set out below, the company's share of export sales declined significantly in 1992.

Imperial Tobacco supported the federal government plan which called for domestic manufacturers to voluntarily restrain export shipments. The expectation was that smuggling of Canadian style cigarettes from the United States would decline. Unfortunately, the evidence suggests that supporting this plan resulted, instead, in unsatisfied demand for Imperial Tobacco brands. Substantial sales were lost to other manufacturers, primarily from Canada, but also from the U.S. and elsewhere. This was obviously unacceptable and the company adopted measures to remedy the situation in 1993.

The smuggling problem is due solely to the very high level of tobacco taxes in Canada. The rationale for these taxes is that they discourage smoking while generating substantial government revenues. However, there is no evidence that the policy has had a measurable effect on the incidence of smoking by Canadians and, with smuggling, tax revenues are much less than expected. Furthermore, the adverse social and economic consequences of the burgeoning contraband market are, themselves, so severe as to warrant a reappraisal of government policy.



Unrealistic tobacco taxes have encouraged widespread disrespect for the tax system and there is a growing acceptance of corruption and crime. Retailers who once sold large volumes of tobacco products are going bankrupt while hundreds of millions of dollars flow into the pockets of criminal elements. Clearly, the proper thing for governments to do is admit that the taxes are too high and reduce them.

While government action, or lack of action, will continue to have a major impact on the tobacco industry, we expect that Imperial Tobacco will prevail with continued earnings growth in 1993.

CT Financial Services had a satisfactory year in 1992, although earnings did decline significantly. The drop in commercial real estate values and the effects of the lingering recession resulted in provisions for investment losses that were over twice the amount expensed in the previous year. These provisions more than offset an otherwise good performance in the core retail financial services business. While earnings were lower than expected, we fully support the actions taken. We recognize that the success and reputation of Canada Trust are, in large part, based upon its focus on asset quality and prudent provisioning policies. In the United States, First Federal Savings and Loan Association of Rochester had another good year and continues to meet expectations.

CT Financial Services has several promising initiatives under way that are expected to further improve results in the core retail financial services business this year. However, the risks associated with corporate loans and commercial real estate values remain a concern.

We think Imasco's most noteworthy achievement in 1992 was the major improvement in the results and prospects of *Hardee's Food Systems* led by Bob Autry and his management group. Over the past 18 months, Hardee's has been systematically transformed and strengthened to succeed in a mature and competitive market. While more needs to be done, this year's results indicate that management has identified the problems and matched them with effective solutions. Exciting new menu items and fresh fried chicken have produced strong sales gains in both the company-operated and licensed restaurants. Customer service levels are up and overhead costs are down. Further progress is expected.

Shoppers Drug Mart/Pharmaprix recorded solid growth in sales and earnings again in 1992. Comparable store sales and prescription sales both advanced. Perhaps the best measure of Shoppers' trademark strength was a 2.6% increase in customer counts during a period when Canadians were shopping less. The good results flow from a concerted effort to build sales, control costs and protect gross margins in the face of intense competitor activity. These initiatives will continue in 1993.

We were pleased with the performance of *Genstar Development Company* in 1992.

Earnings growth was based on strong sales in Western Canada and a new project in Ontario. In the fourth quarter, Genstar entered into a joint venture in San Diego which has exciting potential for the longer term. While Genstar's results will always be somewhat dependent on housing markets, we are confident of continued success.

The results of *The UCS Group* were disappointing. Although costs have been reduced and sales increases were achieved in several product categories, it was not enough to overcome the harsh retail climate and declining tobacco sales related to smuggling. Further steps aimed at increasing sales and improving profitability are in progress.

Other developments

In many ways, Imasco is well positioned for continued growth. Our balance sheet, trademarks and market franchises are strong. Our credentials as a company capable of building shareholder value on a consistent basis are solid. However, such measures of success can no longer be taken for granted. The pace and scope of change continue to accelerate and expand. Moreover, the risks and adverse consequences of resting on past achievements have been clearly demonstrated by several well publicized business failures in recent years.

One of our most important functions at Imasco is to encourage our operating companies to systematically challenge business assumptions and make sure that they are neither blindsided nor overtaken by developments in their competitive environments. Led by our President, Brian Levitt, we carried out a complete review and overhaul of our strategic planning process in 1992. The objective is to ensure that, through our management system, we pursue appropriate strategies attuned to the consumer markets of today and tomorrow.

Board of Directors

Paul Paré has reached the mandatory retirement age for our Board of Directors and will not stand for re-election at this year's annual meeting. Those who know Imasco well will appreciate the significance of this event. Mr. Paré retired as Chairman of Imasco in 1987, after having led the company for its first 17 years. While it was a period of remarkable growth and outstanding achievement, Mr. Paré's vision and leadership contributed much more than that. He established the highest possible standards for corporate performance, ethical practice and good citizenship – standards that guide Imasco to this day. On behalf of shareholders and all his colleagues at Imasco, I thank Paul Paré and wish him a long and happy retirement.

Last July, Torrance Wylie took early retirement to pursue business interests in Ottawa. Torrance has always been a source of sound advice for me and he was a skilful leader of the public affairs function over the years. While continuing to contribute to Imasco as a consultant and member of the Canada Trust Board of Directors, he will not stand for re-election to our Board. We wish him every success.

Jean-Louis Mercier will retire as Chairman and Chief Executive Officer of Imperial Tobacco in May and Don Brown, who is currently President and Chief Operating Officer, will assume these responsibilities. Mr. Mercier steered Imperial through a tumultuous period for the tobacco industry and the excellent results achieved by the company speak for themselves. We greatly appreciate the valuable contributions he has made throughout his career and are pleased that he will remain a member of our Board of Directors.

Imasco in the community

With the harsh economic times, the need for corporate donations has never been greater. Imasco and its operating companies gave almost $8 million to charitable organizations in 1992. While this funding is obviously essential, the real heroes and heroines of this story are people, and many are involved.

Beginning on page 18 is an article describing five of the programs and activities that receive funding from Imasco. It is a small sample, but in many ways it is representative. To tell the story well, we asked a journalist to visit the organizations, meet the people and give us her impressions. I think you will find that her account helps bring the donations figures to life and I commend it to you.

Outlook

Mounting government debts, slow growth and fierce global competition continue in the North American economy. More than ever, Canadian companies need workers who have

the requisite education and skills to compete with the world's best. At stake is the standard of living Canadians enjoy and the level of social services we receive. Several encouraging initiatives have already created closer links between the business community and educators. New approaches to learning and innovative projects are being tried. However, there is much more to be done and cooperative efforts on the part of governments, labour and private enterprise will be necessary to assure our future prosperity.

While the business environment remains uncertain, Imasco has entered the new year in excellent shape. The common share dividend has been raised 9% to $1.48 on an annualized basis. Strong cash flows continue to strengthen our balance sheet and we have good prospects for earnings growth.

On behalf of the Board of Directors,

Purdy Crawford

Purdy Crawford
Chairman and Chief Executive Officer

February 4, 1993

Through the years, Imperial Tobacco has successfully adapted to change and overcome many challenges. Of late, the single biggest challenge has been dealing with the effects of exorbitant taxes on domestic cigarette sales. The combined provincial and federal tax burden has increased 132% since 1987. High taxes have caused major shifts in the domestic tobacco market with price becoming a more important factor in the marketing mix. There is a trend towards purchases of single packages instead of cartons and there is growing market segmentation according to cigarette length and package size. Traditional distribution systems are being severely tested because smugglers offer cigarettes at prices not seen in the domestic market for many years.

All of the evidence suggests that the illicit market is still growing by leaps and bounds, with demand being met by exported Canadian cigarettes as well as products originating from a variety of countries including the United States, the United Kingdom, Switzerland and Austria. Commencing in April 1992, we voluntarily restrained export shipments in support of the government plan to reduce smuggling. The result was a loss of market share by Imperial Tobacco without any apparent effect on the level of illicit product sales.

It has been our contention all along that the smuggling problem is something that cannot be controlled, not by the government and certainly not by Imperial Tobacco. The only workable solution is a significant reduction of taxes by both the federal and provincial levels of government. The company's two licensed distributors in the United States could have sold more of our products last year. We are taking steps to ensure that they are properly supplied in 1993.

While smuggling is distorting industry statistics, the evidence indicates that our leading brands continue to gain in popularity. Last year, *Player's* and *du Maurier* accounted for 56.6% of the Canadian duty paid market for manufactured cigarettes, up 4.2 share points over 1991. Combined with *Matinée* and all other cigarette brands, our share of this market is now 66.2% compared with 54.4% five years ago. Over the next three years, we are setting our sights on further increasing our domestic market share.

In 1992, we entered into an agreement with Philip Morris USA covering the distribution of Canadian-made *Player's* cigarettes and fine cut tobacco in the United States, in both duty free and duty paid markets. We are presently studying other options for increasing foreign sales more substantially.

Imperial Tobacco is the only tobacco manufacturer that is investing in any significant way in its Canadian operations. We are currently upgrading our leaf processing facilities in Aylmer, Ontario, a project that will be beneficial to the company as well as to Canadian tobacco growers. Capital expenditures of $35 million, covering a variety of projects, are planned for 1993 in order to contain costs and add to our flexibility in responding to market changes.

As we proceed, we do so armed with important fundamental strengths. Most notable are our established Canadian trademarks, superior market intelligence and outstanding employees. Underlying all three is our deeply entrenched consumer orientation.

The constant challenge is to extend Imperial Tobacco's record of performance and further consolidate the company's position as the undisputed industry leader in Canada. We expect to meet that challenge again in 1993.

Jean-Louis Mercier
Chairman and Chief Executive Officer

Player's Light Smooth

Imperial Tobacco solidified its leadership of the Canadian tobacco industry in 1992 with the introduction of *Player's Light Smooth*. Test marketed in Alberta last May, the product generated an extraordinary degree of consumer interest, high trial levels and better than expected market share performance.

***Player's Light Smooth* was extended nationally in September. To draw attention to this launch, it was initially offered in a promotional tin pack. This packaging generated great excitement, with collectors offering up to $25 for an empty container.**

The market share forecast predicted the brand could reach 1.3% of the market after 12 months. It actually achieved a 2.6% share in just four months and continues to grow in every region of Canada. To date, over 4,000 complimentary letters have been received from customers in response to the new *Player's Light Smooth*.

Highlights of operations

Millions of dollars, except as noted	**1992**	1991	1990	1989	1988
			Years ended December 31		
Revenues	**3,049.7**	2,952.7	2,707.6	2,385.6	2,018.1
Revenues, net of tobacco taxes and duties	**1,082.3**	1,040.2	963.1	896.2	862.0
Earnings from operations	**432.0**	397.0	367.1	334.0	308.0
Market share – domestic manufactured cigarettes (%)	**66.2**	62.0	60.0	57.9	56.2
Additions to capital assets	**35.8**	22.1	23.2	22.9	18.9

Gross revenues increased in 1992 reflecting a full year of the tax increase introduced in the federal budget of February 1991, as well as a manufacturers' price increase. While there were no changes to federal tobacco taxes in 1992, some provinces increased their taxes on cigarettes. Tobacco taxes and duties represented 65% of gross revenues in both 1992 and 1991. Manufacturers' prices of cigarettes, excluding taxes and duties, were increased in September 1992 by 4.9% and by 12.5% in September 1991. Earnings from operations, as a percentage of net revenues, rose to 39.9% in 1992 from 38.2% in 1991. Higher margins, resulting from increased prices and productivity improvements, more than offset the impact of lower unit sales volumes.

High tobacco prices in Canada caused by excessive taxation have changed purchasing patterns and opened new distribution channels. A growing number of smokers are switching to lower taxed alternatives and smuggled products and the export and duty free markets have expanded significantly. In an effort to counteract smuggling, the federal government imposed an export tax of $8 per carton of cigarettes, along with other control measures, effective February 12, 1992. On April 8, 1992, the federal government suspended the collection of the export tax while retaining the other control measures and introduced more prominent labelling requirements to distinguish tobacco products for tax purposes.

Based upon Statistics Canada figures and Imperial Tobacco estimates, the Canadian industry's total shipments designated mainly for North American markets were:

	1992	1991	1990
Domestic:	Billions of cigarettes or approx. equivalents		
Cigarettes	35.1	38.9	45.9
Roll-your-own	6.3	7.4	7.4
Export and duty free:			
Cigarettes	8.1	6.6	2.6
Roll-your-own	2.3	2.4	0.6
Total[1]	51.8	55.3	56.5

[1] Excludes foreign manufactured products available in Canada and consumers' purchases of raw leaf tobacco.

Because foreign manufactured products and consumers' purchases of raw leaf tobacco are excluded, industry shipments alone are not a true indication of total Canadian tobacco consumption. Including these segments, Imperial Tobacco estimates 1992 total industry volume at 54.7 billion cigarettes or approximate equivalents compared with 56.3 billion in 1991, a decline of 2.8%.

Imperial Tobacco's shipments and estimated share of market (as defined in the previous table) were:

	1992	1991	1990
Domestic:	Billions of cigarettes or approx. equivalents		
Cigarettes	23.2	24.2	27.6
Roll-your-own	2.3	2.4	2.8
Export and duty free:			
Cigarettes	2.5	3.7	1.3
Roll-your-own	0.3	0.3	0.1
Total	28.3	30.6	31.8
Market share (%)[1]	54.7	55.4	56.2

[1] Excludes foreign manufactured products available in Canada and consumers' purchases of raw leaf tobacco.

Market share performance is being affected by the volume of smuggled cigarettes consumed by Canadians. All manufacturers are supplying demand for their products in the domestic duty paid market. However, Imperial Tobacco curtailed supply to export and duty free markets in compliance with the federal government's request. It is believed that this resulted in sales being lost to other manufacturers, primarily from Canada, but also from the U.S. and elsewhere. In any event, the decision to curtail shipments has had no effect on the growth of the market for smuggled cigarettes. Partly as a result of these developments, Imperial Tobacco's share of cigarettes manufactured for the domestic duty paid market increased to 66.2% from 62.0% in 1991. *Player's* and *du Maurier* families accounted for 56.6% of this market. With respect to cigarettes manufactured for export and duty free markets, Imperial Tobacco's share in 1992 declined to approximately 31% from approximately 57% in 1991. In order to protect sales and market share over the long term, Imperial Tobacco is taking steps in 1993 to supply demand from its two licensed distributors in the United States.

The incidence of smoking among Canadians has shown an average decline of 0.7% per year in the past 5 years. The declines in 1991 and 1992 were 0.5% and 0.4% respectively, and this slowing rate is expected to continue. Incidence, for these purposes, is the percentage of adults, surveyed by an independent research firm, who claim to smoke cigarettes.

During 1992, an agreement was signed with Philip Morris to supply Canadian-made cigarettes and fine cut tobaccos under the *Player's* trademark for distribution in the U.S. domestic and duty free markets. Shipments under this agreement did not begin until late in 1992 and it is still too early to estimate the sales volume potential.

In January 1993, the Québec Court of Appeal rendered a decision upholding the validity of the federal Tobacco Products Control Act (the "Act"), thus reversing a Québec Superior Court decision rendered in July 1991 which had declared the Act unconstitutional. The Act bans the advertising and promotion of tobacco products in Canada and governs the labelling and monitoring of such products. Since the Act does not preclude spill-over advertising of foreign brand tobacco products, this could be detrimental to the sale of Canadian brands. Imperial Tobacco has announced its intention to seek leave to appeal the judgment to the Supreme Court of Canada.

The continuing decline in tobacco sales remains a fundamental challenge facing Imperial Tobacco and the industry. Demographics, health issues, changes in public attitudes towards smoking and increasing government intervention are contributing factors.

With its expertise in the marketplace and strong Canadian trademarks, Imperial Tobacco is well positioned to deal with competitive initiatives and the challenges facing the Canadian industry. Imperial Tobacco is also evaluating opportunities in other markets. Earnings from operations, cash flow and market share are expected to grow in 1993, assuming no major initiatives are taken by the federal and provincial governments.

(Management's Discussion and Analysis continues on page 9)

The prolonged weakness in the Canadian economy, asset devaluation in the commercial real estate sector, and volatile interest rates have created a difficult environment for financial institutions. There is also a growing emphasis on retail customers by the major banks, resulting in stiff competition for deposits, mutual funds, mortgages and personal loans. Canada Trust is recognized by consumers as a leader in retail banking. We have a large and diverse deposit base, an enviable customer profile and an effective service delivery network. These attributes are the building blocks for our future growth.

Canada Trust has a distinctive brand image based on service. Regular surveys of the competition consistently place Canada Trust at the top of the list. We are known for friendliness, convenience and overall service excellence. In 1993 and beyond, we will continue to emphasize the quality of our service as a means of retaining customers, deepening existing relationships and increasing business volumes. A second thrust is in the area of products. Our "best products" campaign positions us at the front of the pack with a verifiable claim to product superiority.

Knowledge of markets and customers through ongoing research, surveys and internal information systems is being used to develop new products and services that meet the needs of today's customer. Our customer base includes a large proportion of individuals with high incomes and substantial net worths who are a primary marketing focus for additional services. Moreover, Canada Trust is one of the largest residential mortgage lenders in the country, providing another important cross-selling opportunity.

While some growth opportunities will arise out of the consolidation of the Canadian financial services industry, our prime focus is on extending the reach of our system through additional branches and new distribution methods. We are opening smaller branches and increasing the number of free standing, full service automated banking machines. We are also leading the way to greater convenience with telephone and "drive thru" banking services.

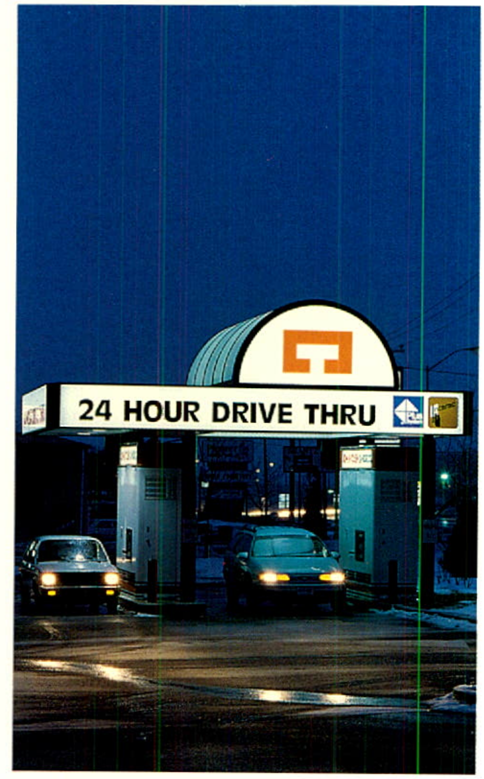
Increasing demand for wealth management services for individuals is reflected in the growth of our personal trust and private banking business. At the same time, we are experiencing good growth in pension and institutional custodial services and recordkeeping, particularly for large group retirement savings plans. Our success in these businesses is founded on superior customer service, a full range of products and value-added use of technology. *Everest Mutual Funds* are a major part of our wealth management strategy and they grew 80%, to $1.8 billion, in 1992. In total, assets under administration were $138 billion at year end, up from $124 billion a year ago.

Since joining the Canada Trust group of companies in 1991, First Federal Savings and Loan Association of Rochester has worked to expand market share, generate new products and services and develop alternative delivery systems. Retail banking has been an important focus for First Federal. By targeting geographic regions and by tailoring communications programs to demographically diverse communities, First Federal's micro marketing program has proved successful. Strategically focused on asset growth, targeted retail expansion and enhanced customer service, First Federal had a highly successful year in 1992, providing its full range of products and services to more than 400,000 households.

Underlying our confidence in the future of both Canada Trust and First Federal is our talented and dedicated staff. We have steadily increased our investment in training and education in recent years to solidify our lead as one of the best service providers in the financial services industry.

Steps have been taken to better control costs and attention remains squarely focused on the retail franchise. We have a number of business initiatives under way that are expected to lead to improved results. Still, the continued devaluation of commercial real estate could have an impact on our results again in 1993.

Peter Maurice
President and Chief Executive Officer



Anywhere, anytime banking services

Canada Trust is investing in new, more convenient ways of serving customers in its quest to be the best retail bank in Canada. Life-styles are changing and, more and more, consumers need anywhere, anytime banking services. New approaches such as automated banking machines where people work or shop, passbook updaters, 24 hour "drive thru" banking and telephone banking services are popular alternatives to traditional branch banking.

Alternative forms of distribution offer both customer convenience and cost effective service delivery. The key is to ensure that the new services meet the company standard of being "the best".

***EasyLine,* Canada Trust's convenient new telephone banking service, was launched in January 1993. Except for cash deposits and withdrawals, customers can do virtually any banking transaction by telephone from anywhere in the world. *EasyLine* is also the only telephone banking service in Canada to offer 24 hour, seven day a week, live operator service.**

Results of operations

CT Financial Services

Highlights of operations

Years ended December 31					
Millions of dollars, except as noted	**1992**	1991	1990	1989	1988
Revenues	**4,048.0**	4,370.6	4,319.8	3,837.1	3,065.6
Net investment income	**1,050.6**	960.7	845.6	751.3	654.3
Provision for (recovery of) investment losses	**236.2**	114.7	70.0	30.1	(24.6)
Earnings from operations (CT Financial Services' pre-tax earnings)	**251.8**	320.2	318.2	357.2	359.0
Net earnings attributed to common shareholders	**181.3**	209.5	201.4	240.2	232.0
Return on average common shareholders' equity (%)	**10.2**	12.8	13.2	17.3	19.0

General economic conditions have a direct impact on the results of CT Financial Services. Interest rates in North America generally declined throughout the year, although interest rate movement in Canada was more volatile than in the United States. On three separate occasions, the Bank of Canada significantly increased the bank rate. However, the average of the monthly rates charged on prime business loans, as reported in the Bank of Canada Review, was 7.5% compared with 10% in 1991.

Domestic economic activity continued to show little growth throughout the year. The unemployment rate rose to a high of 11.6% in August and personal and commercial bankruptcies continued at high levels. The decline of commercial real estate values and high vacancy rates caused several of Canada's major real estate developers to seek bankruptcy protection or to renegotiate their borrowing terms.

Declining interest rates in the United States generated gains in net interest differential throughout the year for First Federal. Although there was a significant increase in mortgage activity in the United States, 58% of such activity was refinancings. U.S. real estate markets continued to suffer from low demand, a function of high unemployment and lagging consumer confidence.

Net earnings attributed to common shareholders decreased 13% to $181.3 million. Expressed as an annualized return on average corporate assets, net earnings represented 45 cents per $100 compared with 56 cents in 1991. Return on average common shareholders' equity, fully diluted, was 10.2% compared with 12.8% in 1991. First Federal contributed $35.9 million in earnings compared with $18.7 million in the eight months following its acquisition in 1991.

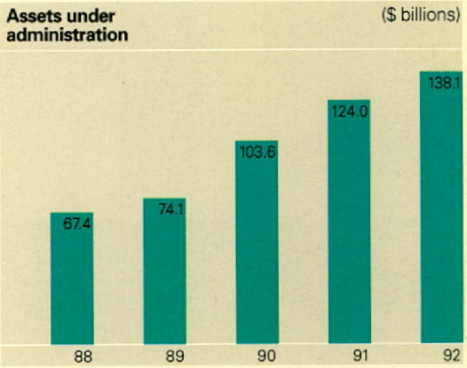
The principal business segments of CT Financial Services are financial intermediary services which provide the majority of earnings, fiduciary services, real estate sales and real estate property investment. Revenues of CT Financial Services, as reported by Imasco Limited, were as follows:

	1992	1991	1990
		Millions of dollars	
Investment income	3,621.6	4,009.7	4,032.7
Fees	330.6	296.4	247.7
Net commissions	42.6	41.9	35.1
Other income	53.2	22.6	4.3
	4,048.0	4,370.6	4,319.8

The decline in gross investment income is largely a function of lower interest rates. A more meaningful indication of revenues is net investment income which is the difference between interest earned on loans and securities and interest paid on deposits and other borrowings. Net investment income for 1992 was $1,050.6 million compared with $960.7 million in 1991. On a taxable equivalent basis, which is after adjustment for the effect of differing tax treatments accorded income derived from various types of investments, net investment income was $1,168 million in 1992 compared with $1,084 million in 1991, an increase of $84 million. The components of the change were as follows:

	Volume	Rate	Net
		Millions of dollars	
Investments	354	(748)	(394)
Deposits, other borrowings	255	(733)	(478)
	99	(15)	84

Net interest rate differential, the rate of return on average interest earning assets less the rate of interest on average interest bearing liabilities, adjusted to a taxable equivalent basis, was 2.50% in 1992 compared with 2.45% in 1991. The increase was due to the declining interest rate environment. Lower interest rates also caused customers to shift funds for part of the year from term deposits to higher yielding investments such as mutual funds. Mutual fund balances are

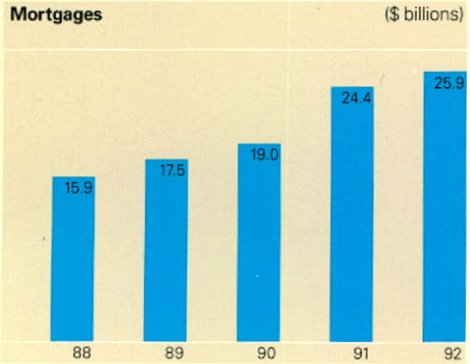


considered assets under administration and earn fee income rather than net investment income. CT Financial Services manages its assets and liabilities on a coordinated basis with a view to minimizing the effect of random interest rate fluctuations on net investment income.

CT Financial Services' policy is to fund lending operations of its regulated companies primarily with retail customer deposits. Virtually all of Canada Trust's and First Federal's domestic deposits were from retail customers. Total deposit growth in 1992 was $1.6 billion or 4% compared with $5.1 billion or 16% in 1991. The purchase of First Federal accounted for 13% of the growth in 1991.

Canada Trust is primarily a retail lender with over 80% of its loan portfolio in 1992 owed by individual borrowers, of which 65% was secured by residential properties. Demand for mortgages in Canadian operations was high throughout the year. Preferences shifted to longer terms with the over-one-year portfolio growing by 29% in 1992 compared with 9% in 1991 and the six month portfolio decreasing by 41% in 1992. Commercial mortgages declined 6% during 1992 from $3.5 billion to $3.3 billion. First Federal's mortgage portfolio at December 31, 1992 was $4.3 billion, of which $4.1 billion was residential and the balance commercial.

Due to favourable interest rates, First Federal mortgage originations grew by 128% during 1992 to $1.6 billion.



Fiduciary fee income increased, reflecting the rise in assets under administration from $124.0 billion to $138.1 billion. Personal trust assets under administration increased 2% to $9.0 billion, pension trust assets under administration increased 15% to $78.4 billion while mutual fund assets under administration increased 80% to $1.8 billion. Service fees earned by Canada Trust increased 5% to $180 million while those earned by First Federal amounted to $25 million.

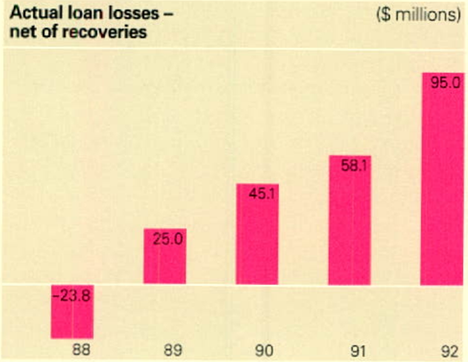
Net real estate sales commissions increased modestly due to a recovery in some regional markets across Canada, increased activity from first-time home buyers and new regulations allowing the use of retirement savings plan funds for home purchases.

Other income in 1992 included gains of $23.4 million on sales of mortgages and mortgage-backed securities compared with $6.5 million in 1991. It also included net gains and losses on securities trading and on the sale of investment properties, as well as other miscellaneous income.

Due to poor economic conditions, the provision for investment losses charged to earnings increased substantially during 1992 to $236.2 million compared with $114.7 million in 1991. The increase was primarily due to non-performing commercial mortgages and corporate real estate loans. The 1992 provision for investment losses included $40.9 million from First Federal compared with $11.7 million for eight months in 1991, primarily for residential mortgages. Total non-performing investments were $930.0 million at December 31, 1992 compared with $582.7 million the previous year. Non-performing investments, net of the allowance for investment losses, were $587.7 million at December 31, 1992 compared with $385.9 million the previous year. This represented 1% of total investments and 30% of consolidated shareholders' equity of CT Financial Services compared with 1% and 21% respectively in 1991. Of the total non-performing loans, $422 million was attributable to four major Canadian borrowers. Although interest is still being paid on some of these loans, all have been classified as non-performing. It is expected that some of these loans will be reclassified as performing in 1993. First Federal's non-performing investments totalled $203.1 million at December 31, 1992 compared with $221.5 million the previous year and 70% were residential mortgages. Credit risk is managed through diversification, strict lending and investment criteria and limits on exposure to individual borrowers.

CT Financial Services maintains an allowance for investment losses, the accounting policy for which is presented on page 27. Continuity of the allowance from year to year and the apportionment among investment categories and between specific and general is detailed in Note 8 on page 37.

Investment losses and write-offs in 1992 related mostly to commercial mortgages and corporate real estate loans while those of 1991 were primarily for credit card losses, commercial mortgages and corporate loans. The allowance for investment losses at year end 1992 represented 3.6 times net losses compared with 3.4 times in 1991. First Federal's allowance was $72 million at December 31, 1992. Its general allowance rose slightly during 1992 and its specific allowance increased by $16 million as expected losses on loans in foreclosure increased.



Operating expenses increased 12% during 1992 and were 2.31% of average corporate assets compared with 2.24% in 1991. Most of the increase resulted from the net addition of 25 branches as well as the cost of government imposed increases in capital tax and staff benefits. In addition, First Federal, which was included for 12 months in 1992 and only 8 months in 1991, incurred additional costs to help reduce its non-performing loans. The largest components of operating expenses are salaries and employee benefits which represented 53% of 1992 operating expenses compared with 52% in 1991.

Pre-tax earnings in 1992 were $251.8 million compared with $320.2 million in 1991, a decrease of 21%, and represent the amount reported by the Corporation as earnings from operations for CT Financial Services.

CT Financial Services' statutory income tax rate for 1992 was 43.6%. This rate was reduced by 20.8% due to income from certain investments which is not taxed and by 9.3% due to income earned in foreign jurisdictions where lower tax rates apply. Taking these and other less significant items into account, the overall effective income tax rate for 1992 was 18.8%. This was low relative to past years and was down from 26.5% in 1991.

CT Financial Services' liquidity requirements arise from obligations to depositors, commitments for loan advances, payment of operating expenses and other commitments. Company policy is to maintain sufficient liquid assets to meet operating cash requirements as well as the liquidity ratios required by various statutes. Other than normal course commitments for loans to customers, there are no outstanding commitments at year end that require substantial cash outlays. All cash needs are expected to be met in the coming year as they come due. Approximately 77%, or $32.3 billion, of deposit liabilities and other borrowings at December 31, 1992 are payable within one year. Of these, $20.1 billion are savings deposits payable after notice.

CT Financial Services expects earnings and deposit taking activities in the coming year to provide sufficient cash flow to fund capital expenditures, amounts due on borrowings and dividends. Capital investments in computer and other equipment and branch premises, excluding land and buildings, are projected to be $117 million for Canadian operations and $6 million for First Federal. There are no anticipated restrictions on CT Financial Services' ability to declare or pay dividends in the future.

Canada Trustco Mortgage Company and The Canada Trust Company are subject to federal capital guidelines and provincial regulations which prescribe minimum capital requirements. Under provincial statutes, each has received approved maximum borrowing multiples of 25 times. At December 31, 1992, their combined borrowing multiple under federal guidelines was 23.6 compared with 21.2 at December 31, 1991. Commencing in 1993, federal trust and loan companies are subject to new capital rules, similar to those applied to Canadian chartered banks. Regulatory capital requirements for the U.S. savings and loan industry are established and enforced by the Office of Thrift Supervision. Under these standards, First Federal is considered to be adequately capitalized.

Investment activities of Canada Trustco and Canada Trust are also subject to federal and provincial regulation. New federal legislation provides trust and loan companies with full powers to make prudent investments on virtually the same basis as banks. However, federal and provincial statutes limit investments in certain types of property to predetermined percentages of a trust or loan institution's capital or total assets. First Federal is subject to U.S. legislation requiring the maintenance of at least 70% of assets in qualifying investments.

Canadian federal financial sector reforms, including updated legislation for banks, trust and loan companies, insurance companies and cooperative credit associations, came into force on June 1, 1992. The reforms dismantled many of the remaining federal barriers between the traditional four pillars in the financial services industry and should lead to increased competition.

The reforms also contained measures to enhance protection of customers and strengthen financial institutions. Boards of directors have been given increased responsibility for prudent management, including the establishment of prudent investment and lending policies. The legislation restricts transactions with related parties and creates a new conduct review committee of the board of directors which is charged with the responsibility to review and approve such transactions.

The new legislation requires the Corporation to decrease its beneficial ownership position in Canada Trustco's voting shares from approximately 98% to a maximum of 65% by June 1, 1997. While various strategies are under consideration, no immediate action is planned.

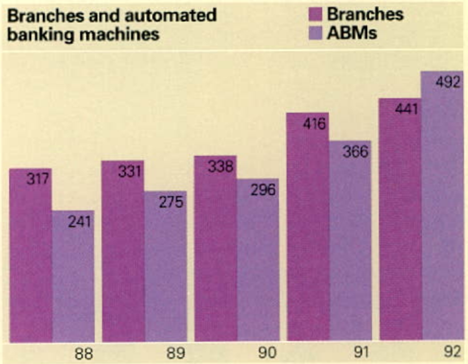
One primary objective of the federal financial reforms, that of a level playing field, has not yet been achieved. Canada Trustco and Canada Trust are unable to take full advantage of the new federal reforms because of conflicting provincial laws, in particular Ontario's "equal's approach". Ontario has imposed its regulation on all aspects of the operations of trust and loan companies registered under its statutes, both inside and outside the province.

The level of multiple regulation is increasing. In the past year, Alberta, Nova Scotia and New Brunswick brought new trust and loan legislation into force. As a consequence, these regulated companies may only exercise those powers which fall within the intersection of the multiple layers of regulation. The companies also bear the burden of additional regulatory overhead. Until this is resolved, multiple regulation may negatively impact Canada Trustco's and Canada Trust's ability to compete with the Canadian banks which are only regulated by the federal government.

In November 1992, Ontario announced its intention to undertake a major review of its financial services regulations with a number of objectives including regulatory streamlining and a level playing field. It is hoped that this review will lead to a resolution of the current problems experienced by trust and loan companies.

In past years, inflation has had complex effects on financial institutions. Sharp changes in the inflation rate led to material changes in the depositing and borrowing practices of customers. CT Financial Services attempts to control the potential effects of inflation through asset-liability management policies.

The outlook for 1993 is contingent upon economic conditions, particularly the values of commercial real estate. Financial intermediary services are influenced by general economic activity, credit and monetary conditions, interest rates and competition.



Fiduciary services are affected by interest rates and stock market conditions. Real estate sales are affected by market and competitive factors, the economy and interest rates.

CT Financial Services' strength remains its ability to attract and service retail customers. Its primary focus is on retail banking, wealth management services and pension asset management. To protect and increase its retail deposit market share, it intends to continue dedicating resources to improving customer service, increasing profitable business volumes and developing new services and products. It also plans to continue expanding its retail branch networks both in Canada and the United States.

(Management's Discussion and Analysis continues on page 13)

Hardee's approach in 1992 was to emphasize the basics of the business and this resulted in a very good year. We have emerged with a clear direction, a stronger brand identity and a menu that is generating good sales at all three mealtimes and in between. Relations with our licensees have never been better and average sales per restaurant exceeded one million dollars for the first time in our history. It has been a challenging period but our employees pulled together with a "winning again" attitude. I am extremely proud of them and what they have accomplished.

The North American fast food sector began to mature in the 1980s, and only modest industry growth is expected from here on. More recently, the industry has experienced deflation with the entry of low price, single product concepts and price discounting by established major chains that are unable to differentiate themselves in other ways. Through it all, new restaurants have been added to an already crowded marketplace. These are the realities we face.

Relying on consumer research, we began the process of repositioning Hardee's in 1992, particularly among frequent fast food eaters, as the chain that offers "real food". Closing unprofitable locations, reductions in our cost structure and a clear focus on customer satisfaction through fast, courteous service and restaurant cleanliness were also key strategies.

Brand identity has been strengthened through the development of menu items that are associated only with Hardee's and designed to attract customers during specific mealtimes. For example, Hardee's is building on its industry-leading breakfast performance with new offerings tailored to regional markets. For lunch, we introduced the *Frisco Burger*, the most successful new hamburger launch in recent history. Fresh fried chicken is now available for dinner in more than half of the restaurants in our system. Late in the year, Roy Rogers introduced *Roy's Roasters*, a roast chicken product. The roasters have been a remarkable success so far, auguring well for the product's longer term prospects.

Value is being reinforced by effective communication of Hardee's menu quality. For example, we are introducing new menu boards with rotating panels. The advantage is that appropriate menu suggestions for each mealtime are presented in an attractive, uncluttered manner.

Fast, efficient service and cleanliness complete the revitalized Hardee's offering. To demonstrate our commitment, restaurant managers are now partially compensated on the basis of how well customers are served. Consumer surveys, toll-free telephone numbers and other market monitoring programs are telling us that customers have already noticed big improvements in our restaurants, and we have not finished yet. We are in the process of revamping training procedures for new employees and providing vital support to licensees in this area.

The improved results at Hardee's have been accompanied by steady progress in restoring the equity in the Roy Rogers trademark. Consumers are responding favourably and we expect continued improvement in the performance of the Roy Rogers system in 1993.

Fast Food Merchandisers, our fully integrated manufacturing and supply system, has been an important ally. FFM is flexible and quick to respond, assisting Hardee's to develop and introduce new products in record time. Having our own manufacturing know-how also opens up opportunities for reducing restaurant labour costs through innovative food preparation methods.

The licensees played a key role in the turnaround at the restaurant level. They have shared experiences with us and offered advice freely. In most cases, they too had a very successful year in 1992 and a number of them plan to open more restaurants this year.

Hardee's is back on track and gaining momentum. New store development will resume on a modest scale in 1993, mainly through licensees. By year end, more than 90% of our restaurants will offer superior quality chicken dinners, in addition to other popular fare. Overall, there is a sense that we are winning again and we are confident of further progress and improved financial results in 1993.

Robert Autry

Robert F. Autry
President and Chief Executive Officer

Are you ready for some real food?

Hardee's goal is to provide superior value by serving better tasting, more satisfying meals at competitive prices. The advertising slogan: "Are you ready for some real food?" delivers this message to consumers.

"Real food" marketing efforts target the three mealtimes in order to build sales throughout the day. The *Frisco* breakfast sandwich combines great tasting sourdough bread with two kinds of cheese, ham and an egg. Featured for lunch is the *Frisco Burger,* the most successful new hamburger launch in recent history. A thick and juicy quarter pound hamburger is topped with melted swiss cheese, onion, mayonnaise, tomato and bacon and served on grilled sourdough bread. Grilled chicken and club sandwiches round out the *Frisco* line. At dinner, fresh fried chicken is the favoured product.

Hardee's is already the second largest chicken restaurant chain in the United States and, in independent taste tests, consumers prefer Hardee's fresh fried chicken by a margin of almost two to one.

Results of operations

Hardee's Food Systems

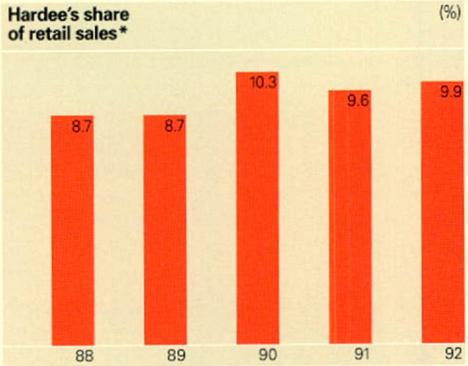
Highlights of operations					Years ended December 31
Millions of Canadian dollars, except as noted	**1992**	1991	1990	1989	1988
System sales	**5,749.9**	5,012.2	4,833.6	4,146.7	4,058.9
Revenues	**2,364.9**	2,096.9	2,152.5	1,786.5	1,756.9
Earnings from operations (millions of US dollars)[1]	**63.1**	40.3	62.2	101.1	107.4
Earnings from operations[1]	**77.2**	46.0	72.6	119.4	131.2
Average sales per restaurant (thousands of US dollars)	**1,011**	938	940	922	920
Additions to capital assets	**89.6**	60.4	144.6	155.3	209.9

[1]Restated for reclassification of amortization of acquisition goodwill. Refer to Changes in accounting policies on page 26.

Despite another year of difficult economic and competitive conditions, Hardee's results in 1992 were significantly better than in 1991. Improvement came in the second half of the year and resulted from actions taken by the new management team in place since mid-1991. These focused on the basics: menu development, cost reduction, closing of unprofitable restaurants and customer satisfaction attributes such as service, cleanliness, quality products and competitive prices.

System sales in US dollars increased by 9% to US $4.8 billion due to the successful introduction of the *Frisco Burger* and other *Frisco* sandwiches, the expanded availability of fresh fried chicken and improvements in advertising and customer satisfaction. Hardee's range of menu offerings attracts customers during each of the three daily mealtimes. This distinguishes Hardee's from many of its competitors. The number of restaurants in the system remained essentially unchanged with a net increase of 5 restaurants during 1992. However, 67 company-operated and 70 licensed restaurants were closed. The closing of unprofitable locations has improved the overall quality of the system. At December 31, 1992, there were 1,234 company-operated and 2,785 licensed restaurants compared with 1,249 and 2,765 respectively the previous year. System average unit sales volume increased to US $1,011,000 from US $938,000 in 1991, while company-operated average unit sales volume increased to US $946,000 from US $889,000 in 1991. On a comparable restaurant basis, system average unit sales volume increased 7.2% while that of company-operated restaurants increased 4.0%.

Although the number of restaurants in the system grew just slightly, higher sales volumes caused Hardee's share of retail sales in the sandwich category of the quick service restaurant industry to increase to 9.9% in 1992 from 9.6% in 1991.



*Quick service restaurant sandwich category. Source: CREST. Includes Roy Rogers since 1990.

Hardee's revenues consist of three major elements: sales by company-operated restaurants, service and licence fees earned from restaurant licensees and sales of food and supplies to restaurant licensees and other third parties by Fast Food Merchandisers (FFM), the manufacturing and distribution arm of Hardee's.

During 1992, revenues from each source increased and totalled US $2.0 billion compared with US $1.8 billion in 1991, an increase of 7%. The largest increase, US $80.6 million, came from FFM sales and resulted from the introduction of the *Frisco Burger* and *Frisco* sandwiches, the continued rollout of fresh chicken as well as the addition of dairy products and produce to the distribution system.

Earnings from operations increased in 1992 to US $63.1 million compared with US $40.3 million in 1991. Increases were reported both by Hardee's restaurant operations and FFM. Restaurant earnings increased due to higher traffic, restaurant productivity improvements and reduced corporate overhead costs. FFM earnings from operations increased due to higher revenues. However, its overall margin was lower because of product mix.

In March 1992, due to unsatisfactory results from the conversion of approximately 280 Roy Rogers restaurants to the Hardee's concept, Hardee's management restored the converted restaurants to the Roy Rogers concept. In addition, 75 company-operated Hardee's restaurants in the Baltimore/Washington region were converted to Roy Rogers. As a result, a one-time charge of $4.7 million was recorded in the first quarter of 1992. Customers responded positively to the change and management believes that results will improve over time as the Roy Rogers trademark and concept are reestablished. Costs have been reduced and the challenge for 1993 is to build customer traffic and sales volume.

During 1992, the Canadian dollar weakened in relation to the US dollar and Hardee's contribution to the Corporation's system sales, revenues and earnings from operations increased as a result. The relationship between Hardee's earnings from operations in US and Canadian dollars is exhibited in the table above.

The quick service restaurant industry is generally considered to be mature with the total number of restaurants increasing at a slower rate. Competitive forces have intensified in an effort to hold and attract customers. Hardee's future success is contingent upon executing strategies which will build customer traffic and sales, improve restaurant productivity and continue to lower overhead costs.

The outlook for Hardee's is much more favourable than it was a year ago. Significant progress was made during 1992 and the positive trend is expected to continue in 1993.

(Management's Discussion and Analysis continues on page 15)

Shoppers Drug Mart/Pharmaprix has enjoyed steady growth by responding effectively to competitors and focusing on customer satisfaction. Stores are owned and operated by pharmacists, our associates, who provide much of the energy and entrepreneurial drive that has made us successful. Retailing excellence is our common objective.

Our major challenges include weak economic growth and high unemployment, price deflation in a number of product categories and intense competition from traditional and new sources. As well, both provincial governments and private employers are trying to reduce their health care costs by decreasing coverage and increasing deductibles. All of these conditions are putting pressure on margins and require constant innovation, creativity and attention to customer needs to ensure continued growth.

We are responding through a number of specific initiatives. Pharmacy is the heart of our business and we have launched a major radio and television advertising campaign to promote our "Healthwatch" pharmacy computer system. The system allows our associates to maintain a complete record of each pharmacy customer, a valuable service and an important safety feature. In a further effort to support pharmacy, we are stressing the importance of patient counselling with every prescription. Given that we filled 32 million prescriptions in 1992, this is a major undertaking. The pressures on medicare costs are also being actively addressed. We are working with governments, private sector employers and benefit managers to assist them in understanding where the cost pressures within their benefit plans originate and how they can be reduced.

As consumers increasingly look for value in their purchases, we are benefitting through our successful private label products. Both our *Life Brand* and *Rialto* corporate brands are enjoying rapid growth with attractive profit margins. Corporate brands accounted for approximately 9% of non-prescription sales in 1992 and, to build on this success, we will offer free sampling of a wide array of these products in all of our stores during 1993.

The expansion of convenience categories is another part of our retailing strategy. The objective is to make Shoppers Drug Mart/ Pharmaprix a destination store by adding services. Our 47 Food Basket stores have a special section of convenience food items. Other services include retail postal outlets, lottery ticket sales and automated banking machines, the latter in association with Canada Trust. Moreover, we are leaders in extended customer hours with some 70 stores open until midnight and 12 stores open 24 hours.

While the ultimate value of our trademark is built through excellent customer service, the numerous promotional, marketing and advertising programs are all important components in attracting customers to our stores. To convey a more personal and friendly image, Shoppers Drug Mart adopted new television spokespeople in the English-speaking market and Pharmaprix launched new television advertising in Québec. Our weekly flyer continues to be a key promotional tool for advertising our products and services.

Technology now plays a vital role in the retailing industry. Through the installation of point of sale terminals, we are capturing valuable data on consumer purchasing habits and applying this information to improve the product selection in our stores. By the end of 1993, almost half of the Shoppers Drug Mart stores in Ontario will be equipped with point of sale scanners.

Again in 1993, our priorities will be to offset the pressure on margins while continuing to build sales and customer traffic. We are addressing these challenges by strictly controlling costs, introducing products which offer higher margins and refining our marketing programs.

More than any other factor, our success is due to the exceptional efforts of the 25,000 people who work for Shoppers Drug Mart/ Pharmaprix and for our associates. We are confident that we have the right strategies, and we know that we have the right people, to meet our challenges and keep on growing in 1993 and beyond.

David R Bloom

David Bloom
Chairman and Chief Executive Officer

Quality, price and margins

***Life Brand* and *Rialto* are corporate brands available exclusively at Shoppers Drug Mart and Pharmaprix. Both offer excellent quality at a price that is lower than the leading national brands and all products are sold with a 100% money-back guarantee.**

Currently, one of the most challenging aspects of retailing in Canada is coping with price deflation. Stiff competition among retailers and, in some product categories, deflation of wholesale prices have placed severe pressure on gross profit margins. To keep sales and operating earnings growing, attracting customers and managing those margins become all important.

This is why *Life Brand* and *Rialto* are so valuable. More than just great value for the customer, they offer higher margins that help offset the profit-eroding effects of price deflation.

Management's Discussion and Analysis
(cont'd from page 13)
Results of operations
Shoppers Drug Mart/Pharmaprix

Highlights of operations

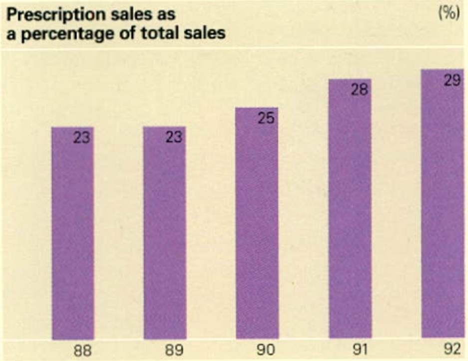
Millions of dollars, except as noted	**1992**	1991	1990	1989	1988
				Years ended December 31	
System sales	**3,089.5**	2,934.1	2,843.6	2,597.7	2,355.6
Revenues	**172.5**	161.6	148.1	136.2	114.9
Earnings from operations[1]	**95.2**	88.9	81.5	71.6	58.1
Average sales per store	**4.6**	4.4	4.4	4.1	4.2
Average sales per square foot (dollars)	**806**	786	778	736	728
Number of stores	**678**	671	645	633	613
Additions to capital assets	**40.7**	30.9	33.7	27.3	33.5

[1]Restated for reclassification of amortization of acquisition goodwill. Refer to Changes in accounting policies on page 26.

Although the retail environment remained difficult throughout 1992, Shoppers Drug Mart/Pharmaprix posted increases in system sales, revenues and earnings from operations.

System sales increased during 1992 with the net addition of 7 new stores and higher sales volumes at existing stores. On a comparable store basis, a measure intended to eliminate the impact of store openings and closings, total sales increased 3.8% compared with 5.0% in 1991. Excluding tobacco products, comparable store sales increased 6.5%. Average sales per square foot rose to $806, compared with $786 in 1991, and the average sales volume per store was approximately $4.6 million compared with $4.4 million in 1991. On a comparable store basis, customer counts increased 2.6% during 1992.

Prescription sales continue to increase and now represent 29% of total sales compared with 28% in 1991. On a comparable store basis, prescription sales increased 10.6%. However, there were downward pressures on margins.



Since all stores are owned and operated by associates under licence agreements, revenues of Shoppers Drug Mart/Pharmaprix are composed of service fees, equipment rentals and other income. The factors which increased system sales also resulted in higher revenues.

Store operating costs in 1992 increased due to higher wage rates, extended store hours and an increased focus on customer service. Also, gross margins were slightly lower than last year. These factors were more than offset by sales increases and other productivity improvements which resulted in a 7% increase in earnings from operations. Downward pressures on gross margins are expected to continue in 1993.

Shoppers Drug Mart/Pharmaprix continues to face increased competition from food stores, mass merchandisers, food and drug combination stores, and warehouse clubs, particularly in certain traditional drug store categories such as health and beauty aids and paper products.

The company's response to the competition has been to increase its marketing activities, as well as its focus on customer service and convenience, and to add services such as retail postal outlets, lottery tickets and automated banking machines which reinforce Shoppers Drug Mart/Pharmaprix as a retail destination. Another important response has been the continued development of *Life Brand* and *Rialto* private label products. These products, which have attractive profit margins, have grown to encompass over 1,500 stock keeping units and accounted for approximately 9% of non-prescription sales in 1992.

A number of issues may affect the long term prospects of Shoppers Drug Mart/Pharmaprix. These include: possible restrictions on the sale of tobacco products, potential changes to federal legislation to permit the sale of certain over-the-counter drugs in retail establishments other than pharmacies, and the continued efforts of governments and third party payers to control the increasing costs of health care. The approaches being followed to control these costs include decreased compensation to health care providers such as pharmacies and reductions in benefits covered in health care programs. Shoppers Drug Mart/Pharmaprix continues to maintain a pro-active approach to such issues.

New labour legislation in Ontario and proposed legislation in British Columbia could increase store operating costs and negatively affect management flexibility. To minimize any impact of such legislation, the company's associates will continue to maintain a progressive employee relations program.

Competitive conditions in the industry are creating acquisition opportunities. In early 1993, Shoppers Drug Mart/Pharmaprix acquired a chain of 10 stores in Saskatchewan and Alberta. Further acquisition opportunities will be pursued.

Shoppers Drug Mart/Pharmaprix's performance and operating results have improved consistently over time. The outlook for 1993 is for moderate growth in system sales, revenues and earnings from operations.

(Management's Discussion and Analysis continues on page 17)

Genstar Development Company

The success of Genstar Development Company is dependent upon its ability to add value to real estate by transforming low cost, raw land into residential building lots that meet consumer expectations. The final product is communities containing attractive residential lots which are sold to home builders.

The local economy and level of employment are major variables in determining the demand for our products. As a result, the company's performance in recent years has been stronger in British Columbia and Alberta where the economies have been relatively robust. In British Columbia, in particular, housing markets have been fuelled by Pacific Rim investment, immigration and migration of population from other parts of Canada.

Genstar's recent expansion into the United States holds promise for long term growth. In 1992, sales activity began at our joint venture development in metropolitan Minneapolis and we signed another joint venture agreement to develop a unique parcel of land in San Diego County, California.

Key objectives for the company are to replenish the raw land inventory in the Toronto and Pacific regions, to supplement the existing inventory in other operating regions and to seek out new areas for sound expansion.

We expect to make progress on these objectives and have another good year in 1993.

Les Cosman
President

The UCS Group

The UCS Group faced a most challenging year in 1992. We felt the full impact of the large tobacco tax increases imposed over the previous years and the related problem of cigarette smuggling. These circumstances, combined with the weak economy and intense competition, resulted in a large decline in tobacco unit sales.

While continuing to focus on the tobacco segment, we have modified our business plan to emphasize other merchandising and marketing directions. One initiative is to build on our position as a leading retailer of newspapers and magazines. During 1992, we successfully tested *The Great Canadian News Company*, a concept which features an extensive array of periodicals and books. We believe this can become a destination store, filling a niche in the marketplace that fits perfectly with our expertise. Several of these stores will be established across Canada in the next three years.

Another important opportunity for The UCS Group is our Airport Division. With some improvement in tourism and air travel, we expect better results in 1993. We have made a number of improvements in our tax and duty free stores and in our other airport locations. These include a wider product offering and better merchandising. Where profitable, expansion of this segment of our business will be pursued and we will be an aggressive bidder for new locations.

Administrative costs were substantially reduced in 1992 and further efficiencies are being pursued. We have been successful in offsetting the decline in tobacco unit sales with growth in other categories and these efforts will continue. Our primary objective for the near term is to restore profitability.

Norm Latowsky

Norman Latowsky
President and Chief Executive Officer

Results of operations

Genstar Development Company

Highlights of operations				Years ended December 31	
Millions of dollars, except as noted	**1992**	1991	1990	1989	1988
Revenues	**95.9**	67.1	92.7	125.3	86.2
Earnings from operations	**34.3**	29.5	35.9	54.6	29.6
Single family lots sold	**1,553**	1,173	1,745	2,020	1,698
Parcels and raw land sold (acres)	**93**	67	30	210	105
Land inventory (acres)[1]	**20,406**	19,035	18,802	18,972	18,271
Land inventory acquired (acres)[1]	**1,811**	587	174	1,349	248

[1]Includes land held through joint ventures and partnerships.

Genstar Development Company operates in a cyclical business and its 1992 results exceeded expectations. Despite poor economic conditions, revenues increased 43% with sales activity predominantly in the lower mainland of British Columbia and in Calgary, Edmonton and Toronto. As indicated in the table above, sales of single family lots and acres of parcels and raw land increased in 1992.

Earnings from operations increased 16% in 1992 as sales growth more than offset lower gross margins. Margins are a function of the initial purchase price of the land as well as development costs and the type of product sold. They may vary widely from year to year depending upon the mix of sales. Development costs are continuing to rise and projects must therefore be prudently managed. Unlike some land developers, Genstar Development Company expenses all financing and carrying costs on land inventory as incurred.

A key determinant of future profitability is the replenishment of inventories with suitable land at reasonable prices. During 1992, Genstar Development Company acquired 111 acres of land directly and an interest in 1,700 acres through a joint venture in San Diego County, California.

Short term prospects are dependent upon employment levels, interest rates and the ability to obtain necessary municipal approvals to proceed with certain new projects. These risks are mitigated by having adequate inventories in a number of markets, allowing the company to offer a wide variety of products. Overall, it is expected that 1993 will be a good year for the company.

The UCS Group

Highlights of operations				Years ended December 31	
Millions of dollars, except as noted	**1992**	1991	1990	1989	1988
Revenues	**301.7**	305.1	314.7	286.1	256.6
Earnings (loss) from operations	**(4.9)**	(2.0)	8.6	8.3	7.5
Average sales per store (thousands of dollars)	**588**	580	592	543	489
Average sales per square foot (dollars)	**821**	811	834	790	718
Number of stores	**501**	526	533	531	525
Additions to capital assets	**2.0**	4.8	6.0	5.3	4.9

For The UCS Group, 1992 was another disappointing year. Revenues were down slightly from 1991 reflecting the net reduction in the number of stores by 25. On a comparable store basis, sales increased 0.2% during 1992 compared with a decline of 5.0% in 1991. The weak economy and poor retail environment negatively affected revenues. However, the primary factor suppressing revenues in 1992 was a decline in tobacco unit sales arising from increased competition and smuggling caused by very high tobacco taxes in Canada. Sales increases were reported in the confectionery and reading materials categories.

The increased operating loss in 1992 is a result of the decline in sales and pressure on gross margins. Administrative expenses were reduced in 1992 as The UCS Group changed its organizational structure and streamlined departments.

In the short term, plans are to continue to market tobacco products and maximize sales and earnings throughout the system. Unprofitable locations will continue to be sold or closed. Longer term plans are to decrease reliance on tobacco, continue to focus on airport locations and duty free stores and capitalize on the company's convenient locations by developing new products and concepts. The outlook for 1993 is for modest improvement and is largely dependent upon developments related to the domestic sale of tobacco products and general economic conditions.

(Management's Discussion and Analysis continues on page 29)

Meet Jadranka and Michèle, Bart and Nathalie, Nigel, Tom and Shalendra (Dave to his friends). They're here as a reminder – much-needed and heartening – that a recession can be looked at in more than one way. Not only as a time of economic distress, but as a unique opportunity to give.

The seven come from disparate cultural backgrounds and diverse geographical regions, but each is involved in some significant way in a cause championed by the Imasco family.

Michèle, Bart and Dave are on the helping end; as for the others, they're people whose lives have been touched – in some cases changed – by the help they've received, and who will go on in turn to change other lives. The domino effect in reverse.

The letter that arrived in the mail that morning at the Hardee's head office in Rocky Mount, North Carolina, didn't look like your typical corporate missive. It was painstakingly scripted in ballpoint pen on a sheet of yellow foolscap paper.

The message it contained wasn't typical either. It was a thank-you note from Rocky Mount resident Tom Reid. Hardee's, he wrote, had saved his life.

Months earlier, the Hardee's Heart Center had opened its doors in Rocky Mount, offering members of the community a roster of state-of-the-art cardiological services.

And so when Tom Reid began experiencing chest discomfort, and a regular ECG test registered an irregularity, he was hurried to the heart center where Dr. Shalendra ("Dave") Varma and his brand new cine-fluoroscopic X-ray machine provided a clear image of Reid's arteries. Only then did doctors know the extent of the problem. Two were 95 per cent blocked, a third, 75 per cent obstructed.

Tom Reid was a walking time bomb.

The patient was rushed to a larger city for an urgent triple bypass and now feels pretty fine in the ticker department. Dr. Varma has given him a clean bill of health.

The retired tackle salesman shakes his head, awed by his luck.

"I think I must have a charmed life," he says. "In the Second World War, I took part in four different beach invasions. I still have the sand to prove it! So many of my friends died in those battles! 'Charlie won't be having breakfast this morning,' we'd say. But, somehow, I made it through. And now this!"

In the future, Hardee's Heart Center will be expanding its facility. The people of Rocky Mount will be able to have heart surgery right in their community, surrounded by family.

"We'll be thrilled to offer those new services," says Varma. "Bypass surgery, angioplasty, even laser atherectomies."

Tom Reid is pretty thrilled as it is.

"So you see I was a lucky one," he concludes in his letter. "Thanks to Hardee's I have another chance."

- *The Hardee's Heart Center was established in 1990 at Nash General Hospital, Rocky Mount, NC, with a $250,000 grant from the company.*
- *Imasco and its employees generously support United Way and Centraide campaigns. In 1992, $281,933 was given to Centraide in Montréal which provides funding to over 200 local agencies.*
- *Encounters With Canada, sponsored by The Council for Canadian Unity, is a one week educational program for Canadian youths. For children of employees, Imasco pays the cost of attending.*
- *The Imasco Scholarship Fund For Disabled Students has provided 175 scholarships to 103 university students from across Canada.*
- *Thousands of Imasco employees give their time to charitable work. Bart McDonell is but one example, albeit an outstanding one!*

Jadranka Cavrak lives in a hazy, black and white world. The 20-year old student from Thunder Bay, Ontario, suffers from a genetic sight impairment. But if her environment is perpetually out of focus, she has a personal vision, and it's crystal clear. It's a vision of a world in which everybody has a chance, a personal shot at their own brass ring. She has a crystalline view, too, on rights for the handicapped, on the value on kindness, and toughness too.

Jadranka learned early on that sometimes you have to fight – not only for yourself but for everybody.

The winner of an Imasco Scholarship for Disabled Students is sitting in the library at Lakehead University. She spends a lot of time there – nose in her books, an expression which in her case is literal.

"I didn't know there was anything wrong with me," she says, "until I walked smack into a lamppost at the age of three. It was the only time I ever saw my father cry."

Her family immigrated to Northern Ontario from the Eastern Bloc when she was small. Starting school for Jadranka was a nightmare.

"I had a heavy accent. These thick-lensed glasses. The kids were pretty cruel; they called me Blind Bat. Four Eyes!"

For a while one of the nuns met with the little girl each week to teach her colours. It was a first, hard experience of failure for Jadranka. She was completely colorblind.

"Then one day, Sister Frances got up and walked away in the middle of a session and never looked at me again. I couldn't figure out what I'd done wrong."

Worst of all, though, for her, were the neighbourhood bullies, the big boys who used to follow Jadranka home from school, yelling names and hitting her with snowballs.

She took it for a certain time, silently.

"Then one day I picked up a snowball of my own," she recalls, "and I packed it and packed it, all the way to my house – it was a long walk too! You can imagine how hard it was by the time I got home."

Jadranka aimed it at the biggest – and the worst – of the bullies. "And I gave him a black eye, too," she grins. "He never bothered me again. Not once."

Slowly Jadranka learned to assert herself. To ask for more time for her reading assignments, to sit nearer to the blackboard.

She was never a quitter. Sports time would come and there she'd be, running hard in the blinding light, bumping into posts, getting knocked out cold.

"My glasses broke every week!"

Gradually she learned to help herself – and others too.

Her two younger sisters, fraternal twins, were born with the same genetic sight impairment. When they started school, Jadranka, still a teenager, was there by their side, negotiating with the principal, running interference with their teachers, attending every single school meeting.

"I wasn't going to let them go through what I went through," she says quietly.

Today, she's helping out, too, in broader ways. She is a fundraiser for the Canadian National Institute for the Blind, was chair of the Run for Light campaign.

Meanwhile, she's using her scholarship for all it's worth – to study political science as a first step toward a law degree. The work isn't easy. The reading takes her twice as long. But she knows she is going to make it.

Jadranka closes her eyes against the glare – she spends a lot of time with her eyes closed in a snow-blinding world. Then she smiles and her smile is an echo of herself – sweet and tough and honest and crystal clear.

"With a law degree," she says, "you can change things." ■

Nathalie and Nigel are the same age – sixteen. But in teenage terms they live on different planets.

Nathalie Gibeault is a francophone student from Québec; Nigel Orfei is an anglophone living in Alberta. She is naturally outgoing; he's on the shy-side. Their interests, too, are like chalk and cheese. Nigel has an independent streak, longs to be an entrepreneur. Nathalie plans to be a police officer.

Still, the two young people became kindred spirits this fall. Both spent a week at the Terry Fox Centre in Ottawa, participating in the Encounters With Canada program. It was a week, they say, that changed their lives a little bit. It blew open doors, knocked down walls, expanded their interior geography.

Take Nigel.

He was always a pretty shy kid. On his first day in first grade he established his pattern. He headed right to the last row and kept his head down. Nigel spent a lot of years in a last row seat, in different classrooms, in different cities.

Every time he had to face a new school, he cringed inwardly. It was the most frightening experience in the world.

At the same time he had this quiet, independent streak. He wanted to be different. To be his own boss. He daydreamed about going into business for himself.

This fall he found himself facing an exciting – in fact, a downright terrifying – opportunity: a week at the Terry Fox Centre organized for young entrepreneurs and business people in the bud. But it meant facing up to his fears, encountering a host of strangers; in fact, spending a week with a hundred of them.

Walking into the centre's reception room that Sunday evening was the hardest thing Nigel ever did.

But he did it.

"And the rest was... easy!" he recalls with a grin. "Everybody introduced themselves. It was amazingly friendly. And we did a lot of stuff – visited real businesses.

"We had this guest speaker who kept saying, 'Don't give up, keep on trying!' It was exactly the message I needed to hear.

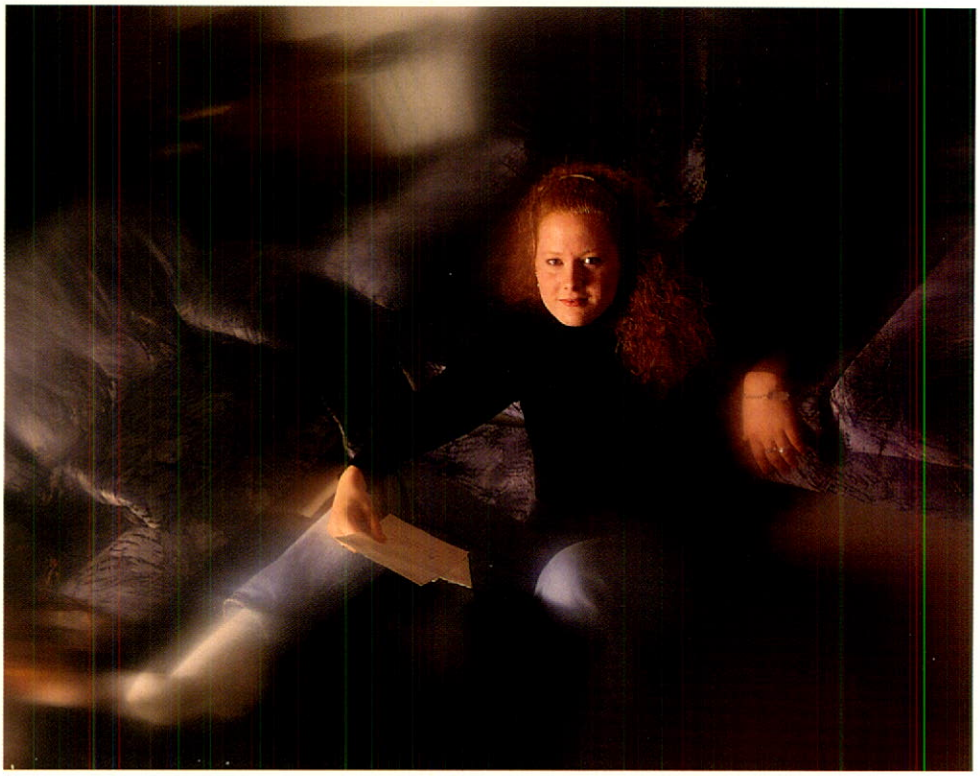
"When it was time to leave," he adds, "almost everybody was crying."

These days Nigel doesn't hang out in the back row any more.

"Now I go right up to the front where I can learn more," he laughs.

What's more, after the trip he bought these flashy-looking shoes. Red, black and yellow. Really different.

"So everybody will notice me!"



For Nathalie the experience was different but equally potent. It was a young Quebecker's encounter with Canada.

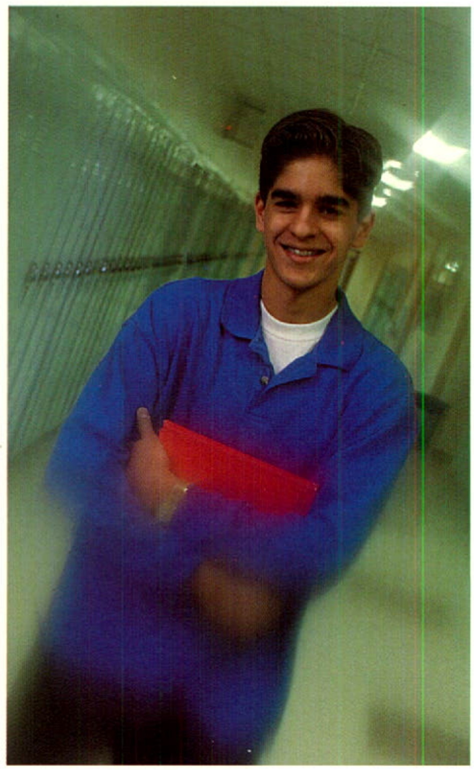
"I met young people from everywhere," she recalls, eyes shining. "From the Prairies, the West, the Maritimes. And from the beginning, it was strange, we were really one family. I've never experienced such total acceptance anywhere. Not ever.

"We talk a lot in Québec about separation," she remarks, "and before I didn't care about that either way. Well I do now. Now I know what we'd be losing.

"When it was time to leave we all cried and cried. I'm now pen pals with kids across Canada. It was the most beautiful experience of my life."

Nathalie and her friends wrote a poem about that experience. She sent it along to Imasco as a thank you. Here are a few lines...

We shared our feelings, our perceptions,
Our dreams and our lives
We came together
From everywhere in our country
To form a whole. ■



When Michèle Thibodeau-DeGuire moved into the President's office at Centraide, Greater Montreal's bilingual answer to the United Way, she brought with her an extraordinary job qualification – one conspicuously absent from your average C.V.

It was her belief – unswerving and essentially joyful – that anything, *anything* is possible.

She always had it. In fact, she has always *lived* it – even in her student days.

On its strength she applied to engineering school at a time when that profession was almost unheard of for women – and went on to succeed in a challenging career as a bridge builder. ("Bridges!" she laughs. "I'm still building them! It's my job!")

And then, because failure is not in her vocabulary, she risked moving out of her chosen field into heavyweight jobs in fund-raising and diplomacy. She marched with equal confidence through a bout with cancer, never ceasing to believe she would win it.

And now Centraide. At Centraide Michèle DeGuire is at it again, beaming her confidence in our human capacities outward at the people who need it most, the 500,000-plus beneficiaries helped along by the diverse charitable causes funded by the organization, causes which cover the human spectrum, from help to the elderly to nourishment for babies still in the womb.

"We're not here to give our people fish to eat," Michèle DeGuire says. "We're here to teach them to fish, to help them win back their self respect. Once they accept themselves, learn to like themselves, the battle is won. They can do anything!"

When Michèle DeGuire walked into Centraide two years ago, impossible things began to happen. In 1992, under her presidency, receipts went soaring right past the projected goal. She's now working on a plan to increase those receipts by a third in coming years.

It's a daunting challenge during these lean times, but as she considers it her blue eyes register only excitement.

"We can do it," she says simply, "We can." ■

Bart McDonell, retired Imperial Tobacco employee, is a reluctant – you could even say, a cantankerous! – photo subject.

Gosh darn photographs! Interruptions!

He just wants to get back to his work. It's a job that his parents devoted their lives to before him. He calls it, just helping out.

As far back as Bart can remember, his family's Ontario farmhouse served as a hostel for elderly neighbours each winter.

And then, come August, it was community haying time. As a young employee Bart spent his vacations working 18 hours a day, haying all the farms in the neighbourhood.

"I was glad to get back to work!" he laughs.

Retired now to a farm of his own, Bart still works like a Trojan. He devotes his days to Meals on Wheels, transporting the elderly, organizing the local Optimist Club.

But closest to his heart, perhaps, is his Christmas Basket Campaign, a project he launched exactly 40 years ago.

Back in 1953, he and a couple of fellow Imperial Tobacco employees took up a Christmas collection to help out needy families in the neighbourhood of the company.

That first year they collected a grand total of $35 and managed to deliver three baskets.

"What we saw in those houses was a revelation to me," sighs Bart. "The poverty! I have never forgotten those children's faces."

The project expanded as years went by. This year, 46 baskets went out to families in the Imperial Tobacco neighbourhood.

Bart's finely chiselled face softens slightly at the thought.

"Things have changed," he says. "The need is more urgent now."

Certain things, however, don't change at all. As he took the baskets around this year, they were there again, the children, wide-eyed, bright-faced, staring up at him with that timeless look of wonder. ■

Bee MacGuire

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

The Board of Directors of Imasco 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 and investments. In addition, developments and issues of current relevance are reviewed and reports of Board committees are received and considered. Additional meetings are held as required. There were nine meetings of the Board of Directors in 1992.

The presence of senior officers and operating company leaders on Imasco's Board recognizes their roles and responsibilities and facilitates dialogue with non-executive directors.

The management of CT Financial Services and First Federal Savings and Loan Association of Rochester is the ultimate responsibility of their respective boards of directors. Four senior executives of Imasco are directors of CT Financial Services and one is a director of First Federal. Purdy Crawford, Chairman and Chief Executive Officer of Imasco, is the non-executive Chairman of CT Financial Services.

Following is a brief description of the mandate of each Board committee, its composition and the number of meetings held during the year. The membership and mandates of the committees reflect the importance Imasco places on the role of its non-executive directors.

Executive Committee

Between meetings of the Board of Directors, the Executive Committee may exercise the powers vested in the Board, with certain exceptions. 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 of the Management Resources and Compensation Committee with respect to succession planning and human resource development.

The Executive Committee met three times in 1992.

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 companies;
- 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;
- Annual performance review of the Chief Executive Officer.

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

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

Audit Committee

The Audit Committee meets at least four times a year and reports to the Board following each meeting. The reports include recommendations on the following subjects:

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

The Audit Committee met four times in 1992.

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

Nominating Committee

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

The Nominating Committee did not meet in 1992.

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

Robert F. Autry

Rocky Mount, North Carolina. Director since 1991. President and Chief Executive Officer, Hardee's Food Systems, Inc., Fast Food Merchandisers, Inc. Director of Centura Bank, Boy Scouts of America, East Carolina Council, Rocky Mount Boys Club.

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

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

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., Mount Sinai Hospital, Koffler Institute of Pharmacy Management – University of Toronto.

Purdy Crawford

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

Nan-Bowles de Gaspé Beaubien

Westmount, Québec. Director since 1987. Vice-Chair and Director, Gasbeau Inc. Vice-Chair, Telemedia Corp. Co-Chair and Director of the International Centre for Family Enterprises, Inc. Director of Canadian Association of Family Enterprises, Institute for Research on Public Policy, Women in Management Program – University of Western Ontario, Terry Fox Humanitarian Award Committee.

Raymond E. Guyatt, C.A.

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

Murray B. Koffler, C.M.

Willowdale, Ontario. Director since 1978. Honorary Chairman, Shoppers Drug Mart. Vice-President and Director, Four Seasons Hotels, Ltd. Director of Canadian Jewish News, Canadian Council for Native Business, Canadian Council on Drug Abuse.

Jack A. Laughery

Rocky Mount, North Carolina. Director since 1981. Chairman, Hardee's Food Systems, Inc., Fast Food Merchandisers, Inc. Director of First Union Corporation, Carolina Telephone and Telegraph. Member of the Republican National Committee, National Restaurant Association.

Brian M. Levitt

Westmount, Québec. Director since 1989. President, Imasco Limited. Director of CT Financial Services Inc., First Federal Savings and Loan Association of Rochester, Montcrest School, Westbury Canadian Life Insurance Company. Member of the Advisory Board, Faculty of Management, McGill University.

Peter C. Maurice

London, Ontario. Director since 1992. President and Chief Executive Officer, CT Financial Services Inc. Director of First Federal Savings and Loan Association of Rochester, Consumers' Gas Company Ltd., Silcorp Ltd., Junior Achievement of Canada, Lawson Research Institute.

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.

Russell E. Palmer

Bryn Mawr, Pennsylvania. Director since 1989. Chairman and Chief Executive Officer, The Palmer Group. Director of Allied-Signal Inc., Bankers Trust New York Corporation, Contel Cellular, Inc., Federal Home Loan Mortgage Corporation, GTE Corporation, Safeguard Scientifics, Inc., The May Department Stores Company, The Goodyear Tire & Rubber Company.

Paul Paré, O.C.

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

Angela C. Peters

Halifax, Nova Scotia. Director since 1987. Director of Domtar Inc., Prudential Corporation Canada, Xerox Canada Inc.

Bernard A. Roy, Q.C.

Nuns' Island, Verdun, Québec. Director since 1989. Senior Partner, Ogilvy Renault. President, Board of Trade of Metropolitan Montreal. Director of Canadian National Railway Company, Domtar Inc., Intrawest Development Corporation, Montreal Symphony Orchestra, Métro-Richelieu Inc. Member of the Board of Governors, Université de Montréal, National Theatre School of Canada, Royal Victoria Hospital Corporation and Stanstead College.

Torrance J. Wylie

Ottawa, Ontario. Director since 1990. Chairman, GPC Government Policy Consultants Inc. Director of CT Financial Services Inc., Council for Canadian Unity. Member of the Advisory Board, Faculty of Administration, University of Ottawa.

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 reviewed and 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 have developed and continue to maintain systems of internal accounting controls including written policies and procedures and segregation of duties and responsibilities.

Although no cost effective system of internal controls will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded and the financial records are reliable for preparing the financial statements.

The Board of Directors carries out its responsibility for the financial statements and other financial information 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 the financial statements and financial reporting matters. Additional responsibilities of the Audit Committee are detailed under Corporate Governance on page 22.

The financial statements have been audited by Deloitte & Touche, Chartered Accountants, who have full access to the Audit Committee, with and without the presence of management. Their report follows.

Purdy Crawford
Chairman and Chief Executive Officer

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

Pierre Duhamel, C.A.
Vice-President and Controller

February 4, 1993

Auditors' Report

To the Shareholders of Imasco Limited

We have audited the consolidated balance sheets of Imasco Limited as at December 31, 1992, 1991 and 1990 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended appearing on pages 26 through 28, 30, 32 and 34 through 49. 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, 1992, 1991 and 1990 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 4, 1993

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect the policies listed below.

Basis of presentation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. The Corporation indirectly owns approximately 98% of the common shares of CT Financial Services Inc. (CT Financial Services) which in turn indirectly owns approximately 99% of the common shares of First Federal Savings and Loan Association of Rochester (First Federal).

Changes in accounting policies

Effective January 1, 1992, the Corporation adopted, on a retroactive basis, the new recommendations of The Canadian Institute of Chartered Accountants (CICA) with respect to consolidation of subsidiaries. As a result, the Corporation's investments in Imasco Enterprises Inc. and certain subsidiaries with limited activities which were formerly subsidiaries of Imasco Enterprises Inc. (collectively defined as Imasco Enterprises), previously accounted for by the equity method, are now consolidated in the accompanying financial statements. This change has no effect on the net earnings, earnings per common share and shareholders' equity of the Corporation.

Under the consolidation method of accounting, the presentation of the consolidated statements of earnings is modified. Revenues and operating costs now include those of CT Financial Services and Genstar Development Company, the two operating companies of Imasco Enterprises. Interest expense of CT Financial Services on deposits and other borrowings, reported separately as financial services interest expense, forms an integral part of its operations and is deducted in arriving at earnings from operations. In order to present the results of the Corporation's operating activities, amortization of goodwill arising when the operating companies were initially acquired, and from significant acquisitions thereafter, is reported separately and is excluded from the determination of earnings from operations.

Other costs and administration includes corporate expenses and costs associated with winding down certain activities remaining from the 1986 acquisition of Genstar Corporation. Interest expense and provision for income taxes now include the related amounts of Imasco Enterprises.

Under the equity method of accounting, the net value of the investment in Imasco Enterprises was reported as a single amount in the consolidated balance sheets whereas, under the consolidation method of accounting, the individual assets and liabilities are added to the respective accounts of the Corporation. Due to the different nature of CT Financial Services' assets and liabilities, these are presented separately under the Financial Services headings.

Consistent with the approach adopted for the consolidated statements of earnings and the consolidated balance sheets, the consolidated statements of changes in financial position include the respective amounts originating from Imasco Enterprises. Cash from operating activities of CT Financial Services is combined with that of the Corporation's other operations. Due to the different nature of CT Financial Services' assets and liabilities, changes therein are presented separately under the Financial Services headings in the financing and investing activities sections.

During 1991, the Corporation adopted, on a prospective basis, the new recommendations of the CICA with respect to the accounting for capital assets. As a result, certain intangible assets previously classified as deferred charges now meet the definition of capital assets and are reported as such.

During 1990, the Corporation also adopted, on a prospective basis, the new recommendations of the CICA on the reporting of discontinued operations. Accordingly, the results of Peoples Drug Stores, Incorporated, which was sold in 1990, were disclosed separately from the results of continuing operations (refer to Note 29 on page 47). The adoption of these two recommendations had no effect on the net earnings, earnings per common share and shareholders' equity of the Corporation.

Fees and net commissions – Financial Services

Trust and mutual fund fees and net commissions are recorded as income when received. All other fees are recorded as income over the term of the loan or when the service is provided.

Licence and service fee income

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

Sale of development land

Income is recognized in the period in which the transactions occur provided the collectibility of sales proceeds is reasonably assured and all material conditions are met, including a cash down payment of not less than 15%.

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; Land Development – specific item basis (cost of development land includes the original cost of properties and the cost of services such as roads as well as sewage and water systems; carrying costs such as interest and property taxes are not capitalized); The UCS Group – retail inventory method.

Notes receivable, investments and other

Notes receivable are stated at their estimated net realizable value. Securities are stated at cost and are written down to reflect impairments in value which are other than temporary. Investments in joint ventures and partnerships are accounted for using the equity method. Deferred charges are stated at cost less accumulated amortization calculated on a straight-line basis. The principal elements of deferred charges are amortized over the life of the instruments to which they relate.

Capital assets

Capital assets are accounted for at cost. Amortization 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 50 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. Favourable leases are amortized on a straight-line basis over 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.

Investments – Financial Services

Investments, which are reduced by an allowance for investment losses where applicable, and investment income are stated as follows:

i. *Securities*
Bonds, debentures and mortgage-backed securities are stated at amortized cost plus accrued interest. Stocks, other than debt substitutes, are stated at cost plus dividends receivable. Any impairment in underlying value that is other than temporary is recorded as a charge to income in the year in which it occurs. Debt substitutes are stated at cost plus dividends receivable less provisions established to recognize diminution in market value, and are accorded the accounting treatment applicable to loans.

ii. *Loans*
Mortgages are stated at cost, including capitalized and accrued interest, less repayments and unamortized mortgage discounts. Mortgage discounts are amortized over the term of the mortgage. Mortgages and mortgage-backed securities held for sale are stated at the lower of cost and market value. Consumer and collateral loans, corporate loans and credit card receivables are stated at cost, including accrued interest, less repayments. Receivables under equipment leases are carried at gross rentals receivable net of unearned income. Unearned income is reflected in earnings over the term of the lease. Earned income is accrued on a daily basis and recognized accordingly.

iii. *Real estate investment properties*
Investment properties are stated at the lower of cost less accumulated amortization and estimated net recoverable amount. Development and resale properties are stated at the lower of cost less accumulated amortization and estimated net realizable value. Cost includes the original cost of properties and carrying costs incurred during development. Leasing costs are deferred and amortized on a straight-line basis over the initial lease term. Administrative expenses are not capitalized. Investments in unincorporated joint ventures are accounted for by the proportionate consolidation method of accounting. Income on the sale of investment properties is recognized when title passes to the purchaser. Income is recognized on the sale of land when all material conditions of the agreement have been fulfilled and an appropriate cash down payment has been received. On development projects, operating costs net of rents received are capitalized for a period not exceeding 24 months beyond the date of substantial completion, after which net rental income is recognized. Buildings are amortized on a 5% sinking fund basis over periods of 30 and 50 years. Real estate acquired in settlement of loans is stated at a value which does not exceed estimated realizable value.

iv. *Non-performing investments*
Included in each investment category are non-performing investments. They consist of securities on which interest or preferred dividend payments have been suspended, loans in arrears, credit card receivables on which interest has been stopped and restructured and reduced rate loans. In addition, management may, at any time, classify a loan as non-performing if there is evidence of deterioration in the borrower's financial condition. Once loans are classified as non-performing, revenue is recognized only as collected unless it is virtually certain that accrued interest will be collected.

v. *Allowance for investment losses*
The allowance for investment losses consists of two parts, a specific allowance and a general allowance, in accordance with the loan loss provisioning guidelines issued by the Office of the Superintendent of Financial Institutions. The two parts are calculated as: 1) a specific allowance for individual investments to reduce carrying value to estimated realizable value and 2) a general allowance based on an historical five-year net loss experience ratio for each of mortgages, consumer and collateral loans, corporate loans and credit card receivables, and on economic conditions and other factors which, in management's judgment, deserve recognition. Each investment category has been reduced by the applicable portion of the allowance for investment losses. Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is considered remote.

Servicing rights – Financial Services

Capitalized servicing rights on mortgages sold as mortgage-backed securities are amortized over the estimated life of the mortgages. The estimated present value of the interest to be retained on loans sold, net of normal servicing fees, is recognized as income when the sale occurs. Purchased servicing rights are capitalized and amortized proportionately over the period of estimated servicing income.

Translation of foreign currencies

Foreign currency assets and liabilities are translated into Canadian dollars at the year end rate of exchange and revenues and expenses are translated at the rate in effect at the time of the transaction. Gains and losses on foreign currency transactions, including gains and losses arising from the translation of the financial statements of integrated foreign subsidiaries, are included in earnings.

Assets and liabilities of self-sustaining foreign operations are translated into Canadian dollars at the year end rate of exchange while revenues and expenses are translated at average rates of exchange for the year. Gains and losses, resulting from the translation of the financial statements of these operations and the debt which is designated as a hedge of these investments, are deferred and included as a separate component of shareholders' equity.

Imasco Limited
Consolidated Financial Statements
The accompanying accounting policies and notes are an integral part of the consolidated financial statements.

Consolidated Statements of Earnings

Years ended December 31	1992	1991	1990
	Millions of dollars, except earnings per common share		
Revenues	**9,957.2**	**9,870.2**	**9,646.5**
Tobacco taxes and duties	1,967.4	1,912.5	1,744.5
	7,989.8	7,957.7	7,902.0
Operating costs	4,533.2	4,029.1	3,831.0
Financial services interest expense (Note 18)	2,571.0	3,049.0	3,187.1
Earnings from operations	**885.6**	**879.6**	**883.9**
Amortization of acquisition goodwill	54.5	52.0	50.1
Other costs and administration	55.0	61.9	70.2
Operating earnings – net	776.1	765.7	763.6
Interest expense (Note 19)	189.4	223.5	238.9
Earnings before income taxes and non-controlling interest	586.7	542.2	524.7
Provision for income taxes (Note 20)	179.3	180.5	181.4
Dividends on preference shares of subsidiary companies and non-controlling interest (Note 21)	27.0	30.1	51.9
Earnings from continuing operations	**380.4**	**331.6**	**291.4**
Discontinued operations (Note 29)	–	–	3.7
Net earnings	**380.4**	**331.6**	**295.1**
Net earnings attributed to			
Preference shares	27.0	27.0	27.0
Common shares	353.4	304.6	268.1
	380.4	**331.6**	**295.1**
Earnings per common share (Note 15)			
Earnings from continuing operations	**$2.97**	**$2.56**	**$2.22**
Net earnings	**$2.97**	**$2.56**	**$2.25**

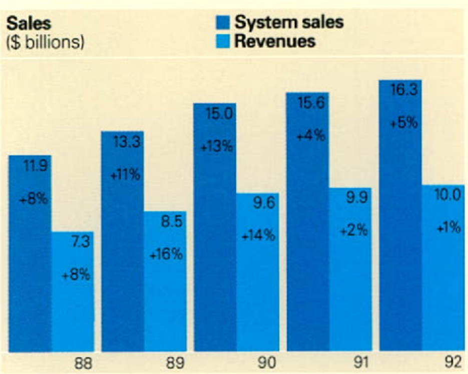
Consolidated Statements of Retained Earnings

Years ended December 31	1992	1991	1990
		Millions of dollars	
Beginning of year			
As previously reported	1,765.2	1,615.5	1,505.7
Prior period adjustment (Note 22)	(42.0)	(42.0)	(42.0)
As restated	1,723.2	1,573.5	1,463.7
Net earnings	380.4	331.6	295.1
Dividends (Note 23)	(189.0)	(179.4)	(179.6)
Capital transactions (Note 24)	(7.7)	(2.5)	(5.7)
End of year	**1,906.9**	**1,723.2**	**1,573.5**

Consolidated results of operations

Due to new accounting requirements issued by The Canadian Institute of Chartered Accountants, the Corporation's results of operations are now reported on a basis which consolidates the activities of Imasco Enterprises, including CT Financial Services. Previously, these activities were accounted for by the equity method. The impact of this change is detailed under Changes in accounting policies on page 26.

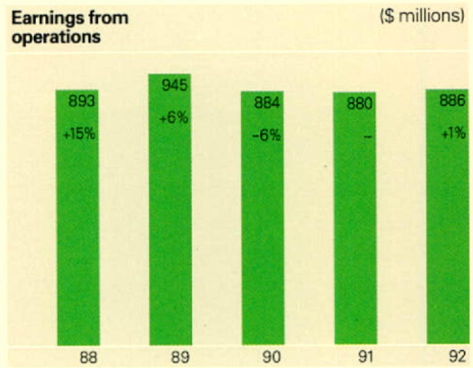
The following summarizes the consolidated results of the Corporation's operating companies which are discussed individually on pages 7, 9 through 11, 13, 15 and 17.



System sales increased 5% to $16.3 billion in 1992. The largest increase was reported by Hardee's Food Systems with smaller increases from Imperial Tobacco, Shoppers Drug Mart and Genstar Development Company. Decreases were reported by CT Financial Services and The UCS Group. System sales by operating company are listed on page 1.

Consolidated net revenues, which exclude tobacco taxes and duties reported as part of Imperial Tobacco's gross revenues, were virtually unchanged from 1991. Reduced revenues at CT Financial Services, caused by lower interest rates, offset increases reported by a majority of the other operations.

The decline in financial services interest expense was also attributable to lower interest rates. The impact of lower interest rates was partially offset by the inclusion of First Federal for a full year in 1992 and by increased deposit and borrowing levels. The average balance of deposits and other borrowings in 1992 was approximately $3.1 billion higher than in 1991 while the average rate payable thereon in 1992 was 6.5% compared with 8.3% in 1991.



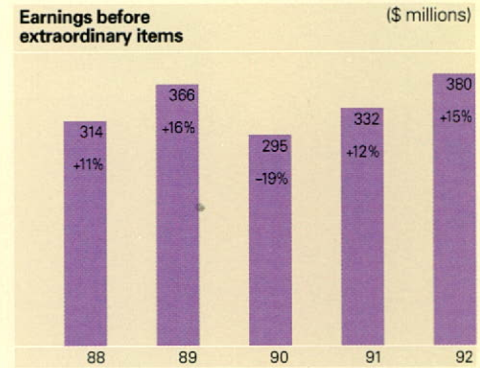
Other costs and administrative expenses were lower in 1992 due to reduced legal costs and a small gain on the sale of the remaining Genstar mortgage servicing portfolio.

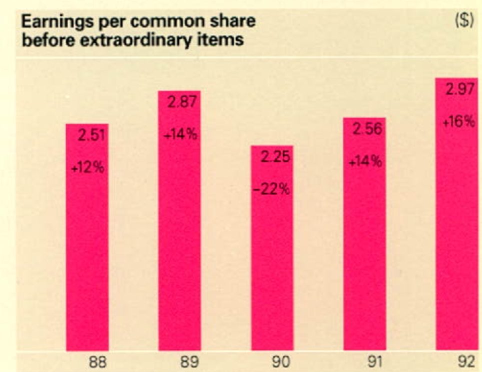
Interest expense was reduced in 1992 due to lower interest rates and lower average debt levels. The weighted average interest rate on floating rate debt during 1992 was 5.4% compared with 7.9% in 1991. On total debt, the weighted average interest rate in 1992 was 8.8% compared with 9.5% in 1991. The average level of debt in 1992 was $2.1 billion compared with $2.4 billion in 1991. The decline is due to strong cash flow at the end of 1991 and the reduction of total debt during 1992. The weaker Canadian dollar in 1992 increased the cost of US dollar borrowings.

Interest coverage, the ratio of earnings before interest and taxes to interest expense, was 4.1 in 1992 compared with 3.4 in 1991. It is uncertain whether interest rates in 1993 will continue at the low levels experienced in 1992 and interest expense may increase accordingly.

The Corporation's effective income tax rate during 1992 was 30.6%, down from 33.3% in 1991. The principal factors that caused the effective rate to be lower than the combined statutory federal and provincial income tax rate are listed in Note 20 on page 44.

The impact of foreign income taxed at lower rates is largely dependent on the existence of international tax treaties. During 1992, new international tax conventions were proposed which, if ratified, would reduce the benefits of foreign income taxed at lower rates. The earliest effective date of the new treaties would be January 1, 1995. Alternatives are being explored to minimize the Corporation's income tax burden.





The return on average common shareholders' equity increased in 1992 to 13.7% from 12.7% in 1991 due to higher net earnings.

The Corporation has significant operations in the United States and exchange fluctuations have an impact on net earnings and net asset values. This exposure is minimized by the Corporation's practice of maintaining borrowings in US dollars which is prudently managed by taking into account the differing costs of borrowing in the two currencies. The average exchange rate during 1992 was approximately US $1 = Cdn $1.21 compared with US $1 = Cdn $1.15 during 1991. Compared with 1991, net earnings during 1992 benefitted by approximately $4 million due to the weaker Canadian dollar.

(Management's Discussion and Analysis continues on page 31)

Imasco Limited
Consolidated Financial Statements
The accompanying accounting policies and notes are an integral part of the consolidated financial statements.

Consolidated Balance Sheets

	December 31	1992	1991	1990
				Millions of dollars
Assets	Current assets			
	Cash and short term investments	111.2	89.2	168.6
	Accounts receivable and other	394.0	385.6	401.0
	Inventories	735.7	721.1	710.8
		1,240.9	**1,195.9**	**1,280.4**
	Non-current assets			
	Notes receivable, investments and other (Note 1)	209.8	240.3	286.8
	Capital assets (Note 2)	1,131.8	1,080.7	1,149.1
	Goodwill	243.4	235.9	244.1
		1,585.0	**1,556.9**	**1,680.0**
		2,825.9	**2,752.8**	**2,960.4**
	Financial Services			
	Investments			
	Cash and short term notes	3,092.2	2,727.0	2,758.3
	Securities (Note 4)	6,665.8	6,979.0	5,831.0
	Loans (Note 5)	33,060.8	31,203.5	25,518.4
	Real estate investment properties (Note 6)	922.6	811.7	666.5
	Capital assets and other (Note 3)	523.1	467.2	313.2
	Goodwill	1,428.6	1,478.4	1,526.0
		45,693.1	**43,666.8**	**36,613.4**
		48,519.0	**46,419.6**	**39,573.8**
Liabilities and shareholders' equity	Current liabilities			
	Bank and other short term loans	27.4	29.5	64.7
	Accounts payable and other	623.7	572.1	571.2
	Income, excise and other taxes	162.5	211.0	126.4
		813.6	**812.6**	**762.3**
	Long term debt (Note 9)	**1,958.9**	**2,078.3**	**2,387.4**
	Deferred credits and other liabilities (Note 12)	**175.8**	**170.4**	**189.2**
	Financial Services			
	Deposits (Note 13)	39,181.4	37,594.2	32,475.2
	Other borrowings (Note 10)	2,844.4	2,475.2	630.4
	Deferred income taxes and other	116.2	107.6	87.3
	Preference shares of subsidiary companies (Note 14)	328.6	331.0	333.6
	Non-controlling interest	42.3	37.1	30.5
		42,512.9	**40,545.1**	**33,557.0**
	Shareholders' equity			
	Capital stock (Note 15)	1,162.7	1,157.7	1,155.6
	Unrealized loss on foreign currency translation	(11.8)	(67.7)	(51.2)
	Retained earnings (Note 22)	1,906.9	1,723.2	1,573.5
		3,057.8	**2,813.2**	**2,677.9**
		48,519.0	**46,419.6**	**39,573.8**

Approved by the Board,

Purdy Crawford

Purdy Crawford, Director

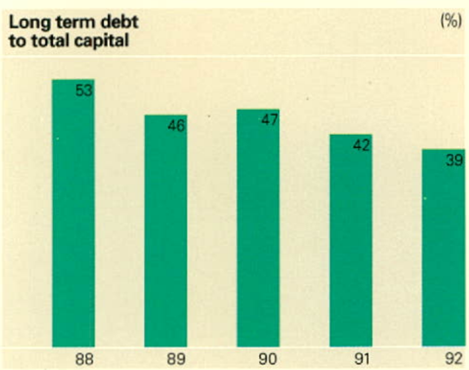
Murray B. Koffler

Murray B. Koffler, C.M., Director

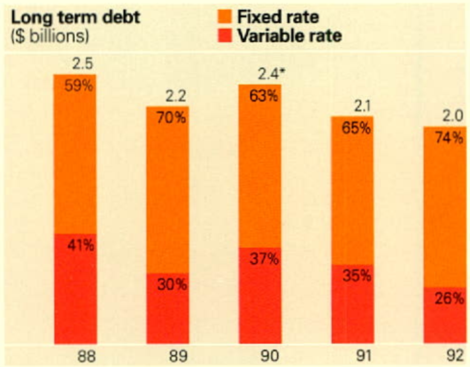
(cont'd from page 29)

Consolidated financial condition

During 1992, the Corporation again reduced its long term debt and increased its shareholders' equity. As a result, the ratio of long term debt to total capital decreased to 39.0% at December 31, 1992 compared with 42.5% last year. The Corporation's long term objective is a 35% ratio, allowing for temporary variations that may result from business acquisitions or corporate restructuring. Long term debt, as reported in the consolidated balance sheet, declined $119.4 million as the positive cash flow applied towards debt reduction exceeded the increased carrying value of US dollar debt that resulted from the weaker Canadian dollar. The actual repayment of long term debt, net of new issues, as reported in the consolidated statement of changes in financial position amounted to $174.8 million. The difference stems from variations in the translation of US dollar denominated borrowings.



Excluding term loans, long term debt repayments during 1992 were: redemption of $20 million 11¼% Imasco Enterprises Inc. debentures, redemption of $75 million 11¾% Imasco Financial Corporation debentures, repayment of US $18 million industrial revenue bonds and repayment of $35 million medium term notes. During 1992, the Corporation took advantage of the relatively low interest rates by issuing $150 million 9.85% debentures maturing in 2002 and entered into new fixed interest rate US $50 million swap transactions with maturities in 1997. At December 31, 1992, the interest on $50 million and US $175 million of variable rate term loans had been effectively converted to fixed interest rates through interest rate swap contracts. The net effect of the 1992 transactions was to increase the proportion of fixed interest rate debt as at December 31, 1992 to approximately 74% of long term debt from approximately 65% the previous year.



*The increase in 1990 reflects the refinancing of $300 million of Imasco Financial Corporation preference shares.

Maturities in 1993 include $100 million of notes payable, $63 million of medium term notes and US $92 million under a note issuance facility. These may be refinanced through existing long term credit facilities or, depending upon market conditions, by accessing the long term capital markets.

Subsequent to year end, the Board of Directors approved the redemption of 8,000,000 7.375% First Preference Shares Series C, at $25.00 per share plus accrued dividends from June 30, 1993 to the date of redemption, July 17, 1993. The financing of the total cost of the redemption, an amount of $200 million plus accrued dividends, will be determined based upon market conditions at the date of redemption.

The Corporation maintains committed long term credit facilities with major banks which make significant financial resources available and provide the Corporation with the flexibility to meet short and long term borrowing requirements. At December 31, 1992, the Corporation had US $1.4 billion available under such credit facilities, of which US $607 million was being utilized by direct borrowings and to back up issues of notes in Canada and Europe.

The financial strength of the Corporation is reflected in its credit ratings. During 1992, the rating of the long term debt of Imasco Limited was confirmed at A(high) by Canadian Bond Rating Service (CBRS) and improved to A from A(low) by Dominion Bond Rating Service (DBRS). The long term debt of CT Financial Services at December 31, 1992 was rated at AA by DBRS and A (high) by CBRS, and is among the highest rated of any financial institution in Canada.

Net cash resources, defined as cash and short term investments less bank and other short term loans, increased to $83.8 million at December 31, 1992 from $59.7 million the previous year. This balance, together with the Corporation's significant available credit facilities, is sufficient to meet short term operating requirements. The net working capital position at December 31, 1992 amounted to $427.3 million compared with $383.3 million last year. The current ratio of the Corporation remained unchanged at 1.5:1.

In July 1992, the Board of Directors authorized a normal course issuer bid to purchase up to 1,000,000 Imasco Limited common shares (0.84% of the outstanding common shares). The Corporation's issued share capital is approaching its authorized limit and the intention is to purchase common shares to cover allotments under its stock option plan. Shares may be purchased at the prevailing market price and such purchases will terminate no later than August 5, 1993. The Corporation may renew the program at that time. During 1992, the Corporation purchased 259,400 common shares for cancellation for a total cash consideration of $9.4 million. These purchases had no impact on reported earnings per common share.

On January 18, 1993, Imasco Enterprises Inc., as successor to Genstar Corporation, entered into a settlement agreement for lawsuits relating to Genstar's withdrawal, prior to the Corporation's acquisition of Genstar in 1986, of surplus funds from Genstar sponsored pension plans. The cost of the settlement and other associated claims amounted to $42.0 million (net of a tax recovery of $13.0 million) and has been recorded as a prior period adjustment in the financial statements. The previously reported retained earnings amounts at January 1, 1992, 1991 and 1990 have been restated accordingly.

(Management's Discussion and Analysis continues on page 33)

Imasco Limited
Consolidated Financial Statements
The accompanying accounting policies and notes are an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Financial Position

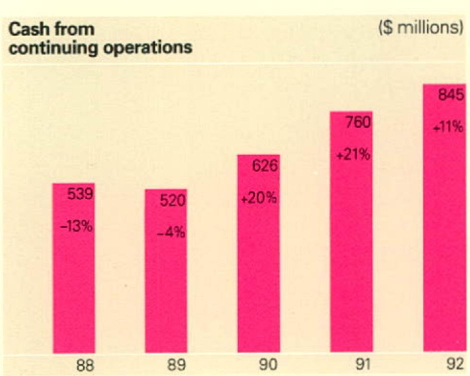
	Years ended December 31	1992	1991	1990
			Millions of dollars	
Operating activities	Earnings from continuing operations	380.4	331.6	291.4
	Items not affecting cash			
	Amortization	314.1	291.0	269.5
	Provision for investment losses	236.2	114.7	70.0
	Other items	24.6	(21.3)	(55.1)
	Earnings adjusted for non-cash items	955.3	716.0	575.8
	Change in non-cash current assets and liabilities	(22.9)	100.4	79.5
	Increase in other non-current liabilities	11.4	3.9	15.4
	Investment losses and write-offs, net of recoveries	(98.5)	(60.2)	(45.1)
	Cash from continuing operations	845.3	760.1	625.6
	Discontinued operations	–	–	(12.2)
	Cash from operating activities	**845.3**	**760.1**	**613.4**
Financing activities	Issue of long term debt	242.9	202.7	427.2
	Repayment of long term debt	(417.7)	(505.6)	(219.0)
	Dividend payments	(189.0)	(179.4)	(179.6)
	Change in capital stock and other capital transactions	(2.7)	(0.4)	(4.2)
	Redemption of shares by a subsidiary company	–	–	(300.0)
	Financial Services			
	Increase in deposits	1,587.2	1,075.0	2,072.2
	Change in other borrowings	369.2	(407.5)	236.0
	Issue of shares to non-controlling interests, net of share redemptions and issue costs	0.3	0.4	50.0
	Cash from financing activities	**1,590.2**	**185.2**	**2,082.6**
Investing activities	Net additions to capital assets	(150.7)	(103.2)	(140.2)
	Change in notes receivable, investments and other	30.3	29.2	(59.3)
	Business acquisition	–	–	(426.6)
	Business disposal	–	–	374.8
	Discontinued operations	–	–	(8.1)
	Financial Services			
	Change in investments			
	Cash and short term notes	(365.2)	335.0	105.8
	Securities and other investments	172.6	419.9	(1,156.6)
	Loans	(1,978.1)	(1,360.1)	(1,340.4)
	Net additions to capital assets	(116.4)	(116.4)	(97.8)
	Change in other assets and liabilities	(3.9)	(5.2)	(28.4)
	Business acquisition	–	(188.7)	–
	Cash used for investing activities	**(2,411.4)**	**(989.5)**	**(2,776.8)**
Cash and cash equivalents	Increase (decrease) for the year	**24.1**	**(44.2)**	**(80.8)**
	Beginning of year	59.7	103.9	184.7
	End of year	**83.8**	**59.7**	**103.9**
	Cash and short term investments	111.2	89.2	168.6
	Bank and other short term loans	(27.4)	(29.5)	(64.7)
		83.8	**59.7**	**103.9**

(cont'd from page 31)

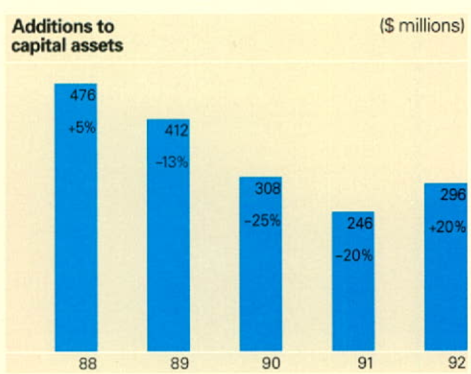
Consolidated cash flows

Cash from operating activities increased in 1992 due to higher earnings which also included a larger proportion of non-cash expenses. Amortization expenses were higher in 1992 as a result of capital asset additions. The provision for investment losses recorded by CT Financial Services is a significant expense that does not require an outlay of cash and was much higher in 1992 than in 1991. The provision for investment losses exceeded actual investment losses and write-offs by $137.7 million in 1992 compared with $54.5 million in 1991.

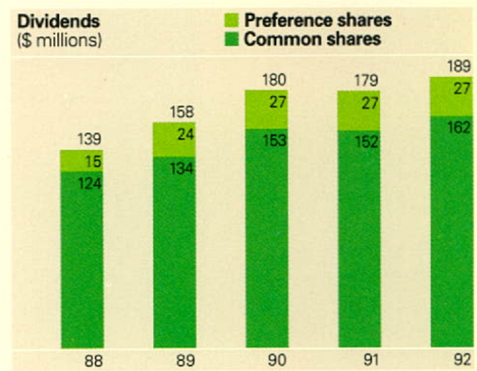
Fluctuations in tax liability balances partially explain the variations in cash arising from current assets and liabilities. Significant tobacco tax increases in 1991 positively impacted cash that year while the December 31, 1992 tobacco tax liability was virtually unchanged from 1991. Also, a tax case assumed with the acquisition of Genstar Corporation was settled with the State of California during 1992 and required a payment of US $23.9 million which was funded from existing cash balances. The amount had been adequately provided for and 1992 earnings were not affected. During 1992, the Corporation cancelled the life insurance policies that were previously used as a funding mechanism for deferred compensation programs covering certain former employees of Genstar Corporation. The cash surrender value received from these policies amounted to US $53.0 million and was used to repay long term debt. Other working capital fluctuations arose from normal business activities.



Cash from operating activities in 1992 was sufficient to fund capital expenditures and dividend payments. Additions to capital assets for each operating company are detailed on page 48 and, in total, requirements increased in 1992. CT Financial Services' expenditures accounted for approximately 43% of the Corporation's total in 1992 and were principally related to investments in technology and the expansion of branch and automated banking machine networks. Plans call for capital expenditures in these areas to increase again in 1993. Though capital expenditures at Hardee's increased in 1992, they were still significantly below historical levels. While the increase is partially due to exchange rates, there were also expenditures relating to the restoration of the Roy Rogers trademark and the addition of Roy Rogers chicken to 281 Hardee's restaurants. Hardee's capital expenditures are expected to increase again in 1993, principally in the areas of restaurant development and remodelling as well as technology. Expenditures by Fast Food Merchandisers are primarily to maintain and upgrade production and distribution facilities and were just slightly higher than in 1991. Capital expenditures at Shoppers Drug Mart and The UCS Group are principally for store remodellings and openings as well as for information technology. An increase is expected at Shoppers Drug Mart in 1993. Imperial Tobacco's expenditures are primarily to maintain and upgrade manufacturing and processing facilities. Plans for 1993 call for spending to remain at the 1992 level. On a consolidated basis, 1993 additions to capital assets are expected to be approximately $325 million and should be funded internally.



Dividend payments by class of share are listed in Note 23 on page 45. The increase in common share dividends is due to the increase in the annual dividend rate per common share from $1.28 in 1991 to $1.36 in 1992. The total number of common shares outstanding decreased slightly in 1992 as the number of shares purchased for cancellation under the normal course issuer bid exceeded the number of shares exercised under the employee stock option plan (refer to Note 15 on page 42). The 1992 dividend per common share represented 46% of current year earnings per common share compared with 50% in 1991. The indicated annual dividend rate for 1993 has been increased to $1.48 per common share. Based upon this new rate and the outstanding share capital at December 31, 1992, dividend payments on common shares during 1993 will increase by approximately $14 million. All dividend requirements are expected to be funded internally.



The net cash contribution from CT Financial Services to the Corporation is the amount of dividends received which was $93.1 million in both 1992 and 1991.

Consistent with corporate objectives, excess cash generated by the Corporation during 1992 was applied towards the reduction of long term debt. In 1993, it is expected that the Corporation will again be able to internally finance its cash requirements for operations, capital expenditures and dividends. Sufficient credit facilities exist to meet other cash requirements if necessary.

The pre-tax liability arising from the settlement of pension litigation as outlined in Note 22 on page 45 has been recorded as a current liability in the consolidated balance sheets and will affect cash flows in 1993.

All tabular figures are in millions of dollars.

1. Notes receivable, investments and other

	1992	1991	1990
Notes receivable – restaurant licensees and drug store associates	81.5	98.4	103.1
Joint ventures and partnerships[1]	36.4	30.4	48.2
Securities	30.5	40.8	80.0
Deferred charges[2]	22.6	26.7	29.7
Other	38.8	44.0	25.8
	209.8	**240.3**	**286.8**

[1] Equity earnings of joint ventures and partnerships amounted to $1.9 million during 1992 (1991 – $1.6 million; 1990 – $5.1 million).

[2] Amortization of deferred charges amounted to $7.6 million during 1992 (1991 – $6.5 million; 1990 – $7.8 million).

2. Capital assets

	1992	1991	1990
Land	119.7	112.6	109.9
Buildings	340.7	302.4	300.8
Equipment	958.7	861.2	833.8
Leasehold improvements	532.4	477.2	467.0
Favourable leases	73.0	68.8	66.9
Property under capital leases	28.7	32.8	35.5
	2,053.2	1,855.0	1,813.9
Accumulated amortization	(921.4)	(774.3)	(664.8)
	1,131.8	**1,080.7**	**1,149.1**

Accumulated amortization is summarized below:

	1992	1991	1990
Buildings	100.5	83.5	70.2
Equipment	566.7	485.0	423.8
Leasehold improvements	206.3	164.2	137.4
Favourable leases	28.0	18.5	9.8
Property under capital leases	19.9	23.1	23.6
	921.4	**774.3**	**664.8**

Amortization expense is summarized below:

	1992	1991	1990
Buildings	14.6	14.1	12.3
Equipment	93.8	91.7	97.7
Leasehold improvements	40.3	36.7	25.7
Favourable leases	8.7	8.8	3.1
Property under capital leases	1.7	1.8	2.0
	159.1	**153.1**	**140.8**

The net book value of capital assets, other than land, not being amortized amounted to $20.4 million at December 31, 1992.

All tabular figures are in millions of dollars.

3. Capital assets and other – Financial Services

	1992	1991	1990
Land	66.4	58.4	42.6
Buildings	175.0	160.6	101.8
Equipment	384.0	325.7	249.1
Leasehold improvements	136.9	117.7	93.2
	762.3	662.4	486.7
Accumulated amortization	(327.4)	(266.7)	(192.2)
Capital assets	434.9	395.7	294.5
Capitalized servicing rights	35.1	23.7	–
Purchased servicing rights	31.0	34.0	–
Income taxes recoverable	22.1	13.8	18.7
	523.1	**467.2**	**313.2**

Accumulated amortization is summarized below:

	1992	1991	1990
Buildings	53.0	43.8	19.3
Equipment	203.3	164.1	132.4
Leasehold improvements	71.1	58.8	40.5
	327.4	**266.7**	**192.2**

Amortization expense is summarized below:

	1992	1991	1990
Buildings	8.6	7.6	2.6
Equipment	56.3	48.4	42.5
Leasehold improvements	12.9	11.4	13.0
	77.8	**67.4**	**58.1**

4. Securities – Financial Services

	1992		1991		1990	
	Stated value	Market value	Stated value	Market value	Stated value	Market value
Bonds and debentures						
Canada	2,578.9	2,570.7	3,280.6	3,278.5	3,884.8	3,866.0
Provincial	304.6	304.6	226.2	226.5	114.3	114.0
Corporate	336.3	334.2	347.5	344.7	271.7	256.8
U.S. federal government and other	272.5	273.3	176.0	176.5	–	–
	3,492.3	3,482.8	4,030.3	4,026.2	4,270.8	4,236.8
Stocks						
Preference	1,510.7	1,506.7	1,733.4	1,729.7	1,532.3	1,474.9
Common	137.0	141.5	118.3	121.9	27.9	34.5
	1,647.7	1,648.2	1,851.7	1,851.6	1,560.2	1,509.4
Mortgage-backed securities						
Government insured	1,198.7	1,224.2	933.9	975.0	–	–
Other insured	327.1	330.0	163.1	162.3	–	–
	1,525.8	1,554.2	1,097.0	1,137.3	–	–
	6,665.8	**6,685.2**	**6,979.0**	**7,015.1**	**5,831.0**	**5,746.2**

All tabular figures are in millions of dollars.

5. Loans – Financial Services

	1992	1991	1990
Mortgages – residential	22,349.6	20,614.9	15,385.1
Mortgages – commercial	3,553.5	3,745.9	3,610.2
Consumer and collateral	4,425.3	3,929.9	3,425.6
Corporate	1,920.9	2,061.1	2,063.0
Credit card receivables	372.9	403.2	557.1
Receivables under equipment leases	438.6	448.5	477.4
	33,060.8	**31,203.5**	**25,518.4**

6. Real estate investment properties – Financial Services

	1992	1991	1990
Investment properties	839.4	739.0	657.4
Development and resale properties	37.8	27.4	30.1
	877.2	766.4	687.5
Accumulated amortization	(54.3)	(42.8)	(35.0)
	822.9	723.6	652.5
Real estate acquired in settlement of loans, net	99.7	88.1	14.0
	922.6	**811.7**	**666.5**

Amortization of real estate investment properties included in the consolidated statements of earnings amounted to $4.3 million in 1992 (1991 – $3.6 million; 1990 – $3.3 million). Cost of real estate investment properties includes interest capitalized for the year ended December 31, 1992 of $4.0 million (1991 – $9.8 million; 1990 – $31.4 million).

7. Non-performing investments – Financial Services

Included in each investment category are the following non-performing investments:

	1992	1991	1990
Loans in arrears			
Mortgages – residential	197.4	222.6	50.9
Mortgages – commercial	194.0	189.1	70.1
Corporate	349.6	38.0	34.8
Other	53.3	14.1	7.1
Securities	4.9	9.7	7.6
Real estate acquired in settlement of loans	130.8	109.2	18.6
	930.0	582.7	189.1
Allowance for investment losses (Note 8)	(342.3)	(196.8)	(88.9)
Net non-performing investments	**587.7**	**385.9**	**100.2**
First Federal included above	**131.3**	**167.3**	**–**

All tabular figures are in millions of dollars.

8. Allowance for investment losses – Financial Services

	1992	1991	1990
Beginning of year	196.8	88.9	64.0
First Federal at date of acquisition	–	53.4	–
Provision charged to earnings	236.2	114.7	70.0
Foreign exchange adjustment	7.8	–	–
Investment losses and write-offs, net of recoveries	(98.5)	(60.2)	(45.1)
End of year	**342.3**	**196.8**	**88.9**

The apportionment of the allowance for investment losses is summarized below:

	1992	1991	1990
Loans			
Mortgages – residential	60.6	44.0	2.4
Mortgages – commercial	74.9	56.1	4.3
Corporate	110.7	32.5	38.7
Other	35.4	28.2	23.4
Securities	29.6	14.9	15.5
Real estate acquired in settlement of loans	31.1	21.1	4.6
	342.3	**196.8**	**88.9**
Specific allowance	211.6	106.7	54.6
General allowance	130.7	90.1	34.3
	342.3	**196.8**	**88.9**
First Federal included above	**71.8**	**54.1**	–

All tabular figures are in millions of dollars.

9. Long term debt

	1992[7]	1991	1990
(Unsecured unless otherwise indicated)			
Term loans[1,2,3]	764.7	879.2	1,041.6
Debentures			
11.85% due February 1996	150.0	150.0	150.0
10½ % due November 1996	200.0	200.0	200.0
10½ % due April 1998	150.0	150.0	150.0
10¾ % due June 1999[4]	30.0	32.0	34.0
10¼ % due December 2001	150.0	150.0	150.0
9.85% due April 2002	150.0	–	–
11¼ % repaid 1992	–	20.0	20.0
11¾ % repaid 1992	–	75.0	75.0
11¾ % repaid 1991	–	–	6.0
	830.0	777.0	785.0
Notes payable and other			
10½ % due July 1993	100.1	100.4	100.6
9.9% to 11.9% medium term notes due to 1996[5]	246.2	280.8	165.5
8⅛ % to 12% repaid 1991[2]	–	–	247.7
Capital lease and other obligations[2,6]	17.9	40.9	47.0
	364.2	422.1	560.8
	1,958.9	**2,078.3**	**2,387.4**

[1] Term loans consisting of unsecured promissory notes, some of which mature within one year, are supported by committed bank term credit facilities of $1.6 billion (US $1.3 billion) expiring in 1999 and $148.7 million (US $117.0 million) expiring in 1994. Term loans outstanding at December 31, 1992 carried a weighted average interest rate of 4.8% (1991 – 6.1%; 1990 – 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, 1992 was $701.9 million (US $552.2 million), at December 31, 1991 was $717.9 million (US $621.0 million) and at December 31, 1990 was $904.2 million (US $779.4 million).

[3] Interest payments on $50 million floating rate term loans and on US $175 million floating rate term loans have effectively been converted to fixed interest rates of approximately 10.9% and 7.9% for terms ending between 1993 and 1997.

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

[5] Medium term notes carried a weighted average interest rate of 10.5% at December 31, 1992 (1991 – 10.6%; 1990 – 10.8%).

[6] Capital lease obligations amounted to $15.1 million at December 31, 1992 (1991 – $16.4 million; 1990 – $19.1 million) and expire on various dates to 2016. The aggregate minimum commitments under such leases totalled $32.7 million at December 31, 1992 (1991 – $34.7 million; 1990 – $37.6 million).

[7] Long term debt maturities over the next five years are estimated as follows: 1993 – $284.0 million; 1994 – $99.1 million; 1995 – $117.5 million; 1996 – $364.0 million; 1997 – $4.7 million. Maturities in 1993 will be mainly refinanced through existing committed long term credit facilities or, depending upon market conditions, by accessing the long term capital markets and they have therefore been classified as long term debt.

All tabular figures are in millions of dollars.

10. Other borrowings – Financial Services

	1992[9]	1991	1990
CT Financial Services and subsidiaries[1]			
Advances from Federal Home Loan Bank			
3.15% to 9.49% advances due to 2007[2]	1,718.4	1,424.0	–
Notes, mortgages, debentures and other borrowings			
10¼% to 11⅕% notes due to 2009[3]	133.5	133.5	133.5
5% to 12¾% mortgages due to 2012[4]	252.9	254.2	214.9
Prime rate $75 million Series A convertible redeemable debentures due 2009[5]	77.8	78.5	80.3
Variable rate $200 million money market convertible redeemable debentures due 2010[6]	201.4	200.0	201.7
5.5% to 9.0% securities sold under agreements to repurchase within one year[7]	298.5	284.1	–
Other advances[8]	161.9	100.9	–
	1,126.0	1,051.2	630.4
	2,844.4	**2,475.2**	**630.4**

[1] Amounts reported include accrued interest.

[2] Secured by pledges of qualifying collateral, primarily mortgages. The market value of the pledge is at least 110% of the amount of the advances.

[3] Includes notes secured by assets with an estimated value of $28 million.

[4] Primarily first and second real estate mortgages secured by assets with an estimated value of $274.1 million at December 31, 1992 (1991 – $274.2 million; 1990 – $279.6 million). Also includes collateralized mortgage obligations secured by pledges of Federal Home Loan Mortgage Corporation mortgage-backed certificates with a carrying value of $21.2 million (1991 – $22.1 million).

[5] Convertible at any time into preference shares of Canada Trustco Mortgage Company, a wholly owned subsidiary of CT Financial Services, at either the holder's or issuer's option and redeemable at the issuer's option.

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

[7] Collateralized by mortgage-backed securities and U.S. treasury bills with a market value of $302.4 million (1991 – $300.4 million).

[8] Represents advances from borrowers for taxes and insurance.

[9] The required principal repayments for each of the next five years are as follows: 1993 – $1,317.3 million; 1994 – $484.0 million; 1995 – $318.8 million; 1996 – $63.0 million; 1997 – $134.3 million.

All tabular figures are in millions of dollars.

11. Derivative financial instruments – Financial Services

CT Financial Services and First Federal enter into cap and swap contracts as principals to reduce exposure to fluctuations in foreign currency and interest rates that may affect their borrowing costs. Interest rate caps entitle the companies to receive interest payments in exchange for payment of a premium provided the three month LIBOR rate exceeds the cap rate. Swap contracts give rise to credit risk measured by the cost, at current market rates, of replacing the swap should counterparties default on their contractual obligations. Credit risk is controlled through selection of appropriate counterparties (90% of the value of outstanding contracts is with Schedule I banks) and by setting exposure limits to any one entity. Management monitors credit risk regularly and does not anticipate that any material losses will result from these contracts. These contracts are not reflected in the consolidated balance sheets. The companies do not enter into contracts as intermediaries to earn fee income.

The notional principal amount of outstanding cap contracts is summarized below:

	1992	1991	1990
Notional amount	327.3	446.3	–
Unamortized premium	3.5	1.1	–
	330.8	**447.4**	**–**

The notional principal amount of outstanding swap contracts is summarized below:

	1992	1991	1990
Maturing within one year	720.8	535.6	517.9
Maturing over one year	2,573.4	1,311.9	678.5
	3,294.2	**1,847.5**	**1,196.4**

12. Deferred credits and other liabilities

	1992	1991	1990
Deferred gain[1]	76.2	74.5	79.9
Deferred income taxes	20.7	28.9	46.7
Other non-current liabilities	78.9	67.0	62.6
	175.8	**170.4**	**189.2**

[1] During 1988, two sale and leaseback transactions were completed in the Restaurant segment which generated net cash proceeds of approximately $321 million. The gains resulting from these transactions have been deferred and the unamortized balances at December 31, 1992 totalled $76.2 million (1991 – $74.5 million; 1990 – $79.9 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 joint venture formed by a subsidiary of the Corporation and an unrelated third party and were subsequently leased back. The joint venture was capitalized by equity injections of approximately $18 million by each of the joint venturers and approximately $217 million (US $171 million) of long term debt secured by the restaurant properties. As at December 31, 1992, $191.7 million (US $150.9 million) of this debt remained outstanding (1991 – US $156.4 million; 1990 – US $161.0 million). The Corporation, through its subsidiary, maintains a 50% interest in the joint venture and accounts for its investment by the equity method. The deferred gain arising from this transaction totalled $63.0 million at December 31, 1992 (1991 – $61.5 million; 1990 – $65.9 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 joint venture.

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 were leased back for an initial minimum period of 15 years. The deferred gain which amounted to $13.2 million at December 31, 1992 (1991 – $13.0 million; 1990 – $14.0 million) is being amortized over the term of the lease.

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

13. Deposits – Financial Services

	1992	1991	1990
Demand	20,077.5	18,478.4	14,283.4
Term	19,103.9	19,115.8	18,191.8
	39,181.4	**37,594.2**	**32,475.2**

Canada Trustco Mortgage Company issued $500 million 99-year term deposit receipts maturing September 20, 2089 with interest payable at 12.75% per annum. Subsequent to issue, interest coupons payable in years 11 through 99 were purchased and cancelled. The present value of these coupons of $188.6 million (1991 – $166.4 million; 1990 – $146.8 million) is offset against the deposit receipts of $517.9 million (including accrued interest) included in deposits in the consolidated balance sheets as of December 31, 1992, 1991 and 1990; however, there is no legal right of offset in the event of default.

14. Preference shares of subsidiary companies – Financial Services

Issued and outstanding preference shares of subsidiary companies, all owned by third parties, are as follows:

	1992	1991	1990
CT Financial Services			
200 Cumulative redeemable perpetual first preference shares – series 1[1]	100.0	100.0	100.0
2,000,000 Non-cumulative redeemable perpetual first preference shares – series 2[2]	50.0	50.0	50.0
Canada Trustco Mortgage Company			
426,985 Cumulative redeemable first preference shares – series B (1991 – 452,785; 1990 – 486,475)[3]	8.6	9.1	9.7
1,998,057 Cumulative redeemable first preference shares – series C (1991 – 2,095,057; 1990 – 2,191,857)[4]	40.0	41.9	43.9
3,200,000 Cumulative redeemable second preference shares (1991 – 3,200,100; 1990 – 3,200,020)[5]	80.0	80.0	80.0
Truscan Realty Limited[6]			
2,000,000 Cumulative redeemable preference shares[7]	50.0	50.0	50.0
	328.6	**331.0**	**333.6**

[1] The dividend rate is 7.74% to March 15, 1994 and thereafter is determined by negotiation or auction procedures. Redeemable on or after March 15, 1994 at $500,000 per share plus accrued and unpaid dividends.

[2] The dividend rate is 8.50% to March 28, 1995 and thereafter, will be set at 70% of prime and adjusted based upon the trading price of the shares. Redeemable on March 31, 1995 at $25.00 per share and on or after April 1, 1995 at $25.125 per share for either cash or common shares of CT Financial Services at 95% of the market price of the common shares.

[3] The dividend is payable quarterly at a rate of $0.40 per share. Redeemable at $20.00 per share plus accrued and unpaid dividends.

[4] The dividend rate is 72% of average prime. Redeemable at $20.00 per share plus accrued and unpaid dividends.

[5] The dividend rate is 68% of average prime. Redeemable at $25.00 per share plus accrued and unpaid dividends.

[6] Truscan Realty Limited is an indirectly wholly owned subsidiary of CT Financial Services.

[7] The dividend rate is 7.75%. Retractable at the option of the holder on December 31, 1996 and redeemable at the option of the subsidiary company after that date, in each case at $25.00 per share plus accrued and unpaid dividends.

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

15. 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:

	1992	1991	1990
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	150.0
119,099,363 common shares (1991 – 119,114,183; 1990 – 119,113,133)[3,4]	806.9	801.9	799.8
	1,162.7	**1,157.7**	**1,155.6**

Changes in issued and outstanding common shares were as follows:

	Shares	Amount
December 31, 1990	119,113,133	799.8
Issued at $18.50 to $30.625 on the exercise of stock options	113,650	2.8
Shares cancelled[5]	(112,600)	(0.7)
December 31, 1991	119,114,183	801.9
Issued at $26.00 to $36.00 on the exercise of stock options	244,580	6.7
Shares cancelled[5]	(259,400)	(1.7)
December 31, 1992	119,099,363	806.9

[1] Retractable First Preference Shares Series C, of a stated value of $25.00 each, bear a cumulative preferential dividend of 7.375%. On February 4, 1993, the Corporation announced its intention to redeem on July 17, 1993 all outstanding Retractable First Preference Shares Series C at their stated value of $25.00 each, together with accrued and unpaid dividends.

[2] 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 $500,000 per share plus accrued and unpaid dividends on, or anytime after, June 30, 1994.

[3] At December 31, 1992, there were stock options outstanding in respect of 1,481,070 common shares granted to certain employees of the Corporation with a weighted average exercise price of $32.65. These options expire at various dates to 2002.

[4] The weighted average number of outstanding common shares used in the determination of earnings per common share at December 31, 1992 was 119,122,033 (1991 – 119,111,416; 1990 – 119,241,741).

[5] Represents the number and stated value of shares purchased for cancellation under normal course issuer bids authorized by the Corporation's Board of Directors. Under the current program, the Corporation is authorized to purchase up to 1,000,000 of its common shares at the prevailing market price up to August 5, 1993.

All tabular figures are in millions of dollars.

16. Retirement benefits

Pension benefits are available to substantially all full time employees under the Corporation's defined benefit plans. Earnings are charged with the cost of benefits earned by employees as services are rendered. Benefits under these plans are based on the employee's years of service and final average pay. The projected benefit obligations were determined using an assumed discount rate of 8% (1991 and 1990 – 8% to 8½%) and assumed increases in compensation rates ranging from 5% to 6% (1991 and 1990 – 6% to 6½%). The assumed rate of return on assets was 8% (1991 and 1990 – 8% to 8½%). The Corporation has immunized itself against the impact of future changes in interest rates on the assets and the projected benefit obligation related to Canadian retirees which amounts to approximately $200 million. The assumed discount rate used to project this obligation and the assumed rate of return on the related assets were both 8.9%.

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

	1992	1991	1990
Plan assets at market related value	575.4	526.7	493.5
Projected benefit obligations	598.6	525.2	482.2
Plan assets (less than) in excess of projected benefit obligations	**(23.2)**	**1.5**	**11.3**
Pension expense	**24.1**	**19.0**	**20.4**

The Corporation provides limited health benefits for eligible employees upon retirement. The cost of these benefits is expensed as incurred. During 1992, these costs were approximately $1.5 million (1991 – $1.2 million; 1990 – $2.0 million).

17. Retirement benefits – Financial Services

Pension benefits are available to all Canadian employees of CT Financial Services other than real estate sales representatives under the company's contributory pension plan. The plan consists of a defined benefit section and a money purchase section.

The pension plan for Canadian employees has been valued based upon the following assumptions: 8.5% average annual investment return and 6.5% average annual increase in compensation rates.

The status of CT Financial Services' pension plan was as follows:

	1992	1991	1990
Plan assets at market value	273.4	258.0	232.0
Projected benefit obligations			
Defined benefit section	200.6	186.5	176.8
Money purchase section	87.3	69.9	54.4
	287.9	256.4	231.2
Plan assets (less than) in excess of projected benefit obligations	**(14.5)**	**1.6**	**0.8**
Pension expense	**9.5**	**7.1**	**3.3**

Employees of First Federal are covered by separate non-contributory pension plans which offer comparable benefits and are funded by First Federal. The plans were fully funded at December 31, 1992.

CT Financial Services provides certain health care benefits for eligible Canadian employees upon retirement. The cost of these benefits is expensed as incurred. During 1992, these costs were approximately $0.8 million (1991 – $0.8 million; 1990 – $0.6 million).

First Federal provides certain health care benefits for eligible employees upon retirement and accounts for the cost of these benefits in accordance with U.S. reporting requirements. The amount expensed during 1992 with respect to these benefits amounted to $0.8 million (eight months 1991 – $0.4 million).

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

18. Financial services interest expense

	1992	1991	1990
Demand deposits	708.9	1,007.0	1,348.4
Term deposits	1,699.7	1,911.7	1,794.8
Advances from Federal Home Loan Bank	78.7	66.3	–
Notes, mortgages and debentures	51.6	56.0	39.1
Other borrowings	11.2	11.6	–
Net expense (income) on derivative financial instruments	20.9	(3.6)	4.8
	2,571.0	**3,049.0**	**3,187.1**

19. Interest expense

	1992	1991	1990
Interest on long term debt	183.0	220.7	238.1
Interest on capital leases	2.4	2.6	2.9
Other interest, net	4.0	0.2	(2.1)
	189.4	**223.5**	**238.9**

20. 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 statements of earnings as follows:

	1992	1991	1990
Provision for income taxes	179.3	180.5	181.4
Earnings before income taxes and non-controlling interest	586.7	542.2	524.7
Effective income tax rate	**30.6%**	**33.3%**	**34.6%**

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

	1992	1991	1990
Combined federal and provincial income tax rate	41.6%	41.8%	42.5%
Tax exempt investment income	(8.9)	(11.0)	(10.7)
Non-deductible goodwill amortization	3.1	3.3	3.4
Foreign income taxed at lower rates	(7.4)	(5.7)	(6.3)
Manufacturing and processing allowances	(2.1)	(1.4)	(0.8)
Other items	4.3	6.3	6.5
Effective income tax rate	**30.6%**	**33.3%**	**34.6%**

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

	1992	1991	1990
Current	165.2	167.8	179.0
Deferred	14.1	12.7	2.4
	179.3	**180.5**	**181.4**

All tabular figures are in millions of dollars.

21. Dividends on preference shares of subsidiary companies and non-controlling interest

	1992	1991	1990
Dividends on preference shares of CT Financial Services and its subsidiaries	23.2	25.8	27.8
Dividends on preference shares of Imasco Financial Corporation[1]	–	–	20.2
Non-controlling interest in CT Financial Services' net earnings	3.8	4.3	3.9
	27.0	**30.1**	**51.9**

[1] The preference shares of Imasco Financial Corporation, an indirectly wholly owned subsidiary of the Corporation, were redeemed in October 1990.

22. Prior period adjustment

On January 18, 1993, Imasco Enterprises Inc., as successor to Genstar Corporation, entered into a settlement agreement relating to lawsuits instituted in the Supreme Court of British Columbia that sought various forms of relief relating to Genstar's withdrawal, prior to the Corporation's acquisition of Genstar in 1986, of surplus funds from Genstar sponsored pension plans. The net cost of the settlement and other associated claims amounted to $42.0 million (net of a tax recovery of $13.0 million) and has been recorded as a prior period adjustment in these financial statements. The previously reported retained earnings amounts at January 1, 1992, 1991 and 1990 have been restated accordingly.

23. Dividends

	1992	1991	1990
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	11.9	11.9
Common shares	162.0	152.4	152.6
	189.0	**179.4**	**179.6**

24. Capital transactions

	1992	1991	1990
Cost of common shares purchased for cancellation in excess of stated value	7.6	2.5	4.3
Cost of issuing securities by a subsidiary, net of tax	0.1	–	1.4
	7.7	**2.5**	**5.7**

25. Operating lease commitments

The Corporation has commitments with respect to real estate operating leases, most of which are for terms of one to 25 years.

The minimum annual commitments under such leases and the amounts assumed by drug store associates and other third parties are approximately as detailed in the accompanying table.

	Rental commitment	Assumed by third parties	Net rental commitment
1993	246.1	92.6	153.5
1994	229.7	88.3	141.4
1995	215.6	80.1	135.5
1996	190.6	70.5	120.1
1997	170.9	60.7	110.2

The minimum annual rental commitments as listed above 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 $178.8 million for the year ended December 31, 1992 (1991 – $165.6 million; 1990 – $152.1 million). The Corporation also has operating lease commitments for equipment which are for terms of one to 10 years, with a minimum annual rental of approximately $24 million.

All tabular figures are in millions of dollars.

26. Related party transactions

a. 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:

	1992	1991	1990
i. Payment of fees for research and development, marketing and manufacturing services	0.9	1.2	1.4
ii. Export sales of leaf tobacco	19.1	13.7	7.3
iii. Purchase of materials	3.2	2.2	2.0
iv. Royalties	0.8	0.6	0.3

b. In conformity with the Corporation's 1986 letter of undertakings to the Minister of State (Finance), which expired on June 1, 1992 with the coming into force of the Trust and Loan Companies Act (Canada), no prohibited transactions have been entered into between the Corporation and CT Financial Services and its subsidiaries.

27. Business acquisition

On April 13, 1990, the Corporation acquired the Roy Rogers chain of 363 company-operated and 285 licensed restaurants for a total cash consideration of $427.2 million (US $365.0 million). The acquisition was financed with cash on hand of approximately $234 million (US $200 million) and by the issue of promissory notes.

Details of the acquisition, which was accounted for by the purchase method of accounting, are provided in the accompanying table.

	1990
Assets at assigned values	
Cash	0.6
Other current assets	11.1
Investments and notes receivable	6.9
Capital assets	328.0
Intangibles	148.0
	494.6
Liabilities at assigned values	
Current liabilities	67.4
Total cash consideration	**427.2**

28. Business acquisition – Financial Services

On May 8, 1991, CT Financial Services, through a wholly owned subsidiary, acquired a 99% ownership interest in First Federal. The total cost of the investment amounted to $217.7 million (US $188.0 million) and consisted of a capital injection and debt subscription. No goodwill resulted from this purchase.

Details of the acquisition, which was accounted for by the purchase method of accounting, are provided in the accompanying table.

	1991
Assets at assigned values	
Cash and short term notes	303.7
Securities	1,730.3
Loans	4,366.7
Other assets	94.4
	6,495.1
Liabilities at assigned values	
Deposits	4,044.0
Advances and other borrowings	2,223.3
Deferred income taxes	7.8
Non-controlling interest	2.3
	6,277.4
Total cost of investment	**217.7**

All tabular figures are in millions of dollars.

29. Discontinued operations

On September 17, 1990, the Corporation completed the sale of its U.S. based drug store operations, Peoples Drug Stores, Incorporated, for a total cash consideration of $374.7 million (US $325.0 million).

The results of operations to June 25, 1990, the date on which agreement in principle for the sale was announced, are summarized as follows:

	1990
Revenues	615.2
Operating costs	606.4
Earnings from operations	8.8
Amortization of acquisition goodwill	2.9
Interest expense	0.3
Earnings before income taxes	5.6
Provision for income taxes	2.1
Net earnings	3.5
Net gain on sale[1]	0.2
	3.7

[1] Includes the net loss from operations between June 25, 1990 and September 17, 1990.

30. Other information

a. Goodwill amortization charged to earnings during 1992 amounted to $59.9 million (1991 – $56.9 million; 1990 – $56.5 million) and included $5.4 million (1991 – $4.9 million; 1990 – $6.4 million) classified as operating costs which relates to the Corporation's operating activities.

b. A wholly owned subsidiary of the Corporation has provided guarantees to various banks in respect of certain borrowings by drug store associates. The total amount of these guarantees at December 31, 1992 was $111.9 million (1991 – $98.9 million; 1990 – $93.6 million).

c. During 1990, a transaction was completed in the Tobacco segment whereby the ownership of a pool of qualifying 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. Research and development costs charged to earnings during the year amounted to $5.2 million (1991 and 1990 – $5.0 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, 1992 – US $1 = Cdn $1.271;
December 31, 1991 – US $1 = Cdn $1.156;
December 31, 1990 – US $1 = Cdn $1.160.

f. The Corporation and its subsidiaries are parties to claims and suits brought against them in the ordinary course of business.

In addition, certain 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. Substantially all of the costs incurred in connection with the defence of asbestos related claims and suits have been covered by insurance proceeds. Furthermore, a lawsuit has been instituted by its subsidiaries seeking to establish insurance coverage from certain carriers who have denied such coverage. Costs associated with the prosecution of the coverage lawsuit are expensed and a portion of such costs may be recovered should the suit succeed.

g. Certain comparative amounts have been reclassified to conform with the current year's presentation.

All tabular figures are in millions of dollars.

31. Segmented financial information

Financial information is presented according to the following industry segments.

Tobacco – Imperial Tobacco: manufactures and distributes tobacco products.

Financial Services – CT Financial Services: engages in savings, loan, trust and real estate brokerage services. A subsidiary, First Federal, provides savings and loan services in the northeastern United States.

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

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

Land Development – Genstar Development Company: conducts wholly owned and joint venture land development activities primarily in Canada.

Other retail operations – The UCS Group: specializes in tobacco products, confectionery, reading materials and gifts as well as tax and duty free outlets.

Other – Corporate and other activities.

Operations outside Canada include those of the Restaurant segment, First Federal and certain other activities.

		1992	1991	1990
Revenues	Tobacco	3,049.7	2,952.7	2,707.6
	Financial Services	4,048.0	4,370.6	4,319.8
	Restaurant	2,364.9	2,096.9	2,152.5
	Drug Store	172.5	161.6	148.1
	Land Development	95.9	67.1	92.7
	Other retail operations	301.7	305.1	314.7
	Intersegmental[1]	(75.5)	(83.8)	(88.9)
		9,957.2	**9,870.2**	**9,646.5**
	Canada	7,073.1	7,415.9	7,494.0
	United States	2,884.1	2,454.3	2,152.5
		9,957.2	**9,870.2**	**9,646.5**
Earnings from operations	Tobacco	432.0	397.0	367.1
	Financial Services	251.8	320.2	318.2
	Restaurant	77.2	46.0	72.6
	Drug Store	95.2	88.9	81.5
	Land Development	34.3	29.5	35.9
	Other retail operations	(4.9)	(2.0)	8.6
		885.6	**879.6**	**883.9**
	Canada	751.2	799.9	811.3
	United States	134.4	79.7	72.6
		885.6	**879.6**	**883.9**
Additions to capital assets	Tobacco	35.8	22.1	23.2
	Financial Services	126.2	123.1	98.6
	Restaurant	89.6	60.4	144.6
	Drug Store	40.7	30.9	33.7
	Land Development	1.2	3.4	1.6
	Other retail operations	2.0	4.8	6.0
	Other	0.1	0.9	0.2
		295.6	**245.6**	**307.9**

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

All tabular figures are in millions of dollars.

31. Segmented financial information (cont'd)		**1992**	1991	1990
Amortization expense[2]	Tobacco	20.9	18.6	17.6
	Financial Services	82.1	71.0	61.4
	Restaurant	109.1	107.4	102.5
	Drug Store	33.0	29.4	26.7
	Land Development	3.4	2.2	2.3
	Other retail operations	4.8	4.5	4.1
	Other	6.3	5.9	4.8
		259.6	239.0	219.4
	Acquisition goodwill	54.5	52.0	50.1
		314.1	**291.0**	**269.5**
Capital assets	Tobacco	140.1	123.0	125.0
	Restaurant	809.3	782.9	857.0
	Drug Store	141.2	129.7	123.9
	Land Development	5.5	5.2	1.9
	Other retail operations	18.7	22.1	22.9
	Other	17.0	17.8	18.4
		1,131.8	**1,080.7**	**1,149.1**
	Financial Services	434.9	395.7	294.5
		1,566.7	**1,476.4**	**1,443.6**
Inventories	Tobacco	397.5	391.5	379.7
	Restaurant	74.0	64.3	67.5
	Land Development	220.4	217.9	219.1
	Other retail operations	43.8	47.4	44.5
		735.7	**721.1**	**710.8**
Total assets	Tobacco	650.5	615.5	634.2
	Financial Services	44,264.5	42,188.4	35,087.4
	Restaurant	1,077.6	1,046.0	1,198.7
	Drug Store	242.9	205.4	204:3
	Land Development	292.7	270.6	285.1
	Other retail operations	75.0	75.6	81.3
	Other	243.8	303.8	312.7
		46,847.0	44,705.3	37,803.7
	Goodwill	1,672.0	1,714.3	1,770.1
		48,519.0	**46,419.6**	**39,573.8**
	Canada	39,648.0	38,431.6	37,597.1
	United States	8,871.0	7,988.0	1,976.7
		48,519.0	**46,419.6**	**39,573.8**

[2] Includes amortization expense on capital assets, goodwill, deferred charges and other fair value allocations.

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

		1992	1991
Operations	System sales	16,259.2	15,558.0
	Revenues	9,957.2	9,870.2
	Amortization expense	314.1	291.0
	Earnings from operations	885.6	879.6
	Interest expense	189.4	223.5
	Provision for income taxes	179.3	180.5
	Earnings before extraordinary items[1]	380.4	331.6
	Net earnings after extraordinary items[1]	380.4	331.6
	Earnings per common share before extraordinary items[1,2]	$2.97	$2.56
Dividend record	On preference shares	27.0	27.0
	On common shares	162.0	152.4
	Per common share[2]	$1.36	$1.28
Cash provided	From continuing operations	845.3	760.1
Capital expenditures	On capital assets	295.6	245.6
Financial position	Total assets – Financial Services[3]	44,264.5	42,188.4
	Total assets	48,519.0	46,419.6
	Long term debt[4]	1,958.9	2,078.3
Shareholders' equity	Preference shareholders	355.8	355.8
	Common shareholders[1,5]	2,702.0	2,457.4
	Per common share[1,2]	$22.69	$20.63
Financial ratios	Return on average common shareholders' equity[1,6]	13.7%	12.7%
	Interest coverage ratio[1]	4.1x	3.4x
	Debt to total capital ratio[1,7]	39.0%	42.5%
	Common dividend payout ratio[1,8]	45.8%	50.0%

Certain comparative amounts have been restated to conform with the accounting policies and presentation adopted for the current year. Refer to Changes in accounting policies on page 26.

[1] 1986 has been restated to give retroactive effect to the prior period adjustment recorded in 1992 (refer to Note 22 on page 45). Amounts in years subsequent to 1986, the year of the Genstar Corporation acquisition, have been restated where appropriate.

[2] Prior years' amounts have been restated to reflect the subdivision of common shares on a two for one basis on March 22, 1985.

[3] Excluding goodwill.

[4] The increase in 1990 reflects the refinancing of $300 million of Imasco Financial Corporation preference shares.

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

1990	1989	1988	1987	1986	1985	1984	1983	1982
					Millions of dollars, except per common share and financial ratios			
15,023.1	13,301.6	11,939.2	11,037.6	9,176.2	6,634.5	5,853.2	5,303.7	4,695.2
9,646.5	8,479.9	7,310.8	6,787.9	5,521.5	3,372.9	2,969.1	2,854.9	2,599.5
269.5	239.0	212.4	179.6	117.2	92.5	78.9	72.7	64.4
883.9	945.1	893.4	778.8	511.9	413.5	367.6	331.9	297.8
238.9	224.1	243.0	207.1	126.7	36.5	46.8	26.3	43.4
181.4	204.4	192.6	166.8	82.6	128.1	106.6	104.3	87.5
295.1	366.1	314.3	282.7	184.4	261.6	222.4	184.9	152.1
295.1	366.1	204.3	253.6	184.4	261.6	211.2	211.7	152.1
$2.25	$2.87	$2.51	$2.24	$1.55	$2.40	$2.19	$1.81	$1.72
27.0	24.3	15.1	15.1	7.1	0.3	2.1	8.6	9.0
152.6	133.5	124.0	114.4	95.8	78.4	59.1	43.4	32.1
$1.28	$1.12	$1.04	$0.96	$0.84	$0.72	$0.59	$0.475	$0.388
625.6	520.1	539.2	619.1	215.8	427.5	224.9	215.5	170.2
307.9	412.2	476.5	455.9	264.7	127.3	154.8	101.0	109.5
35,087.4	32,666.0	29,219.2	25,514.8	24,077.7	–	–	–	–
39,573.8	37,510.1	34,075.2	30,881.2	29,018.6	2,905.7	2,560.9	1,658.5	1,479.0
2,387.4	2,187.8	2,488.1	2,810.7	2,473.4	601.8	644.4	266.7	316.1
355.8	355.8	205.8	205.8	205.8	5.8	5.8	98.8	110.7
2,322.1	2,212.6	2,013.2	2,006.5	1,889.3	1,482.8	1,279.8	869.9	688.0
$19.49	$18.55	$16.89	$16.83	$15.86	$13.62	$11.75	$9.43	$7.57
11.8%	16.2%	14.9%	13.7%	10.5%	18.9%	20.5%	22.6%	24.8%
3.2x	3.8x	3.3x	3.5x	3.6x	10.7x	7.5x	12.0x	6.5x
47.1%	46.0%	52.9%	56.0%	54.1%	28.8%	33.4%	21.6%	28.4%
56.9%	39.0%	41.4%	42.9%	54.2%	30.0%	26.9%	26.2%	22.6%

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

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

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

Imasco Limited
Operating Company Statistics
Six Year Review
For the years ended December 31

Canadian operations	**1992**	1991	1990	1989	1988	1987
					Millions of dollars, except as noted	
Imperial Tobacco						
Revenues[1]	3,049.7	2,952.7	2,707.6	2,385.6	2,018.1	1,926.0
Tobacco taxes and duties	1,967.4	1,912.5	1,744.5	1,489.4	1,156.1	1,109.8
Earnings from operations	432.0	397.0	367.1	334.0	308.0	279.1
Inventories	397.5	391.5	379.7	381.0	321.4	360.4
Capital assets	140.1	123.0	125.0	118.9	113.4	110.7
Additions to capital assets	35.8	22.1	23.2	22.9	18.9	25.6
CT Financial Services[2]						
Investment income	3,621.6	4,009.7	4,032.7	3,541.8	2,783.9	2,456.4
Provision for (recovery of) investment losses	236.2	114.7	70.0	30.1	(24.6)	6.2
Net investment income after provision for/recovery of investment losses	814.4	846.0	775.6	721.2	678.9	582.5
Earnings from operations (pre-tax earnings)	251.8	320.2	318.2	357.2	359.0	302.5
Net earnings	193.2	221.6	212.4	246.0	232.0	201.0
Dividends on preference shares	11.9	12.1	11.0	5.8	–	–
Net earnings attributed to common shareholders	181.3	209.5	201.4	240.2	232.0	201.0
Per common share						
Net earnings	$1.52	$1.76	$1.70	$2.03	$1.97	$1.74
Dividends paid	$0.80	$0.80	$0.80	$0.75	$0.65	$0.65
Shareholders' equity – fully diluted	$15.04	$14.11	$13.15	$12.25	$10.95	$9.61
Assets under administration (at book value)	138,088.0	124,008.0	103,612.0	74,096.0	67,401.0	60,626.0
Corporate assets	44,264.5	42,188.4	35,087.4	32,666.0	29,219.2	25,514.8
Loans	33,060.8	31,203.5	25,518.4	24,201.0	22,661.7	19,679.3
Deposits	39,181.4	37,594.2	32,475.2	30,403.0	27,319.5	23,858.6
Shareholders' equity	1,940.8	1,828.0	1,710.9	1,551.1	1,294.0	1,133.2
Number of financial services branches	441	416	338	331	317	311
Number of real estate offices	284	288	297	275	278	259
Number of trust services offices	24	23	23	22	22	22
Return on average common shareholders' equity – fully diluted	10.2%	12.8%	13.2%	17.3%	19.0%	19.4%
Return on average corporate assets	0.45%	0.56%	0.63%	0.79%	0.85%	0.80%
Loan loss experience as a percentage of loans outstanding	0.287%	0.186%	0.177%	0.103%	(0.105)%	0.026%
Allowance for investment losses as a multiple of non-performing investments	0.4x	0.3x	0.5x	0.8x	1.6x	1.7x

[1] Comparability is affected by the replacement of the Federal Sales Tax (FST) by the Goods and Services Tax (GST) effective January 1, 1991. The GST is excluded from 1992 and 1991 amounts while in previous years the FST was included.

[2] Statistics presented above have been extracted from CT Financial Services' annual reports for the years ended December 31, 1992 and prior.

Canadian operations (cont'd)	**1992**	1991	1990	1989	1988	1987
				Millions of dollars, except as noted		
Shoppers Drug Mart						
System sales[1]	3,089.5	2,934.1	2,843.6	2,597.7	2,355.6	2,073.4
Revenues						
Sales	–	–	–	–	80.0	74.6
Service fees and other	172.5	161.6	148.1	136.2	114.9	95.7
	172.5	161.6	148.1	136.2	194.9	170.3
Earnings from operations[2]	95.2	88.9	81.5	71.6	58.1	52.3
Capital assets	141.2	129.7	123.9	114.1	108.9	93.2
Additions to capital assets	40.7	30.9	33.7	27.3	33.5	31.4
Number of stores	678	671	645	633	613	586
Genstar Development Company						
Revenues[3]	95.9	67.1	92.7	125.3	86.2	92.9
Earnings from operations[3]	34.3	29.5	35.9	54.6	29.6	26.1
Land inventory	220.4	217.9	219.1	192.6	152.5	156.0
Land inventory (acres)	20,406	19,035	18,802	18,972	18,271	18,315
The UCS Group						
Revenues[1]	301.7	305.1	314.7	286.1	256.6	235.3
Earnings (loss) from operations	(4.9)	(2.0)	8.6	8.3	7.5	6.7
Inventories	43.8	47.4	44.5	37.4	35.4	39.2
Capital assets	18.7	22.1	22.9	21.2	19.9	18.9
Additions to capital assets	2.0	4.8	6.0	5.3	4.9	6.9
Number of stores	501	526	533	531	525	524

U.S. operations	**1992**	1991	1990	1989	1988	1987
				Millions of **US dollars**, except as noted		
Hardee's Food Systems						
System sales	4,753.3	4,375.6	4,146.4	3,503.2	3,305.5	3,063.7
Revenues						
Sales						
Company restaurants	1,171.0	1,144.3	1,200.7	920.2	887.9	761.6
Food, supplies and other	700.5	611.3	569.3	523.4	483.4	544.9
Service and licence fees	83.9	74.7	76.8	65.7	59.6	53.6
	1,955.4	1,830.3	1,846.8	1,509.3	1,430.9	1,360.1
Earnings from operations[2]	63.1	40.3	62.2	101.1	107.4	104.4
Inventories	58.2	55.7	58.1	57.4	56.0	53.9
Capital assets	636.7	677.3	738.8	465.4	433.3	516.7
Additions to capital assets	74.1	52.6	124.0	131.1	170.9	163.7
Number of restaurants						
Company-operated	1,234	1,249	1,352	1,086	1,070	995
Licensed	2,785	2,765	2,670	2,212	2,081	1,962
	4,019	4,014	4,022	3,298	3,151	2,957

[1] Comparability is affected by the replacement of the FST by the GST effective January 1, 1991. The GST is excluded from 1992 and 1991 amounts while in previous years the FST was included.

[2] Prior years' amounts have been restated for reclassification of amortization of acquisition goodwill. Refer to Changes in accounting policies on page 26.

[3] Prior to 1988, Genstar Development Company and certain former Genstar Corporation assets were designated as being held for disposal. Results of operations are excluded from consolidated totals in 1986 and 1987.

Imasco Limited
Quarterly
Consolidated Financial Information

Millions of dollars, except per common share

1992	March	June	September	December	**Total**
System sales	3,776.0	4,110.0	4,168.0	4,205.2	16,259.2
Revenues	2,388.6	2,542.8	2,542.9	2,482.9	9,957.2
Earnings from operations					
Imperial Tobacco	92.7	95.9	118.6	124.8	432.0
CT Financial Services	84.0	85.9	58.2	23.7	251.8
Hardee's Food Systems	(12.3)	29.0	33.2	27.3	77.2
Shoppers Drug Mart	18.8	20.7	23.2	32.5	95.2
Genstar Development Company	10.1	5.1	6.1	13.0	34.3
The UCS Group	(3.9)	(2.4)	(0.3)	1.7	(4.9)
	189.4	234.2	239.0	223.0	885.6
Amortization of acquisition goodwill	13.6	13.6	13.7	13.6	54.5
Other costs and administration	16.5	17.1	11.2	10.2	55.0
Interest expense	52.8	48.6	44.6	43.4	189.4
Provision for income taxes	35.8	53.1	51.5	38.9	179.3
Dividends on preference shares of subsidiary companies and non-controlling interest	7.1	7.2	6.5	6.2	27.0
Net earnings	63.6	94.6	111.5	110.7	380.4
Per common share					
Net earnings	\$0.48	\$0.73	\$0.88	\$0.88	\$2.97
Dividends	\$0.34	\$0.34	\$0.34	\$0.34	\$1.36
Market price – High	38¾	37¾	38	41⅜	
– Low	34¼	31½	34⅞	36½	

1991	March	June	September	December	**Total**
System sales	3,447.7	4,021.9	4,101.9	3,986.5	15,558.0
Revenues	2,198.5	2,585.3	2,603.7	2,482.7	9,870.2
Earnings from operations					
Imperial Tobacco	85.0	88.0	108.0	116.0	397.0
CT Financial Services	73.5	83.2	85.0	78.5	320.2
Hardee's Food Systems	(8.6)	28.9	20.7	5.0	46.0
Shoppers Drug Mart	17.1	18.7	21.4	31.7	88.9
Genstar Development Company	6.1	6.6	11.4	5.4	29.5
The UCS Group	(1.1)	(1.3)	(0.3)	0.7	(2.0)
	172.0	224.1	246.2	237.3	879.6
Amortization of acquisition goodwill	13.0	13.0	13.0	13.0	52.0
Other costs and administration	15.8	16.1	15.6	14.4	61.9
Interest expense	61.0	58.1	55.6	48.8	223.5
Provision for income taxes	22.5	43.7	54.7	59.6	180.5
Dividends on preference shares of subsidiary companies and non-controlling interest	7.8	7.7	7.5	7.1	30.1
Net earnings	51.9	85.5	99.8	94.4	331.6
Per common share					
Net earnings	\$0.38	\$0.66	\$0.78	\$0.74	\$2.56
Dividends	\$0.32	\$0.32	\$0.32	\$0.32	\$1.28
Market price – High	29¼	32¼	32¾	36¾	
– Low	26¾	26⅝	28⅝	31⅝	

Imasco Limited

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President
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Executive Vice-President and Chief Financial Officer
Roy R. Schwartz
Senior Vice-President
Pierre Duhamel, C.A.
Vice-President and Controller
Ron Farrell
Vice-President, Administration
Luc Jobin, C.A.
Vice-President, Business Development
Hugh W. McAdams, C.A.
Vice-President and Treasurer
Peter McBride
Vice-President, Public Affairs
Rodrick K. MacKinnon
Secretary and Counsel
Denis Faucher, C.A.
Assistant Treasurer
Pierre Leclerc
Assistant Secretary

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Vice-President, General Counsel and Secretary
Robert Bexon
Vice-President, Marketing
Marius Dagneau
Vice-President, Human Resources
Patrick J. Dunn
Vice-President, Research and Development
Thomas F. Lee
Vice-President, Materials Management
Yvon Lessard
Vice-President, Manufacturing
Édouard Darche, C.A.
Controller

General Cigar Company Limited
Montréal, QC

Imperial Leaf Tobacco
Aylmer, ON

du Maurier Arts Ltd.
Montréal, QC

du Maurier Ltd.
Montréal, QC

Matinée Ltd.
Montréal, QC

Player's Ltd.
Montréal, QC

CT Financial Services Inc.

275 Dundas Street
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Vice-Chairman and Chief Operating Officer
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President, Truscan Realty Limited
J. Brent Kelman
Executive Vice-President, Operations
John F. Schucht
Executive Vice-President, Sales and Distribution
Christopher J. Stringer
Executive Vice-President, Corporate Services
William C. Thornhill
Executive Vice-President, Products/Treasury
G. Tom Gunn
Senior Vice-President, Capital Funds and Chief Financial Officer
John A. Whaley
Vice-President, General Counsel and Secretary

Canada Trustco Mortgage Company
London, ON

The Canada Trust Company
London, ON

Truscan Realty Limited
London, ON

First Federal Savings and Loan Association of Rochester

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Rochester, New York 14614
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Chairman, President and Chief Executive Officer

Hardee's Food Systems, Inc.

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Jerry Gramaglia
Executive Vice-President, Marketing
Jim Jensen
Executive Vice-President, Operations
Gerald L. McGinnis
Executive Vice-President, Development
James L. Jaffre
Senior Vice-President, International
Brent Michaels
Senior Vice-President, Restaurant Operations
Ron Powell
President, Roy Rogers

Fast Food Merchandisers, Inc.
Rocky Mount, NC

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F. Winslow Goins
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Shoppers Drug Mart/Pharmaprix

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Marvin A. Goldberg
Senior Executive Vice-President, Legal and Corporate Affairs, and Secretary
Albert A. Krakauer
Senior Executive Vice-President, Professional and Organizational Development
Kenneth A. Sloan, C.A.
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Isadore Snyder
Executive Vice-President, Ontario West
Cliff Proceviat
Executive Vice-President, Prairies
Terry Morrison
Executive Vice-President, B.C.
Bruce A. Burgetz
Senior Vice-President, Information Technology
Raymond A. Hallett
Senior Vice-President, Human Resources

Shoppers Drug Mart/Pharmaprix (cont'd)

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Gordon Stromberg
Senior Vice-President, Advertising
Roman P. Niemy
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President

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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

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Vice-President, Public Affairs
(514) 982 6407

Other enquiries

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Transfer agent and registrar

The Montreal Trust Company
Stock and Bond Transfer Department
Place Montréal Trust
1800 McGill College Avenue, 6th floor
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(514) 982 7555

Montreal Trust is responsible for the maintenance of shareholder records and the issue, transfer and cancellation of stock certificates. Transfers can be effected in 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.

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

Dividend dates

Quarterly: at the end of March, June, September and December.

- Common shares;
- 7.375% Retractable First Preference Shares Series C;
- 7.90% Perpetual First Preference Shares Series D.

Semiannually: at the end of March and September.

- 6% Cumulative Preference Shares.

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;
- 10¾% due June 1999, interest payable June 15 and December 15;
- 10¼% due December 2001, interest payable June 18 and December 18;
- 9.85% due April 2002, interest payable April 22 and October 22.

Notes

- 10½% due July 1993, interest payable July 7;
- Medium term notes, interest payable February 15 and August 15.

Dividend reinvestment and share purchase plan

Imasco maintains a dividend reinvestment and share purchase plan for the benefit of common shareholders. Under the plan, eligible shareholders can elect to invest their dividends in additional common shares. They can also increase their holdings by making optional cash payments, subject to certain quarterly limits. In both cases the brokerage fees are paid by Imasco. Further information on the plan can be obtained by contacting Montreal Trust at (514) 982 7666.

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 to U.S. residents

Shareholders with addresses of record in the United States receive dividends in US funds. The dividend amount is converted at the Bank of Canada noon rate of exchange on the record date. Canadian withholding tax is deducted.

Auditors

Deloitte & Touche
Chartered Accountants
1 Place Ville-Marie, Suite 3000
Montréal, QC
H3B 4T9

Shareholdings

On December 31, 1992, there were 8,936 registered holders of Imasco common shares. Ownership of the various classes of shares was distributed by country as follows:

	Common Shares	6% Preference Shares	7.375% Preference Shares Series C	7.90% Preference Shares Series D
Canada	58.25%	98.86%	100%	100%
United States	0.95%	0.09%	–	–
U.K.	40.76%	0.93%	–	–
Other countries	0.04%	0.12%	–	–
	100%	100%	100%	100%

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