MDS Health Group Limited

Annual Report
1985

Financial Highlights
Year ended October 31

(thousands of dollars)	1985	1984	1983
Net revenues	**$113,942**	$96,430	$72,699
Income before extraordinary item	**$ 6,261**	$ 6,653	$ 5,142
Net income	**$ 1,318**	$ 6,653	$ 5,142
Shareholders' equity	**$ 41,901**	$41,307	$34,557
Total assets	**$100,519**	$68,963	$60,133
Debt as a percentage of capital employed	**43%**	21%	24%
Current ratio	**2.8:1**	2.6:1	2.9:1

MDS Laboratories provides clinical testing services and supportive diagnostic procedures, such as X-ray, audiometric, ECG and other cardiac and pulmonary function tests to a client base of 7,000 physicians, 200 hospitals and 400 nursing homes. Though technology-dependent, MDS' endeavours are expressions of caring and concern for the quality of life and the importance of human issues.

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MDS—Leading the way with people and technologies for better health care

MDS' mission is to provide physicians, hospitals, corporations and government agencies with cost-effective, quality services and products that they need in order to maintain the health and well-being of the people under their care.

The company's main business is the provision of clinical and analytical testing services and systems to assist either in the diagnosis of disease or in the early identification of occupational, environmental, and life-style conditions that are harmful to health.

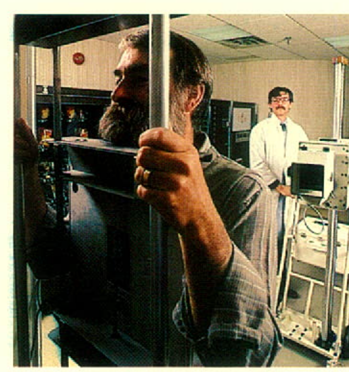
Fundamental to MDS' overall strategy is a commitment to excellence in quality and service, a responsiveness to the changing needs of its clients and a strong emphasis on operating efficiency to control costs in a highly competitive environment.

The company believes that it can best carry out its mission by employing talented people and by providing them with a working climate that fosters teamwork, rewards innovation and encourages exceptional performance.

MDS' main business is the provision of clinical laboratory testing services for the diagnosis of disease. Sam Hung, R.T. is shown setting up procedures on an automated chemistry analyzer.

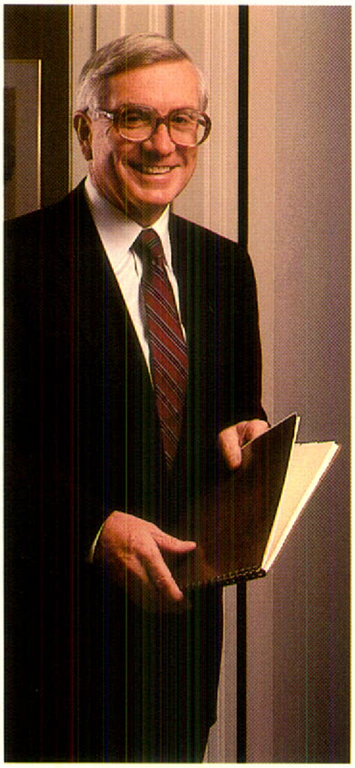
SCIEX develops, manufactures and markets mass spectrometers for the detection of trace amounts of organic and inorganic substances. Working on a printed circuit board are Fu-Yao Yang, Paul Young and Charlie McGann.

The provision of mobile diagnostics such as mobile X-ray is one of a number of services being developed by the Corporate Ventures Division. Wayne Scott, R.T.R. is shown X-raying an employee in the workplace.



MDS seeks innovative ways to deliver excellent cost-effective services and is continually investing in new technology like the laboratory robotics featured above to ensure that MDS remains a low-cost producer. Left to right, Tom England, Ph.D., Laboratory Director, John Rogers, President, MDS Laboratories Division, Suzanne Peeters, Ph.D., Laboratory Manager, John Nixon, M.D., Medical Director, MDS Laboratories.

Report to the Shareholders



In the year ending October 31, 1985, revenues increased 18.2% to a record $114 million and income before taxes and extraordinary item increased 5.3% to a record $13.6 million. Income before extraordinary item decreased to $6.2 million or 82 cents per share as compared to 88 cents per share in the previous year because of income being subject to a higher tax rate—resulting primarily from development expenses and operating losses in the United States, for which no offsetting tax credits were available. Income growth was also restrained by start-up costs associated with regional expansion, computerization of laboratory operations in Ontario and an accelerated research and development program within the SCIEX Division. These expenditures will provide a basis for future growth. An extraordinary item reduced net income to $1.3 million or 15 cents per share.

Operating Highlights

Revenues in each of MDS' business units increased during fiscal 1985. MDS diagnostic testing and paramedical service revenue grew 20% in Canada and 7% in the United States. SCIEX shipped the largest number of units in its history, resulting in 56% growth in revenue over the previous fiscal period.

In the United States, operating results of established laboratory operations continued to be adversely affected by the changes in government and private health care funding arrangements. Progress was made in implementing programs appropriate to the new environment and improvement was evident in the last half of the fiscal year for most of the company's U.S. operating units.

The company continued, however, to have significant difficulty with a laboratory business acquired by a Michigan subsidiary. Accordingly, the company decided to take a $4.9 million provision for costs in connection with the reorganization of the operation and the write-down of goodwill associated with the acquisition. Among other things, the stability and profitability of the laboratory business acquired were substantially less than understood at the time of the acquisition. Litigation has resulted and the company's lawyers have been instructed to launch a claim for substantial damages.

Financial Performance

The following pages of this annual report highlight MDS' corporate performance objectives and present a graphic analysis of achievement against these objectives. These charts show the consistent progress the company has made toward achieving these financial measurements.

The company's strength as measured by its debt ratios and its liquidity continues to be excellent. The five-year average return on capital and shareholders' equity, and the five-year average rate of growth in revenues and profit, place MDS in the top 10% of the one thousand largest Canadian corporations ranked by these performance measurements.

In keeping with 1985's continued growth, dividends were raised at the end of the year to an annual rate of 12¢ per share on the Class A Common shares and an annual rate of 17¢ per share on the Class B Non-Voting shares.

Significant Events

• On March 28, 1985, the Canadian Government, through the Defence Industry Productivity Program, approved $3.1 million in funding over a four-year period for SCIEX. These funds will be used by the division in the development of a new SCIEX product—the AROMIC Cargo Examination System. This system detects trace quantities of contraband such as explosives, firearms, drugs and alcohol in shipping containers.

• In October, MDS acquired the business and certain of the assets of TRC Advanced Analytics Inc. This business is now being conducted under the name, MDS Analytics Inc. and provides mobile environmental testing services to industry and government in the United States.

• On October 31, MDS announced that it had negotiated $30 million of new long term debt financing. A portion of this new financing will be used to retire existing debt and the remainder, approximately $21 million, will be used to support future growth.

• Subsequent to year end, MDS announced:

i. The investment of $3.0 million to assist the management of Ingram & Bell Ltd. to acquire the medical products and scientific divisions of the company from American Sterilizer. MDS will retain a 49% interest in this profitable ($70 million revenues) hospital distribution company and has a future option to acquire the balance.

ii. The establishment of a new corporation, jointly owned by the Toronto General Hospital and MDS, for the funding and commercialization of research and development.

iii. The signing of an agreement with the Ontario Medical Association to establish a joint-venture medical software company.

Outlook

In 1985, MDS established a strong foundation for future growth. New long term debt financing will allow MDS to accelerate its development program over the next few years. The company was restructured to make its two major divisions, MDS Laboratories and SCIEX, self-supporting and increasingly responsive to changing market needs. A new Corporate Ventures Division has been established to develop, nurture, and accelerate the growth of some of MDS' smaller businesses. In addition, a Strategic Action Committee, which comprises five senior members of MDS' corporate management team, has been created to provide strategies to ensure continuing profitable growth for the company.

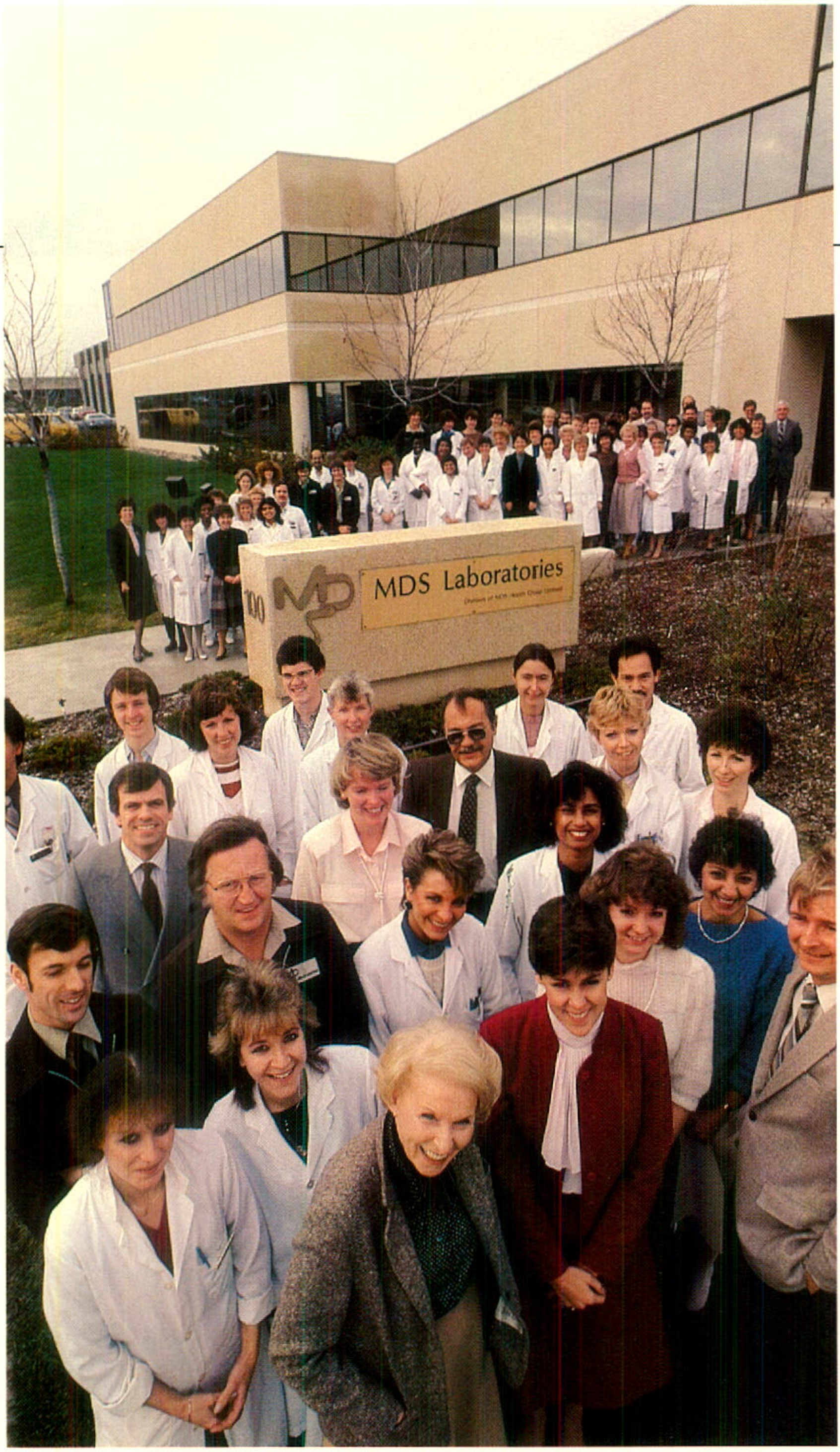
Appreciation

Fundamental to MDS' past and future performance is its commitment to excellence, its desire to serve and the continuing growth in skills exhibited by its dedicated employees and professional consultants.

On behalf of the Board of Directors, I thank all the members of the MDS team for their efforts during this last year.

On behalf of the 3,000 employees of MDS, I extend a special note of appreciation to our clients and our shareholders for their support.

W. G. Lewitt, *President* *January 27, 1986*



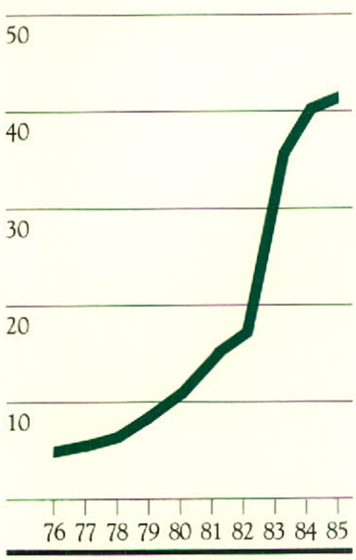
Fundamental to MDS' past performance is its commitment to excellence and the continuing growth in skills exhibited by the company's dedicated employees and professional consultants. Shown, are a group of employees at MDS' Toronto Reference Laboratory facility.

MDS Health Group Limited is committed to the provision of quality care and services to its many clients, who represent a growing share of the business and geographic markets in which it operates. The company has set financial objectives, as outlined below, and believes its continuing commitment to quality is responsible for the consistent achievement against these objectives over the last ten years.

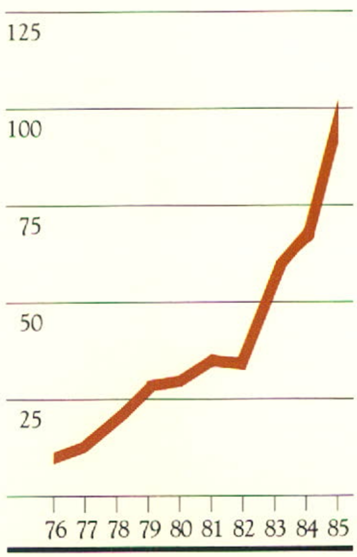
1. Maintain a 20% five-year average growth in revenues. For the five-year period, ending October 31, 1985, the average growth was 27.7%.
2. Maintain a 15% five-year average growth in after-tax earnings and earnings per share before extraordinary items. As at October 31, 1985, the five-year average growth in after-tax earnings was 24.5%, and in earnings per share was 15.7%.
3. Achieve a five-year average return on equity of 20%. For the five-year period ending October 31, 1985, MDS' performance in this category was 19.6%.
4. Maintain a strong financial position, as indicated by a good working capital position, and a conservative ratio of long term debt to capital employed. For the period ending October 31, 1985, working capital was $44.3 million, the working capital ratio was 2.8 and the ratio of long term debt to capital employed was 0.4.

Corporate Performance

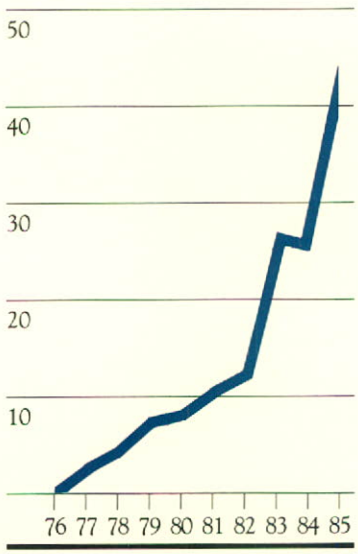
Shareholders' Equity
in millions



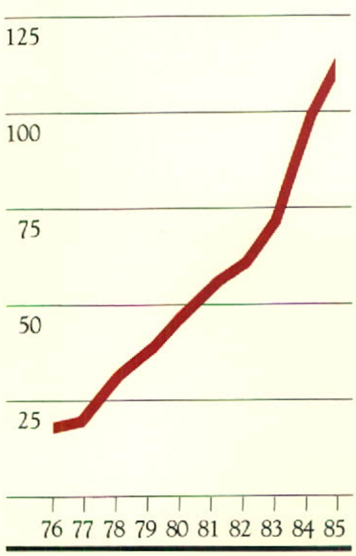
Total Assets
in millions



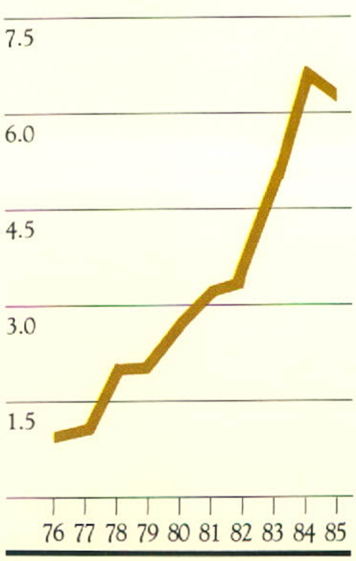
Working Capital
in millions



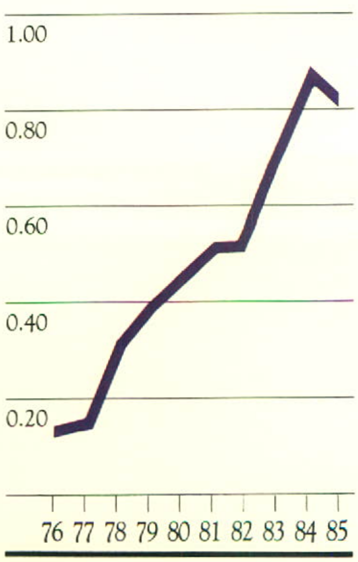
Net Revenues
in millions



Net Income†
in millions
†Before extraordinary item



Earnings per Share*†
in dollars
(Class A Common and Class B Non-Voting shares)
*Reflects share split in July, 1983 and September, 1980
†Before extraordinary item



MDS Laboratories

MDS Laboratories provides clinical diagnostic services to more than three million people each year through a network of 157 laboratories and specimen collection centres, located in Ontario and the states of New York, Pennsylvania, New Jersey and Michigan. More than 500 individual laboratory diagnostic tests are offered by the MDS laboratory network. MDS Laboratories has a client base of 7,000 physicians, 200 hospitals and 400 nursing homes, and receives requests for more than 50,000 procedures per day.

MDS Laboratories is one of the ten largest medical laboratory testing service operations in North America. The clinical laboratory testing field is intensely competitive and highly fragmented, both in the United States and in Canada. No single laboratory company accounts for more than 1% of total North American expenditures. MDS' objective is to establish a dominant position in any market segment it serves, with a market share in excess of 20%.

MDS has three operating principles that differentiate it from other laboratories of its size. These are: a commitment to do as much testing as possible in the communities where its clients are located; to transport specimens to its laboratories primarily by company-owned courier vehicles; and to operate all facilities under the direction of a qualified laboratory physician.

MDS believes that a combination of the skills of the pathologist, the scientist and the professional administrator, working together in the community they serve, is the key to long term success in the demanding and rapidly changing laboratory field. The change is being driven by increasing public demand for health care services and the health care delivery system's limited ability to respond technically and clinically to this constantly increasing demand. At the same time, government, industry and the public are seeking major realignments on total costs and the relative share of such costs to be borne by the public and private sectors. MDS' ability to provide quality health services on a cost-effective basis places the company in an excellent position to benefit from these trends.

Significant Events and Operating Highlights

- MDS' revenues increased 20% in Ontario and 7% in the United States.
- MDS installed a new laboratory computing system for the regional transmission of test results, and is now in the process of linking all MDS laboratories in Ontario into the system. The system will be fully operative by the fall of 1986.
- During the year, MDS acquired laboratories in Thunder Bay and Sault Ste. Marie, extending its operations to this part of Northern Ontario.
- In the United States, progress has been made in implementing the necessary programs to respond to the new competitive pricing environment and should be reflected in fiscal 1986 results.

Working arrangements with university groups provide MDS with access to highly specialized test procedures.

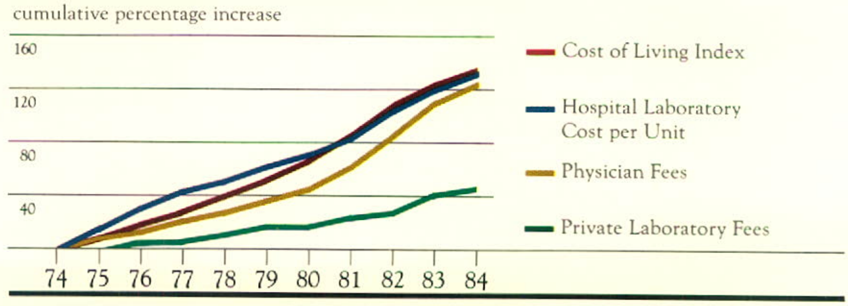
A new laboratory computing system will link all MDS laboratories in Ontario. Left to right—Mike Marcotte, Director, Corporate Systems Development, Joan Chang, Supervisor, Results Reporting, Ron Yamada, Senior Vice-President, Systems and Corporate Affairs.

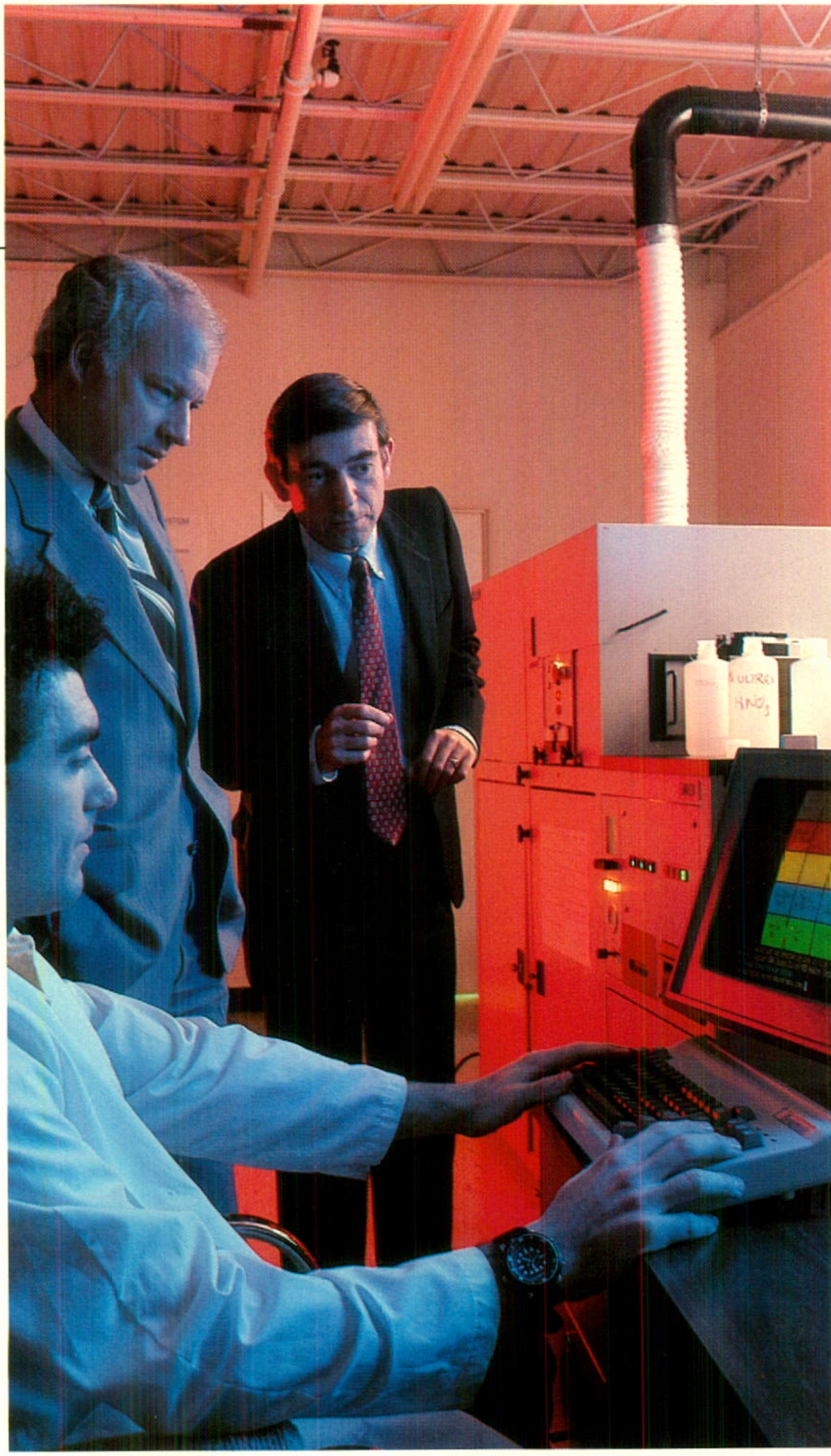
In a technical service organization, which includes microscopic determinations, as featured here, quality depends upon the calibre and motivation of the people involved. Left to right, Cytotechnologists, Juta Silmberg, Dipa Tandon and Ingrid Knor.

The Health Advisory Committee reviews changing trends in the provision of laboratory medicine. Left to right—Bill Anderson, M.D., Chairman, Medical Advisory Committee, Jan Steiner, M.D., Director of Medical Affairs, Institutional Programs, Ed Rygiel, Senior Vice-President, Corporate Development, John Nixon, M.D., Medical Director, Dennis Dorsey, M.D., Chairman, Health Advisory Committee.

Comparison of Increase in Private Laboratory Fees to Other Health Care Costs in Ontario

cumulative percentage increase





The AROMIC System is designed for the detection of trace quantities of contraband. Working on this design are Adele Buckley, Ph.D., Vice-President, Engineering Development, Robert Wedgewood, Ron Stewart and Peter Urwin.

The ELAN is used for the measurement of trace amounts of elements in various applications. Shown discussing this at SCIEX are George Gillson, Ph.D., Bill Robbins, Vice-President, Finance and Corporate Development and Neil Reid, Ph.D., Vice-President, Marketing.

TAGA Systems have a wide range of applications for the identification of trace amounts of organic contaminants. Angie Ngo, Bruce Thomson, Ph.D., Bruce Petersen, Ph.D., and Bori Shusan, Ph.D. are shown in discussion.

Areas of Ongoing Research and Development Activity

	Medical	Environmental	Energy & Resource	Agriculture	Customs & Security
Taga	●	●		●	
Elan	●	●	●	●	
Aromic					●

SCIEX designs, develops, manufactures and markets mass spectrometers for the detection of trace amounts of organic and inorganic substances. It has received international recognition for developments in this field.

The growing demand for trace chemical analyses in clinical, environmental and occupational health, in forensic sciences, security and a broad variety of industrial applications is providing increased demand for SCIEX products. SCIEX has developed products in three areas, based on the same proprietary and patented technology. These products are:

- TAGA systems have a wide range of applications for the identification of trace amounts of organic contaminants in the environment, workplace and industrial processes and products. The rugged and flexible nature of these systems allows them to be used either in a fixed laboratory facility or in a mobile configuration. The latter allows monitoring to be done en route, or the system can be driven to a field site for analysis. The use of TAGA systems for environmental monitoring increased significantly during the year and continued expansion is expected.
- The ELAN was developed for the measurement of trace quantities of elements. The superior detection levels of the ELAN, combined with its capability to measure the stable isotopes of elements, provide a significant advantage over other existing elemental analyzers. ELAN systems installed last year have diverse applications that include geology, environment, nutrition, nuclear energy and agriculture.
- The AROMIC Cargo Examination System is designed for the detection of trace quantities of contraband such as explosives, firearms, drugs and alcohol. The product was developed as a result of a fifteen-year joint-venture agreement with British Aerospace PLC, that has adopted SCIEX proprietary technology for this application. British Aerospace has sold the first two systems, which are to be delivered to a Middle East country in the early part of 1986. Prospects for future orders look very promising.

Significant Events

- SCIEX sold and shipped a record number of mass spectrometry systems in 1985, increasing revenues by 56%.
- SCIEX extended its international activities and shipped systems to the Far East, Australia, Europe and the Middle East during the last fiscal period.
- SCIEX received approval for a $3.1 million contribution over a four-year period, under the Defence Industry Productivity Program, for further development of the AROMIC product.
- The U.S. Environmental Protection Agency took delivery of its first TAGA system for its Emergency Response Team.

SCIEX continued its development of appropriate software application packages to support entry into selected market areas. Left to right—Charlie Hall, Perry Lee, and Andy Boorn, Ph.D.

Corporate Ventures Division

In order to generate new business opportunities and to provide the special environment needed to develop and grow them, MDS has established a Corporate Ventures Division. Where appropriate, embryonic businesses and new product lines or services will be transferred for development to this division. The following six business areas have been identified for special attention by this division.

Occupational Health Programs

MDS' efforts are dedicated to helping industrial clients comply with health and safety regulations that are necessary to maintain the health of their employees. MDS regularly screens workers exposed to hazardous conditions and conducts analytical testing of the workplace to ensure that exposure levels to hazardous substances are within acceptable limits. In fiscal 1985, the company provided these services to more than 600 industrial clients in Canada and the United States. Gross revenues from these services grew more than 25% from the previous fiscal period.

Health Surveillance Programs

MDS provides over 700 corporate clients with pre-employment, pre-placement and annual health assessments, including lifestyle risk assessments for their employees. MDS also works with health agencies, hospitals, medical groups and sponsoring community groups to conduct annual health education and risk assessment programs.

In fiscal 1985, health surveillance programs were conducted on more than 100,000 participants in 200 different communities, representing a 20% growth in revenues over the prior fiscal period.

Mobile Diagnostics

The objective of this business unit is to deliver cost-effective, mobile diagnostic imaging services to physicians, hospitals, nursing homes and bedridden patients. More than 30,000 procedures are performed annually. Revenues in 1985 increased by 20%.

Mobile Paramedical Services

MDS is a leading provider of mobile paramedical services to the Canadian insurance industry. Services currently are being provided through a network of approximately 400 professional registered nurses and almost 100 physicians. Approximately 70,000 examinations are performed annually for 126 insurance companies from Quebec to British Columbia. Revenues in fiscal 1985 were up 14%.

In fiscal 1985 health surveillance programs were conducted for more than 100,000 participants.

Institutional Program Development Group

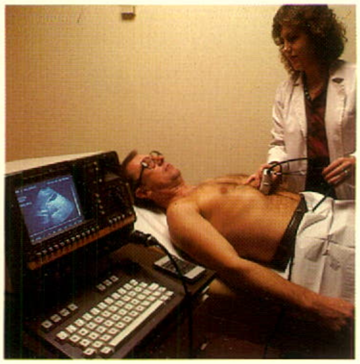
The objective of the Institutional Program Development Group is to increase MDS' presence in the clinical laboratory marketplace through the formation of joint-venture arrangements with clusters of hospitals. MDS provides management for the laboratories of participating hospitals and supplies comprehensive testing services through a central laboratory, which it owns jointly with the participating hospitals. At year end, the Institutional Program Development Group was finalizing negotiations with several hospital clusters.

Medical Building Development

MDS works with physicians and dentists to develop comprehensive health care facilities and has completed projects representing in excess of 500,000 square feet of net rentable space. It currently has an 87,000 square foot project underway in Mississauga and several other projects are at the feasibility stage.

MDS works with physicians and dentists to develop comprehensive health care facilities. On site of the future Credit Valley Professional Building— Bill Broadley, Medical Building Project Manager and Boyd Upper, M.D., Vice-President, Administration, Corporate Ventures Division.

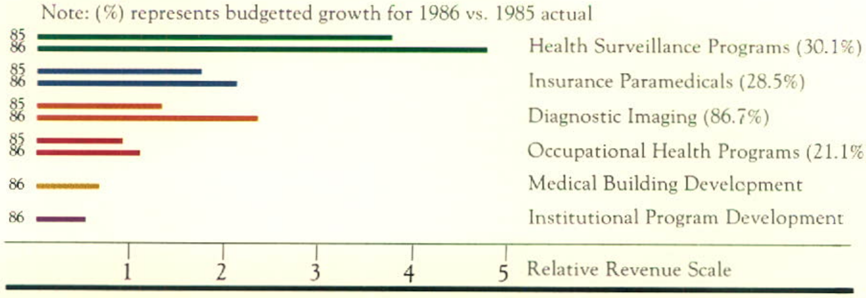
MDS was awarded a contract by the Department of Transport to provide emergency nursing services at Pearson International Airport in Toronto. Gwen Brown, R.N. is shown responding to an emergency call.



Mobile imaging services, such as ultrasound featured above, are delivered to hospitals, physicians, nursing homes and bedridden patients. Jennifer Evanson, A.R.D.M.S;R.T., conducts a mobile ultrasound test.

Relative Size and Growth Rates of Corporate Ventures Business Areas

Note: (%) represents budgetted growth for 1986 vs. 1985 actual



Human Resources

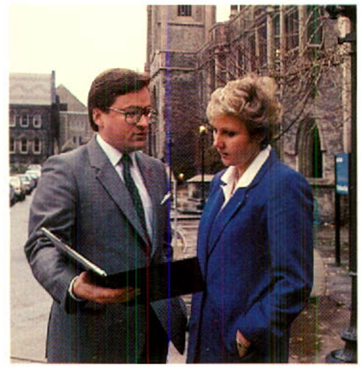
MDS believes that a company's greatest asset is its employees. In order to be responsive to client needs and to deliver services and products of the highest quality, a company must have motivated, competent employees, and a trusting environment that fosters teamwork. For this reason, the company is committed to a number of principles, some of which are reflected in the following initiatives:

Employee Equity Participation and Profit Sharing
MDS allocates 10% of profit before tax to the employees. The proceeds are directed to a Deferred Profit Sharing Plan and used to purchase shares on behalf of the employees. More than 115,000 Class A Common Shares were purchased on behalf of approximately 1,250 participants in 1985, and the Deferred Profit Sharing Plan represented the largest shareholder in MDS Health Group, with an equity interest of approximately 34% of the outstanding Class A Common Shares.

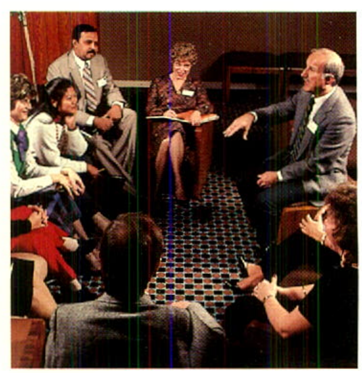
Employee Assembly and Employee Council
Recognizing that participation in decision making is as important as profit sharing, MDS has established an Employee Assembly and Employee Council as official forums where all employees can have direct input to Senior Management in matters that directly affect them and the quality of their work life.

Management Conference
To emphasize the importance of a healthy balance between personal and professional growth, MDS invites all managers, supervisors, medical directors, scientists, consultants and their spouses, to attend the annual MDS Management Conference. The theme of the 1985 Conference was "Focus on Leadership", and the attendance by 434 people was the largest turnout to date.

Continuing Education
MDS encourages all employees to continually improve their skills and education. In this regard, MDS offers in-house training and education in both technical topics and management skills. MDS also sponsors and provides financial support to students taking courses relevant to their development and growth.



MDS encourages all employees to improve their skills. Claude Chabot, Director of Ontario Laboratory Operations and Alla Dueck, Director of Finance, MDS Laboratories, participated, through company sponsorship, in an Executive MBA program at the University of Toronto.



Employees have direct input to Senior Management in matters that affect them. Ed Boyce, Senior Vice-President, Human Resources, is shown conducting 1985 Employee Assembly.

MDS allocates 10% of profit before tax to the employees' Deferred Profit Sharing Plan. Left to right—Doug Phillips, Senior Vice-President, Finance and Administration reviews the plan with Tom Gilder, Courier Driver.

Financial Direction

MDS' financial objectives are to provide its shareholders with real, long term earnings growth and a solid return on common equity. To achieve these objectives, MDS strategically invests in new assets, while maintaining a sound financial structure consistent with its business mix and capital investment requirements.

The company's $44.3 million working capital position provided a ratio of current assets to current liabilities of 2.8 to 1. During the year, the company invested $7 million in fixed assets, of which $6 million was for new equipment and $1 million for facilities improvements. An additional $700,000 was paid for goodwill related to the purchase of four laboratories.

In fiscal 1985, MDS was able to finance growth from funds generated from operations. Anticipating accelerated growth in fiscal 1986, the company, on October 31, 1985 arranged $30 million of new debt financing. Of this amount, $9 million was used to retire existing debt, leaving $21 million as a strong foundation for financing future growth.

During the fiscal period, shareholders' equity increased to $42 million and book value per share increased to $5.68.

During fiscal 1985 the company allocated approximately $1.3 million, or 10% of the pre-tax profits of the company, to the employees' Deferred Profit Sharing Plan, increasing the value of the plan to $19.1 million.

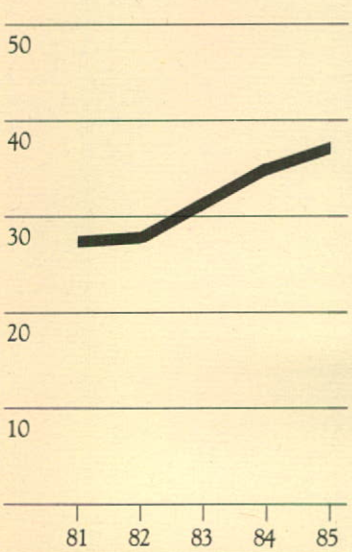
Financial Controls

At MDS, financial control is maintained over each of the 75 operating units owned by the company at year end. A financial plan is submitted for each that outlines the operating and capital budget for the unit. Performance is monitored monthly by uniform financial reporting. Actual operating results are compared with the budget and capital spending is measured against the plan.

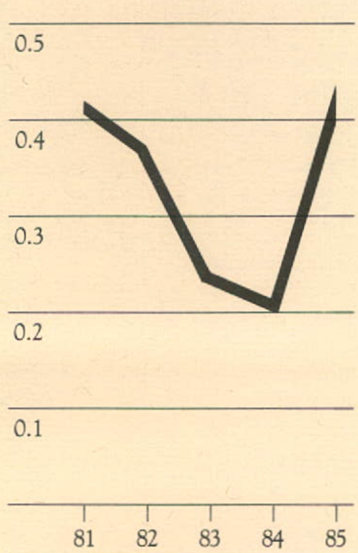
Conclusion

In a period of dynamic change, MDS has the financial strength and business experience to take advantage of the significant opportunities that exist in the health care field.

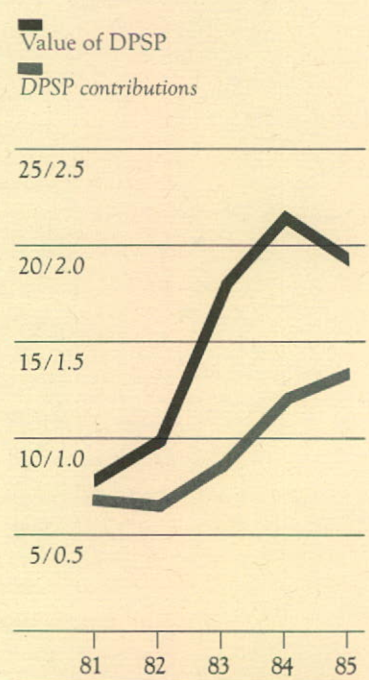
Revenue/Employee
in thousands



Long Term Debt/ Capital Employed Ratio



Deferred Profit Sharing Plan
in millions



Responsibility for Financial Statements

Management

The accompanying consolidated financial statements of MDS Health Group Limited have been prepared by management in accordance with generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in note 1 to the financial statements. These statements are presented on the accrual basis of accounting and accordingly, a precise determination of many assets and liabilities is dependent upon future events which necessarily involves the use of estimates and approximations which have been made using careful judgment. In recognizing that the company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been prepared with this in mind and within reasonable limits of materiality.

The Board of Directors has appointed an Audit Committee consisting of three non-management directors. The committee meets periodically during the year to review with management and the auditors any significant accounting and auditing matters and to review and finalize the annual financial statements of the company along with the independent auditors' report prior to the submission of the financial statements to the Board of Directors for final approval. The Audit Committee also reviews any major weaknesses in the company's systems of internal control reported by the auditors.

The financial information throughout the text of this Annual Report is consistent with the information presented in the financial statements.

The company's accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable.

External Auditors

The auditors' opinion is based upon an independent and objective examination of the company's financial results for the year, conducted in accordance with generally accepted auditing standards. This examination includes an understanding and evaluation by the auditors of the company's accounting systems and internal control procedures as well as obtaining a sound understanding of the company's business. The external auditors conduct appropriate tests of the company's transactions and obtain sufficient audit evidence in order to provide them with reasonable assurance that the financial statements are presented fairly in accordance with generally accepted accounting principles thus enabling them to issue their report to the shareholders.

Clarkson Gordon, Chartered Accountants, having been appointed by the shareholders of the company to serve as the company's external auditors, have examined the consolidated financial statements of the company for the year ended October 31, 1985 and have reported thereon in their January 22, 1986 report as set out below.

Auditors' Report

To the Shareholders of MDS Health Group Limited:

We have examined the consolidated statement of financial position of MDS Health Group Limited as at October 31, 1985 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at October 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Mississauga, Canada,
January 22, 1986
(except as to note 13(a)
which is as at January 27, 1986)

Clarkson Gordon
Chartered Accountants.

Consolidated Statement of Income

Year ended October 31, 1985

(thousands of dollars)	1985	1984
Net revenues	**$113,942**	$96,430
Operating costs before the following:	**96,151**	80,456
Depreciation and amortization	**3,841**	2,958
Interest expense—long term	**1,622**	2,039
—other	**1,850**	225
	103,464	85,678
Operating income	**10,478**	10,752
Investment income	**3,077**	2,122
Income before income taxes and extraordinary item	**13,555**	12,874
Income taxes—current	**6,529**	6,247
—deferred	**765**	(26)
	7,294	6,221
Income before extraordinary item	**6,261**	6,653
Extraordinary item		
Provision for costs in connection with the reorganization of certain U.S. operations and the write-down of purchased goodwill related thereto	**4,943**	
Net income	**$ 1,318**	$ 6,653
Earnings per Class A Common and Class B Non-Voting share		
Before extraordinary item	**$ .82**	$ .88
Net income	**$ .15**	$ .88

Note: Class B Non-Voting shareholders are entitled to an additional non-cumulative dividend of 5¢ per share which was paid in both 1985 and 1984.

Consolidated Statement of Retained Earnings

Year ended October 31, 1985

(thousands of dollars)	1985	1984
Retained earnings, beginning of year	**$ 23,281**	$17,590
Net income	**1,318**	6,653
Dividends—cash	**(980)**	(907)
—stock	**(67)**	(55)
Retained earnings, end of year	**$ 23,552**	$23,281

(See accompanying notes)

Consolidated Statement of Financial Position

October 31, 1985

(thousands of dollars)	1985	1984
Current assets:		
Cash and short term deposits	$ 25,934	$ 5,261
Marketable securities (market value 1985–$7,765; 1984–$8,031)	7,765	8,031
Accounts receivable	24,295	19,343
Inventory	7,519	7,114
Prepaid expenses	1,105	954
Income taxes recoverable	2,044	915
Current deferred income taxes	504	468
	69,166	42,086
Current liabilities:		
Bank indebtedness	9,709	2,715
Accounts payable and accrued liabilities	10,884	9,577
Provision for reorganization costs	3,185	
Current portion of long term debt	962	1,619
Deposits	148	2,235
	24,888	16,146
Working capital	44,278	25,940
Fixed assets	19,478	15,263
Other assets	1,836	661
Excess of amounts paid over the fair value of net assets acquired, less amortization	10,039	10,953
Capital employed	$ 75,631	$52,817
Represented by:		
Long term debt	$ 32,606	$11,187
Deferred income taxes	1,124	323
Shareholders' equity:		
Share capital	18,349	18,026
Retained earnings	23,552	23,281
	41,901	41,307
	$ 75,631	$52,817
Total assets	$100,519	$68,963

On behalf of the Board:

Director

(See accompanying notes)

R H Yamada

Director

Consolidated Statement of Changes in Financial Position

Year ended October 31, 1985

(thousands of dollars)	1985	1984
Funds were provided from:		
Operations—		
Income before extraordinary item	$ 6,261	$ 6,653
Add items not affecting working capital:		
Depreciation and amortization	3,601	2,760
Amortization of goodwill	240	198
Deferred income taxes	801	211
Funds provided from operations	10,903	9,822
Long term debt issued	30,000	
Issue of shares for cash	27	291
Proceeds on disposal of fixed assets	424	383
Total funds provided	41,354	10,496
Funds were applied to:		
Acquisitions		
Goodwill	679	2,727
Fixed assets	777	1,028
Less: Long term debt assumed	(603)	(1,049)
Issue of shares	(371)	(713)
	482	1,993
Repayment of long term debt	9,184	924
Purchase of fixed assets	7,463	7,815
Reorganization costs	3,590	
Increase in other assets	1,175	13
Payment of cash dividends	980	907
Redemption of shares	142	
Total funds applied	23,016	11,652
Increase (decrease) in working capital	18,338	(1,156)
Working capital, beginning of year	25,940	27,096
Working capital, end of year	$44,278	$25,940
Represented by:		
Current assets	$69,166	$42,086
Current liabilities	24,888	16,146
	$44,278	$25,940

(See accompanying notes)

Notes to Consolidated Financial Statements

October 31, 1985

1. Accounting policies

These financial statements are prepared in accordance with generally accepted accounting principles, the most significant of which are as follows:

(a) Basis of consolidation—The accounts of all subsidiary companies are consolidated on a purchase basis from the dates of acquisition.

(b) Fixed assets—Fixed assets are carried in the accounts at cost. Gains and losses arising on the disposal of individual assets are recognized in income in the year of disposal.

Assets leased by the company under agreements which transfer substantially all of the benefits and risk of ownership of the assets to the company are accounted for as capital leases.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings	4%
Equipment and furniture	10%-20%
Computer systems	20%–33%
Motor vehicles	33%–50%
Leasehold improvements	Lesser of 10% or the term of the lease plus one renewal period

(c) Inventory—Inventory is valued at the lower of cost and net realizable value on the first-in, first-out basis. Work in process and finished goods include materials, direct labour and variable overhead.

Revenues derived from contracts extending for more than one year relating to the development and supply of certain products are recorded using the percentage of completion method of accounting.

(d) Short term investments—Marketable securities are recorded at the lower of cost and market value.

Interest income is recorded on an accrual basis, dividend income is recorded as received and capital gains are recorded as realized.

(e) Research and start-up costs—Certain costs associated with new products and start-up of new businesses are expensed as incurred. Research and development funding is recorded as earned under the terms of individual agreements.

(f) Amortization of intangibles—For acquisitions after March 31, 1974, the excess of amounts paid over the fair value of the net assets (also referred to as goodwill in these financial statements) acquired is capitalized and amortized over forty years. For acquisitions prior to April 1, 1974, the excess has been capitalized and is not being amortized.

(g) Debt issue expense—Debt issue expense is amortized over the term of the debt.

(h) Investment in and advances to other companies—Investment in and advances to other companies are recorded at cost less allowance for doubtful realization.

(i) Income taxes—The company follows the deferral method of income tax allocation. Deferred income taxes result from differences between amounts claimed for tax purposes and amounts charged in the accounts.

Investment tax credits related to the acquisition of assets are deferred and amortized to income on the same basis as the related assets while those related to current expenses are included in the determination of operating costs for the year.

(j) Exchange translation—The statements of companies whose accounts are maintained in U.S. dollars have been translated into Canadian dollars substantially as follows: inventory, fixed assets, goodwill, deferred income taxes and related expenses, at historic rates of exchange; all other assets and liabilities, at exchange rates prevailing at the end of the year; revenue and expenses (other than those related to assets and liabilities translated at historic rates) at average rates for the year. Translation gains and losses are included in income except for unrealized gains and losses on long term debt which are deferred and charged to income over the unexpired term of the debt.

(k) Earnings per share—Basic earnings per share, which approximate fully diluted earnings per share, have been calculated using the weighted monthly average number of Class A Common and Class B Non-Voting shares outstanding during the year after deducting the extra dividends paid on the Class B Non-Voting shares.

2. Long term debt

	Maturity	Current portion	Total 1985	Total 1984
Canadian operations:				
1985 debentures	1992		$30,000,000	
1979 debentures				$ 9,205,000
Mortgage at 10%				701,000
Obligations under capital leases at an average rate of 12%	1986-1988	$ 324,000	920,000	743,000
Other debt	1986-1998	34,000	777,000	861,000
		358,000	31,697,000	11,510,000
U.S. operations:				
10% Note and other debt	1986-1987	67,000	128,000	194,000
Obligation under capital leases at an average rate of 13%	1988	537,000	1,743,000	1,102,000
		$ 962,000	33,568,000	12,806,000
Less current portion			962,000	1,619,000
			$32,606,000	$11,187,000

The 1985 debentures bear interest at a floating rate of ¼% below the prime rate and may be converted to a fixed rate anytime two years after the issue date. As security for these debentures the company has provided a floating charge on all its assets in Canada and has pledged the shares of its United States subsidiary, MDS Health Group Inc. Under the terms of the trust indenture the company must meet certain interest and asset coverage ratios.

In November 1985, the 1979 debentures were retired in accordance with the terms of the 1985 trust indenture and as a result, at October 31, 1985, cash and long term debt are stated net of the retirement of $8,971,000.

Other debt is unsecured and includes a $400,000 non-interest bearing loan which will be forgivable provided certain conditions are fulfilled.

Debt related to U.S. operations is repayable in U.S. funds.

The company has an operating line of credit of $25,000,000 with a Canadian chartered bank for which a specific charge on accounts receivable and inventory has been given. At October 31, 1985, $9,200,000 has been advanced to the company as a demand loan in connection with this line of credit.

Principal repayments of long term debt required in the next five fiscal years are:

1986	–	$ 962,000
1987	–	1,144,000
1988	–	892,000
1989	–	70,000
1990	–	NIL

As at October 31, 1985, the company has satisfied all covenants under the trust deed relating to the debentures.

3. Share capital

(a) Summary of issued share capital—

	Balance October 31, 1984	Issued during year	Conversions and Repurchases during year	Balance October 31, 1985
(i) **Voting shares**				
Class A Common shares				
Number	2,951,689	11,010	(4,519)	2,958,180
Amount	$ 2,423,000	$ 64,000	$ (4,000)	$ 2,483,000
(ii) **Non-Voting shares**				
Class B Non-Voting shares				
Number	4,391,893	26,681	4,519	4,423,093
Amount	$15,305,000	$395,000	$ 4,000	$15,704,000
Class C Series 1 shares				
Number	89,250			89,250
Amount	$ 1,000			$ 1,000
Class C Series 2 shares				
Number	11,900			11,900
Amount				
Class C Series 3 shares				
Number	22,995	6,300	(5,630)	23,665
Amount	$ 23,000	$ 6,000	$ (6,000)	$ 23,000
Class C Series 4 shares				
Number	3,066	840	(252)	3,654
Amount	$ 2,000			$ 2,000
Class D Series 1 shares				
Number	20,000		(10,000)	10,000
Amount	$ 272,000		$(136,000)	$ 136,000
Total amount of issued share capital	$18,026,000	$465,000	$(142,000)	$18,349,000

(b) Authorized share capital— The authorized share capital of each class consists of an unlimited number of shares without par value except for Class D shares of which 100,000 are authorized.

(i) Class A Common shares are convertible on a one for one basis into Class B Non-Voting shares and participate equally in dividends with the Class B Non-Voting shares after the declaration of a 2½¢ per share non-cumulative dividend on the Class B Non-Voting shares in each fiscal half year of the company. Class B Non-Voting shares are not convertible into Class A Common shares.

(ii) Class C shares are non-voting and non-dividend bearing. The ultimate value of the Class C shares is dependent upon the after-tax income of the SCIEX Division.

The Class C Series 1 and 2 shares are convertible into Class A Common and Class B Non-Voting shares based on earnings of the SCIEX division from June 1, 1981 to May 31, 1986. The maximum payments under the agreement would result in the issue of 80,325 Class A Common shares, 98,175 Class B Non-Voting shares and $1,190,000 in cash or equivalent value of additional Class A Common and Class B Non-Voting shares. At October 31, 1985, the SCIEX division has not achieved the base period income and accordingly no Class C Series 1 and 2 shares are convertible.

The Series 3 and Series 4 shares, which are reserved for certain SCIEX employees under a Key Employee Trust Plan, are similar to the Series 1 and Series 2 shares respectively. The maximum payments under the agreements would result in the issue of 21,298 Class A Common shares and 26,032 Class B Non-Voting shares and $365,000 in cash or the equivalent value of Class A Common and Class B Non-Voting shares.

All Series 1 and Series 2 shares not converted at May 31, 1986, and all Series 3 and Series 4 shares not converted at October 31, 1987, will be redeemed by the company at a price not to exceed their paid-in value. In addition, Series 3 and Series 4 shares are repurchasable on the same basis upon termination of any employee.

(iii) Class D shares, which were created for the Employee Stock Purchase Plan, are non-voting, bear a variable quarterly dividend calculated at a rate equal to two thirds of the Bank prime rate and are convertible into Class A Common shares on a one for one basis in the third, fourth and fifth year from date of issue. These shares are redeemable at their issue price at the earlier of the termination date of the employee or five years from the date of issue.

(c) Employee Stock Option Plan—Under the Employee Stock Option Plan 100,000 Class B Non-Voting shares of the company have been reserved. During the year 5,000 options were granted, 1,250 were exercised and 2,500 options were cancelled. As at October 31, 1985 options were outstanding to purchase 51,750 shares at $12.15 per share and 5,000 at $17.25 per share. These options are exercisable at various dates up to January 2, 1989.

(d) SCIEX Key Employee Trust Plan—Under a Key Employee Trust Plan for certain SCIEX employees, 31,500 Class C Series 3 and 4,200 Class C Series 4 shares are authorized for issue. During the year, 6,300 Class C Series 3 and 840 Class C Series 4 shares were issued and 1,890 Class C Series 3 and 252 Class C Series 4 shares were repurchased at their issue price.

Based on earnings levels achieved, a portion of the Class C Series 3 shares issued became eligible for conversion into Class A Common shares on a two for one basis. A further conversion of 55% of all Class A shares issued into Class B shares is then required under the terms of the Plan.

A total of 3,740 Class C Series 3 shares were converted and 7,481 Class A Common shares were issued. Of these 7,481 Class A Common shares, a conversion of 4,119 was made to Class B Non-Voting shares in accordance with the terms of the plan. The final result of this Class C, Series 3 conversion was the issuance of 3,362 Class A Common shares and 4,119 Class B Non-Voting shares.

(e) Employee Stock Purchase Plan— During the year, 10,000 shares were repurchased at their issue price of $13.63 per share, leaving a balance of 10,000 shares issued.

(f) Stock Dividend and Share Purchase Plan—The company implemented a Stock Dividend and Share Purchase Plan which was first available for shareholder participation for the October 1984 dividend. Under the Plan shareholders may elect to receive stock dividends in lieu of cash dividends. Stock dividends are issued at not less than 95% of the market price. Plan participants may also make optional cash payments up to $3,000 semi-annually to purchase additional new Class A Common or Class B Non-Voting shares, at market prices.

Participation in the Plan for the year resulted in the issuance of 3,419 Class A Common shares and 595 Class B Non-Voting shares as stock dividends and the issuance of 110 Class A Common and 26 Class B Non-Voting shares under the share purchase option.

4. Inventory

Inventory consists of:

	1985	1984
Raw materials and laboratory supplies	$5,987,000	$4,258,000
Work in process	380,000	1,075,000
Finished goods	1,152,000	1,781,000
	$7,519,000	$7,114,000

5. Fixed assets

	1985			1984
	Cost	Accumulated depreciation and amortization	Net	Net
Land	$ 982,000	$ –	$ 982,000	$ 982,000
Buildings	3,257,000	323,000	2,934,000	3,114,000
Equipment and furniture	18,563,000	8,406,000	10,157,000	7,043,000
Computer systems	5,554,000	2,251,000	3,303,000	2,762,000
Leasehold improvements	4,554,000	2,452,000	2,102,000	1,362,000
	$32,910,000	$13,432,000	$19,478,000	$15,263,000

6. Other assets

Other assets are carried at cost less applicable amortization and allowances and consist of:

	1985	1984
Investment in and advances to other companies	$ 663,000	$260,000
Debenture issue expense	677,000	164,000
Other	496,000	237,000
	$1,836,000	$661,000

7. Acquisitions

During the year, the company acquired four laboratory operations and three mobile diagnostic businesses for a total consideration of $692,000, of which $371,000 was paid with the issuance of 24,810 Class B Non-Voting shares, $24,000 with the issuance of notes, and the balance of $297,000 in cash. Of the total purchase price, $45,000 is attributable to net current assets, $54,000 to fixed assets and $593,000 to goodwill.

The company acquired the business and assets of TRC Advanced Analytics Inc. including fixed assets of $723,000, other assets of $82,000 and assumed a capital lease obligation of $603,000.

In addition, payments of $86,000 were made in connection with certain previous acquisition agreements and have been ascribed to goodwill.

8. Research and development costs

During the year, the company incurred current research and development costs of $4,609,000 ($2,498,000 in 1984) which have been included in operating costs. In addition, the company claimed $973,000 ($557,000 in 1984) of investment tax credits which have been offset against operating costs.

Also, during the year, Government funding and related revenues of $1,955,000 ($2,858,000 in 1984) were earned in connection with the company's research and development activities. These amounts have been recorded as revenues.

9. Segmented information

The Directors have determined that the company operates within one dominant segment, the provision of testing, measurement and related services and products for health care and associated markets.

The following summary presents key information by geographic segment:

	Canada		United States		Total	
(thousands of dollars)	1985	1984	1985	1984	1985	1984
Net segment revenues	$79,056	$66,562	$34,886	$29,868	$113,942	$96,430
Operating income (loss)	$14,174	$12,744	$ (3,696)	$ (1,992)	$10,478	$10,752
Investment income	1,835	1,416	1,242	706	3,077	2,122
Income taxes	(7,294)	(6,221)			(7,294)	(6,221)
Income (loss) for year before extraordinary item	$ 8,715	$ 7,939	$ (2,454)	$ (1,286)	$ 6,261	$ 6,653
Other information						
Depreciation and amortization	$ 2,300	$ 1,704	$ 1,541	$ 1,254	$ 3,841	$ 2,958
Interest expense	$ 3,294	$ 1,667	$ 178	$ 597	$ 3,472	$ 2,264
Identifiable assets	$80,000	$46,200	$21,000	$22,800	$101,000	$69,000

(1) Interest expense and investment income are directly attributable to debt or investments existing in the geographic segment.

(2) Inter-segment revenues on sales from Canada to the United States amounted to $3,233,000 ($2,100,000 in 1984) which represented cost plus an appropriate mark-up.

10. Income taxes

(a) Certain of the company's United States subsidiaries have loss carryforwards (for which no future tax benefit has been recorded in the accounts), many of which arose prior to acquisitions, which amount to $8,164,000 and expire as follows: 1990–$180,000; 1991–$288,000; 1992–$386,000; 1993–$540,000; 1994–$635,000; 1996–$54,000; 1998–$340,000; 1999–$2,316,000; 2000–$3,425,000. In addition, unused investment tax credits of $553,000, which have not been recognized in the accounts, are available to reduce future income taxes payable. None of these credits will expire before 1990.

(b) The company's effective income tax rate consists of the following components:

	1985	1984
Combined Canadian federal and provincial tax rate	51.6%	51.2%
Increase (decrease) to tax rate as a result of:		
U.S. losses for which no taxes recoverable have been recorded	9.3%	5.1%
Tax free dividends	(3.3%)	(3.1%)
Lower rate on capital gains	(2.0%)	(4.7%)
Other	(1.8%)	(.2%)
Effective income tax rate	53.8%	48.3%

11. Extraordinary item
Certain of the business operations of the company's subsidiary in Michigan are operated under an agreement entered into in November 1983. The financial performance of these operations has been unsatisfactory. Among other things, the stability and profitability of the laboratory business acquired were substantially less than represented at the time of acquisition.

In addition, significant changes have taken place in the health care reimbursement system that have also adversely affected the business that was acquired. As a consequence, these operations are being reorganized. Accordingly, the goodwill associated with the acquisition ($1,353,000) together with the related costs associated with the reorganization ($3,590,000), have been provided for as an extraordinary item in 1985.

12. Leases, commitments and contingent liabilities
(a) Capital leases—Fixed assets include vehicles and computer equipment acquired under capital leases amounting to $3,491,000 ($2,466,000 in 1984) at cost and accumulated depreciation of $1,076,000 ($719,000 in 1984).

Future lease payments required under capital leases are as follows:

1986	$1,273,000
1987	1,243,000
1988	878,000
Total future minimum lease payments	3,394,000
Less imputed interest	731,000
Present value of minimum lease payments	$2,663,000

(b) Operating leases—Under premise and equipment leases, the company is obliged to make minimum payments of approximately $3,414,000 in 1986, $2,641,000 in 1987, $2,120,000 in 1988, $1,635,000 in 1989, $1,092,000 in 1990 and $3,605,000 thereafter. Fixed rental expense under premise and equipment leases for 1985 was $3,914,000 ($3,692,000 in 1984).

(c) Contingent liabilities—The company is contingently liable for the bank indebtedness of certain of its investments in other companies to a maximum amount of $246,000.

13. Events subsequent to year end
(a) In January, 1986, the company acquired a 49% interest in a company in the medical supply business in exchange for $3,000,000 cash. The company proposes to account for this investment on the equity basis.

(b) An action was commenced on December 17, 1985 against a U.S. subsidiary, MDS Laboratories (Michigan) Inc. and MDS Health Group Limited. The action relates to the Michigan subsidiary's performance under an agreement whereby the Michigan subsidiary acquired a laboratory business and entered into a management contract to manage certain laboratory assets. Under the agreement $1,000,000 U.S. was paid on closing and there remains a debenture for $3,000,000 U.S. which is contingently payable on October 31, 1988 subject to reduction if the pre-tax earnings of the Michigan subsidiary are less than $5,000,000 U.S. over the period November 1, 1983 through October 31, 1988. Under this formula if the pre-tax earnings over the period are less than $2,000,000 U.S. the principal sum under the debenture would be reduced to zero. In addition, annual pre-tax earnings in excess of $1,500,000 would be shared on a 50/50 basis.

The financial performance of these operations has been unsatisfactory. Among other things the stability and profitability of the laboratory business acquired were substantially less than represented at the time the agreement was entered into.

While the statement of claim is lengthy and complex, the $30,000,000 U.S. damages claimed do not appear to be a realistic appraisal of any loss which might result from any liability. On a review of the facts the company's attorneys have been instructed not only to defend the action vigorously, but also to launch a counter claim for substantial damages.

While the proceedings relative to the action remain in the early stages, management is of the view that it is unlikely any material loss will be suffered by the company in respect of the action.

An Eleven Year Financial Summary
Years ended October 31

Figures in thousands of dollars	1985	1984	1983
Operating results			
Net revenues	**113,942**	96,430	72,699
Income before extraordinary items	**6,261**	6,653	5,142
Net income	**1,318**	6,653	5,142
Financial position			
Working capital	**44,278**	25,940	27,096
Fixed assets (net)	**19,478**	15,263	9,563
Other assets (including goodwill)	**11,875**	11,614	9,072
Total assets	**100,519**	68,963	60,133
Long term debt	**32,606**	11,187	11,062
Shareholders' equity	**41,901**	41,307	34,557
Changes in financial position			
Source of funds			
Working capital from operations	**10,903**	9,822	7,589
Long term debt	**30,000**		701
Share capital	**27**	291	12,380
Application of funds			
Fixed assets	**7,463**	7,815	5,287
Acquisitions	**482**	1,993	424
Dividends on Class A Common and Class B Non-voting shares (cash)	**964**	893	779
Dividends on Preferred shares (cash)	**16**	14	
Repayment of long term debt	**9,184**	924	431
Redemption of shares	**142**		
Statistics			
Per Share Data*			
Earnings per Class A Common and Class B Non-Voting			
Before extraordinary items	**.82**	.88	.73
Net income	**.15**	.88	.73
Dividends			
Common			
Class A Common	**.110**	.100	.088
Class B Non-Voting	**.160**	.150	.138
Book Value of Class A Common and Class B Non-Voting	**5.68**	5.62	4.74
Price Range			
Common			
Class A Common	**21½-15½**	19¼-13¾	17½-6¾
Class B Non-Voting	**19¼-14**	18⅞-13¼	16⅞-6¾
Number outstanding			
Common			
Class A Common	**2,958**	2,952	2,949
Class B Non-Voting	**4,423**	4,392	4,346
Ratios			
Current	**2.8**	2.6	2.9
Long term debt/capital employed	**.43**	.21	.24
Other			
Employees	**2,990**	2,711	2,281

*In September, 1980 each common share outstanding was split into one Class A Common share and one Class B Non-Voting share. In July, 1983 each Class A Common and Class B Non-Voting share was split on a two for one basis. Earnings and book value per

1982	1981	1980	1979	1978	1977	1976	1975
61,722	55,971	47,702	39,698	32,820	20,494	19,870	18,645
3,405	3,297	2,812	2,240	2,085	1,089	957	938
3,405	3,297	2,812	2,126	2,085	1,089	995	938
12,677	10,865	9,277	8,702	4,904	2,835	912	1,514
7,311	6,901	6,109	5,044	3,470	2,053	2,144	2,139
8,838	8,709	6,749	6,415	5,561	5,063	3,895	3,646
35,094	36,526	30,426	28,660	21,415	13,632	10,576	11,469
10,792	11,149	10,552	10,880	6,673	3,756	1,660	1,702
17,814	15,021	11,404	9,120	6,677	6,186	5,269	5,527
5,346	5,061	4,411	3,354	2,741	1,365	1,305	1,253
			4,198	1,000	2,540	600	
	937		766	567	1	4	6
2,786	1,968	2,677	2,580	1,940	386	480	854
276	1,009	598	225	(92)	227	(8)	
612	580	471	392	192	156	167	
	37	57	57	20	17	17	17
357	298	328	402	829	443	792	144
				1,949		1,073	
.53	.53	.46	.40	.32	.16	.14	.11
.53	.53	.46	.37	.32	.16	.15	.11
		.15	.30	.15	.10	.10	
.075	.075	.038					
.125	.125	.063					
2.93	2.47	1.92	1.54	1.19	.90	.77	.63
		15½-7¾	13-7¼	8⅝-2⅞	2⅞-2⅜	3-2	2½-1⅜
6⅞-4⅜	7½-5	6¼-4					
6¾-4⅜	6¼-4¾	5-3½					
			1,344	1,269	1,674	1,673	2,152
2,991	3,008	2,678					
3,103	3,086	2,732					
3.0	2.1	2.1	2.1	1.7	1.9	1.3	1.4
.37	.42	.48	.52	.47	.37	.23	.23
2,176	2,014	1,883	1,626	1,486	958	951	903

share figures have been retroactively adjusted to reflect both these share splits. In addition, only dividend, price range and number of shares outstanding figures have been restated for the two for one Class A Common and Class B Non-Voting share split.

Corporate Information

Board of Directors

°Dr. William Anderson
Vice-President of
Medical Affairs,
Toronto General Hospital

°Dr. Louis R. Harnick
Chief Radiologist,
Toronto Western Hospital

†*Ralph Horner
Investment Consultant

Wilfred G. Lewitt
President and Chief
Executive Officer,
MDS Health Group Limited

†R. Michael Warren
President,
R. M. Warren & Associates Ltd.

*Roger D. Wilson
Partner, Fasken & Calvin

Ronald H. Yamada
Senior Vice-President,
MDS Health Group Limited

†*C. Robert Younger
Executive Vice-President and
Chief Operating Officer,
Dominion Securities Pitfield
Limited

°Medical Advisory Committee
*Audit Committee
†Compensation Committee

Officers and Corporate Management

Wilfred G. Lewitt
President and Chief
Executive Officer

J. Edward Boyce
Senior Vice-President,
Human Resources

Douglas M. Phillips
Senior Vice-President,
Finance and Administration

James A. Reynolds
President, SCIEX

John A. Rogers
President, MDS Laboratories

Edward K. Rygiel
Senior Vice-President,
Corporate Development

Ronald H. Yamada
Senior Vice-President,
Systems and Corporate Affairs

Betty R. Moffatt
Corporate Secretary

Dr. William Anderson
Chairman,
Medical Advisory Committee
MDS Health Group Limited

Dr. John C. Nixon
Medical Director,
MDS Laboratories

Investors' Quick Reference Guide

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TWX: 610 492 6137
FAX: 675-7661 Ext. 329

Transfer Agents & Registrar
Guaranty Trust Company of Canada, Toronto

Auditors
Clarkson Gordon

Legal Counsel
Fasken & Calvin

Bankers
Canadian Imperial Bank of Commerce

Stock Listing
Toronto Stock Exchange
Symbols: MHG.A MHG.B

Trading Data

(by fiscal quarter)		High	Low
1st Quarter	Class A	19	18
	Class B	18¼	16¾
2nd Quarter	Class A	21½	17½
	Class B	19¼	15¾
3rd Quarter	Class A	18¼	16
	Class B	16	14
4th Quarter	Class A	17⅝	15½
	Class B	15¾	14

Dividend Information
Paid twice yearly in the Spring and Fall—The October, 1985 dividend was 6¢ on the Class A Common shares and 8½¢ on the Class B Non-Voting shares.

Annual Meeting
Shareholders are invited to attend the company's Annual Meeting at 4 p.m., April 1, 1986 in the Alberta Room of the Royal York Hotel, Toronto, Ontario.

MDS
Health Group
Limited

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