



extendicare ltd.

annual report 1980



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### Cover:

As depicted in our cover illustration, Extencicare Ltd. comprises a number of diversified businesses. The seven primary areas of enterprise shown are: (clockwise from the centre right sketch) multiphasic screening; clinical laboratories; nursing centres; hospital management; home care; computer services; and, life and health insurance. Extencicare has long maintained a prestigious position as Canada's largest supplier of health care services, as the first five illustrations indicate. In 1980, Extencicare further diversified its operations, through the acquisition of shares of Crown Life Insurance Company, to encompass the remaining two fields illustrated; computer services, and life and health insurance.



## Directors

- \* **H. MICHAEL BURNS**  
Chairman of the Board and Chief Executive Officer; Chairman of the Board Crown Life Insurance Company Toronto, Ontario,
- \* **DAVID J. HENNIGAR**  
Vice-Chairman of the Board; Atlantic Regional Director, Burns Fry Limited Bedford, Nova Scotia
- \* **HAROLD L. LIVERGANT**  
President and Chief Operating Officer Toronto, Ontario
- CHARLES F.W. BURNS**  
Honorary Chairman, Crown Life Insurance Company; Honorary Chairman, Burns Fry Limited Toronto, Ontario
- H. HOYLE CAMPBELL, M.D.**  
Surgeon Inglewood, Ontario
- \* **ROBERT C. DOWSETT**  
President, Crown Life Insurance Company Toronto, Ontario
- + **DAVID M. DUNLAP**  
President, Simcoe Beverages, Inc. Kettleby, Ontario
- \* **ROBERT N. GRANGER, Q.C.**  
Vice-President and General Counsel; Partner, Aird & Berlis Toronto, Ontario
- JOHN J. JODREY**  
Vice-President, Crown Life Insurance Company; President, Minas Basin Pulp and Power Company Limited Hantsport, Nova Scotia
- + **J. THOMAS MacQUARRIE, Q.C.**  
Partner, Stewart, MacKeen & Covert Halifax, Nova Scotia
- + **DERRIL G. McLEOD, Q.C.**  
Partner, Pedersen, Norman, McLeod & Todd Regina, Saskatchewan
- JEAN-PAUL TESSIER**  
President, B.G.L. Construction Ltd., Montreal, Quebec.

## Officers

- H. MICHAEL BURNS**  
Chairman of the Board and Chief Executive Officer
- DAVID J. HENNIGAR**  
Vice-Chairman of the Board
- HAROLD L. LIVERGANT**  
President and Chief Operating Officer
- ROBERT N. GRANGER, Q.C.**  
Vice-President and General Counsel
- J. WESLEY CARTER**  
Vice-President
- JACQUES KRASNY**  
Vice-President
- A. HUGH C. LEWIS**  
Vice-President, Planning
- WINSTON LING**  
Vice-President, Finance
- RICHARD L. BERTRAND**  
Controller and Treasurer
- RALPH D. DALGARNO**  
Secretary
- GARY J. CHATFIELD**  
President, Health Care Division
- RICHARD A. GARDNER**  
Executive Vice-President, Health Care Division

**JACOB BIRBRAGER**  
Senior Vice-President, Engineering, Health Care Division

## Medical and Technical Advisory Board

- J. WILLIAM ABBISS, M.D., F.R.C. (PATH)**
- J.B. CAMPBELL, B.Sc., Ph.D.**
- C.J. DOHERTY, M.D., F.A.C.C.P., F.A.G.S.**
- D.E. HUNT, M.D., F.C.F.P.**
- W. LEERS, M.D., Ph.D., F.R.C.P.(C), Dip. Bact.**
- W. HARDING LeRICHE, M.D., M.P.H., F.R.C.P.(C)**
- L.W. MacPHERSON, M.R.C.V.S., D.V.S.M., Ph.D.**
- P.K. O'BRIEN, M.B., F.R.C.P. (C), M.R.C. (PATH)**
- F. BURNS ROTH, M.D.**
- E.C. SHORTLIFFE, M.C., F.A.C.H.A.**

\* Executive Committee Member  
+ Audit Committee Member



# Financial Highlights

	Four months ended December 31	
	1980	1979
Revenue from health care operations .....	<b>\$ 30,875,000</b>	\$27,374,000
Share of earnings of Crown Life Insurance Company .....	<b>3,549,000</b>	
Net earnings .....	<b>5,130,000</b>	1,298,000
Investment in Crown Life Insurance Company .....	<b>166,760,000</b>	
Property and equipment .....	<b>55,663,000</b>	52,738,000
Total assets .....	<b>247,512,000</b>	79,021,000
Non-current liabilities .....	<b>36,425,000</b>	41,366,000
Shareholders' equity .....	<b>191,578,000</b>	20,483,000
Shares outstanding		
Class A .....	<b>4,728,966</b>	2,833,002
Common .....	<b>15,773,689</b>	2,013,640
Earnings per share		
Class A .....	<b>43.5¢</b>	27.5¢
Common .....	<b>41.0¢</b>	25.0¢

## CORPORATE INFORMATION

### Corporate Office

One Yonge Street, Suite 700  
Toronto, Ontario, M5E 1E5  
Telephone: (416) 361-0572  
Telex: 065-24027

### Auditors

Thorne Riddell

### Legal Counsel

Aird & Berlis

### Exchange Listing

The Toronto Stock Exchange  
Montreal Stock Exchange

### Registrar and Transfer Agent

Montreal Trust Company

## ANNUAL MEETING

The Annual Meeting of Shareholders will be held in Pier II and III, at the Toronto Hilton Harbour Castle Hotel, One Harbour Square, Toronto, Ontario M5J 1A6, at 2:30 p.m., April 21, 1981.

We hope you will attend the Meeting.



## Financial and Statistical Summary

	Four months ended Dec. 31, 1980	1980	1979
<b>Operating results (Thousands of dollars)</b>			
Revenue			
Nursing centres .....	\$ 24,811	\$ 70,341	\$ 61,086
Diagnostic centres and other .....	6,064	16,254	11,591
Medical and surgical supplies .....			12,644
	<b>30,875</b>	<b>86,595</b>	<b>85,321</b>
Share of earnings of Crown Life Insurance Company .....	3,549 <sup>(1)</sup>		
Earnings before extraordinary items .....	5,130	4,812	3,904
<b>Financial position (Thousands of dollars)</b>			
Current assets .....	16,779	17,670	15,350
Current liabilities .....	15,562	15,096	10,276
Working capital (deficiency) .....	1,217	2,574	5,074
Investment in Crown Life Insurance Company .....	166,760		
Property and equipment .....	55,663	53,907	53,486
Total assets .....	247,512	79,081	77,551
Non-current liabilities .....	36,425	37,119	43,483
Shareholders' equity .....	191,578	22,926	19,703
<b>Financial ratios (Per share basis) <sup>(2)</sup></b>			
Earnings before extraordinary items			
Common (before continuance) .....			
Class A .....	\$ 0.435	\$ 1.03	\$ 0.885
Common .....	0.410	0.93	0.810
	<b>\$ 0.845</b>	<b>\$ 1.96</b>	<b>\$ 1.695</b>
Dividends			
Common (before continuance) .....			\$ 0.100
Class A .....	\$ 0.100	\$ 0.375	0.225
Common .....	0.075	0.275	0.150
	<b>\$ 0.175</b>	<b>\$ 0.650</b>	<b>\$ 0.475</b>
<b>Other data</b>			
Shares outstanding (Thousands)			
Common (before continuance) .....			
Class A .....	4,729	2,930	2,830
Common .....	15,774	1,923	2,015
	<b>20,503</b>	<b>4,853</b>	<b>4,845</b>
Operational beds .....	6,050	6,038	5,945
Available patient days (Thousands) .....	738	2,192	2,071
Earned patient days (Thousands) .....	707	2,109	2,001
Occupancy percentage .....	95.8%	96.2%	96.6%

(1) Represents share of earnings from October 8, 1980 at 35% ownership and November 19, 1980 at 92% ownership.

(2) On January 15th, 1979, the Company was continued under the Canada Business Corporations Act. Each common share outstanding before continuance was subdivided into one non-voting Class A share and one convertible common share.



Years ended August 31

1978	1977	1976	1975	1974	1973	1972
\$ 52,399	\$ 42,008	\$ 27,153	\$ 22,893	\$ 17,740	\$ 11,192	\$ 5,677
8,121	6,117	5,394	3,386	3,408	2,900	2,238
26,801	23,049	21,346	22,680	13,192		
87,321	71,174	53,893	48,959	34,340	14,092	7,915
3,233	2,764	2,249	1,901	1,318	945	206
17,954	15,761	11,473	11,395	10,734	2,501	1,661
14,800	14,432	10,003	10,638	9,346	3,226	1,908
3,154	1,329	1,470	757	1,388	(725)	(247)
43,358	41,414	28,634	29,794	26,403	22,921	17,832
70,105	64,952	46,523	45,980	41,933	28,742	22,613
34,050	14,432	10,003	10,638	23,564	21,010	17,980
18,041	13,767	11,424	9,258	7,646	3,868	2,721
\$ 1.57	\$ 1.36	\$ 1.12	\$ 0.96	\$ 0.80	\$ 0.59	\$ 0.13
\$ 0.33	\$ 0.26	\$ 0.22	\$ 0.18	\$ 0.11	\$ 0.01	
2,173	2,049	2,025	1,998	1,988	1,614	1,610
5,438	5,455	3,368	3,519	3,141	2,684	1,824
2,011	1,782	1,230	1,202	1,146	809	443
1,902	1,708	1,200	1,160	1,037	726	386
94.6%	95.8%	97.5%	96.5%	90.4%	89.7%	87.1%



## To our Shareholders:

The year 1980 must certainly be recorded as one of the most significant in the history of Extencicare. Since its establishment in 1968, the Company has grown rapidly, and a key element in the shaping of Extencicare's success has lain in the Company's willingness to diversify into areas of business complementary to the provision of health and home care services.

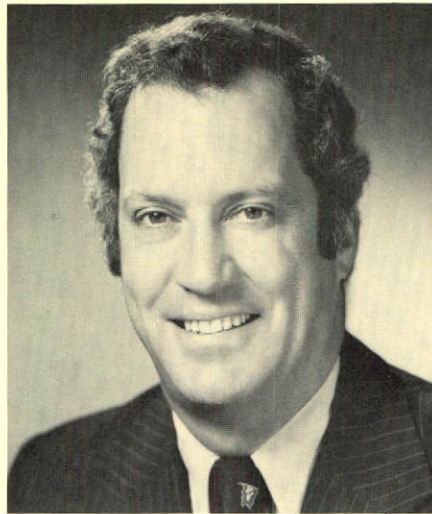
Extencicare has grown to encompass the management and ownership of nursing centres, hospitals, and home care operations. In 1980, through an exchange of shares valued at \$164.3 Million Extencicare acquired 92.1 per cent of the shares of Crown Life Insurance Company, to diversify into the areas of life insurance, health insurance, pensions and computer services.

In addition to the large investment made in Crown Life, Extencicare will continue to pursue other opportunities. Investments were made during 1980 to secure the manufacturing and certain distributing rights to the ProtectAlert security and medical alarm system.

Reflecting the large transaction involving Crown Life shares, total assets at December 31, 1980, were \$247.5 Million, compared to \$79.1 Million at the end of August, 1980. Shareholders' equity, at December 31, 1980, increased to \$191.6 Million, compared to \$22.9 Million at August 31, 1980. Non-current liabilities have decreased in the same period from \$37.1 Million to \$36.4 Million.

Net earnings for the four months ended December 31, 1980 were \$5.1 Million, compared to \$1.3 Million for the same period in 1979. This considerable increase includes \$3.5 Million of Crown Life earnings.

The earnings as shown reflect Extencicare's position as owner of



H. Michael Burns,  
Chairman of the Board and Chief Executive Officer



Harold L. Livergant,  
President and Chief Operating Officer

35 per cent of Crown Life shares from October 8 to November 18, 1980, and as owner of 92.1 per cent of Crown Life shares thereafter.

Earnings per Class A share for the four months under review were up from 27.5 cents in the previous period to 43.5 cents in 1980. Earnings per common share were up from 25 cents to 41 cents.

Please note that Extencicare will change its fiscal year end from the month of August to the month of December, in order to better coincide with Crown Life in the preparation of Annual Report figures.

Financial statements are included in this Report for Crown Life Insurance Company, and we encourage Extencicare shareholders to become familiar with the characteristics of this Company.

Total revenue for Crown Life in 1980 was in excess of \$1 Billion. Life insurance in force increased by \$1.2 Billion to \$33.4 Billion; health insurance business in force increased by 12 per cent, generating \$322 Million in premiums; and annuity liabilities were up 14 per cent to \$718 Million.

Copies of the complete 1980 Crown Life Annual Report are available through Extencicare Ltd.

## This is Extencicare:

Extencicare has expanded to occupy a position of prominence in the health care industry. The Company owns and operates over 60 nursing centres throughout Canada and the United States.

Through wholly owned subsidiary companies, Extencicare also owns and operates diagnostic laboratories, offering a broad variety of clinical services; and mobile health units, which offer multiphasic screening and testing.

Through an operational division known as Amicare Inc., Extencicare provides medical personnel services, professional and para-professional staff for home care and health care institutions. The Company has recently expanded the area of home care to include personal security and medical alarm systems.

In 1980, Extencicare acquired 92.1 per cent of the shares of Crown Life Insurance Company, which supplies a comprehensive range of life insurance, health insurance, and pension programs to individuals and groups in Canada, the United States, the United Kingdom, the Atlantic and Caribbean Islands, and Hong Kong.



Assets of Crown Life include ownership of Datacrown Inc., one of the largest computer services companies in Canada. Datacrown was established originally in 1971, and is now 85.5 per cent owned by Crown Life policyholders and shareholders. Datacrown currently enjoys an established base of clientele in both Canada, and the United States.

### **Nursing Centres:**

Nursing centres provide health care over extended periods of time for people not in need of the more specialized services and supervision of a hospital. The nursing centre staff provides for the physical needs of each resident.

Extendicare operates nursing centres both for its own account, and for other owners. In Canada, it operates for its own account 21 centres (3,428 beds), and manages for other owners an additional 4 centres (336 beds). The Canadian centres are located in Ontario, Saskatchewan, and British Columbia.

In the United States, Extendicare operates for its own account 28 centres (2,622 beds), and manages

for other owners an additional 2 centres (226 beds). The United States centres are located in Indiana, Kentucky and Mississippi.

In addition, Extendicare has agreed to lease and operate 6 nursing centres (902 beds) in the States of Ohio and Indiana, for a period of twenty years. Terms of the agreement call for escalating rentals and an option to purchase the properties after the fifth year.

In an industry which provides care for the elderly and disabled, stringent regulations are observed to maintain the level of service provided. In July of 1980, Extendicare experienced a fire in one of the Canadian nursing centres. Lives were lost, but it was ascertained in a following inquest that Extendicare had abided by all the regulations pertaining to our operations as established by the Ontario Ministry of Health.

Extendicare is now actively involved in assessing the findings of the inquest, with the aim of acting upon recommendations made. Throughout the inquiry, the Company received fair treatment from the media, and it became apparent that Extendicare was

deserving of its excellent reputation with both private industry and government agencies. The Company will continue to act in a responsible manner extending full co-operation in response to the inquest recommendations.

During 1980, the Province of Ontario granted Extendicare licence to operate two special homes for the mentally retarded in Toronto. This is the first time that a private sector company has been granted such responsibility. Extendicare looks forward to the opportunity to grow with Ontario as new solutions are found to the question of care for the mentally handicapped.

### **Diagnostic Services:**

#### **Clinical Laboratories**

Extendicare provides diagnostic services through the operation of laboratories in the Metropolitan Toronto area, and in the State of Delaware. The laboratories offer a broad range of clinical services, including medical testing of specimens of patients referred by physicians in hospitals, public health institutions, and industrial companies.

In Canada, Extendicare operates 10 laboratories, and two specimen collection stations in the Toronto area. These laboratories are regulated by the provincial government, which grants licences based on various factors, such as public need, suitability and operating competence of the licence holder, and the suitability of the operator's equipment and premises for the performance of tests.

In the State of Delaware, Extendicare operates six specimen collection stations, two of which also serve as laboratories. Its central diagnostic laboratory, located in Wilmington, is the largest in the State. Although most of Extendicare's United States diagnostic business is conducted with the State of Delaware, it is also licenced to handle inter-state diagnostic laboratory testing.



Extendicare Ltd. Corporate Officers: (l to r): J. Wesley Carter, Vice-President; Winston Ling, Vice-President, Finance; Richard Bertrand, Controller and Treasurer; Jacques Krasny, Vice-President; A. Hugh C. Lewis, Vice-President, Planning

(Continued)



Extencicare Ltd. Health Care Division Officers: (l to r) Gary J. Chatfield, President, Health Care Division; Richard A. Gardner, Executive Vice-President, Health Care Division; Jacob Birbrager, Senior Vice-President, Engineering, Health Care Division

### **Multiphasic Screening**

Through wholly owned subsidiaries with the corporate names United Health Maintenance, Inc., and Industrial Medical Specialties, Inc., Extencicare operates a fleet of 22 mobile, multiphasic screening and testing health units in the United States. Each of these companies serves the needs of a different marketplace: employee health care needs are handled by United Health Maintenance, while industrial medical and safety needs are served by Industrial Medical Specialties. Together these companies provide 84,000 screenings per annum.

Multiphasic screening offers the possibility of early detection of medical problems, through a comprehensive group of tests and laboratory procedures, with emphasis on preventative health care. This service is encouraged by health professionals as it can reduce the number of patient days spent in health care institutions.

Screening contracts are negotiated primarily with unions and employers, and ordinarily span a term of one to three years.

### **Hospital Management:**

As it is not the Canadian practice for general hospitals to be owned by other than non-profit organizations, Extencicare's role in this area has been to seek hospital management contracts.

To this end, the Company utilizes a system known as multi-unit management. A practical concept, the system assigns functional expertise to specific areas, thereby allowing all departments to achieve a maximum level of efficiency. The application of multi-unit management is in accordance with the Extencicare philosophy that improved managerial techniques will contribute more toward alleviating the budgetary pressures on the Canadian health care system, than any other measure.

At the present time, Extencicare is managing two hospitals in the Province of Saskatchewan. In addition, the Company has been retained to assist in the development of, and to manage, a large new hospital in Abidjan, the capital city of the Ivory Coast of West Africa.

A number of additional contracts are currently being negotiated.

1981 should see the finalization of several agreements in various countries throughout the world.

### **Home Care Division:**

#### **Amicare Inc.**

#### **Para-Med Division:**

In Southern Ontario, the Company provides professional and para-professional staff for home care services, and for temporary placement in health care institutions.

Under the Para-Med Division, Extencicare employs nurses, male nursing attendants, registered nursing aides, health care aides, and other people qualified in special care. The large field staff provides personnel for a number of situations, including family crises, industrial nursing, convalescent care, and specialized staff relief for health care institutions. In addition, Para-Med offers supportive services for senior citizens.

Established in 1974, Para-Med now has offices in Toronto, Ottawa, Hamilton, and Kingston. In 1981, Extencicare intends to expand these services to include Sarnia, Calgary, Edmonton, Montreal, Vancouver and Quebec City.

#### **ProtectAlert Division:**

In an innovative approach to the provision of home care services, Extencicare has recently acquired rights to a security and medical alarm system, trademarked as ProtectAlert.

To date, the ProtectAlert system has been test-marketed in London, Ontario, and the results have exceeded even the most positive of expectations. A personal security system, ProtectAlert has as its base a lightweight transmitter designed to be worn as a neck pendant. When pressed, the transmitter electronically activates the telephone to place a call for help. The first emergency call can be made in as little as five seconds.





## Life Insurance, Health Insurance, and Pensions:

Since its establishment, Extencicare has been a provider of health care services, and has grown substantially in terms of services offered, as well as earnings and assets. Moreover, the Company has expanded from its Canadian base extensively into the United States.

In 1980, the Directors of Extencicare examined several possible avenues of diversification and decided upon the acquisition of 92.1 per cent of the shares of Crown Life Insurance Company.

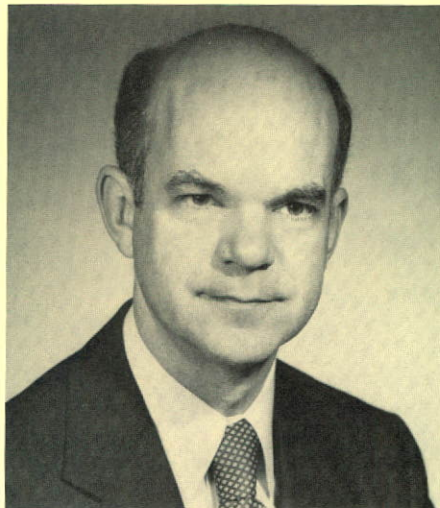
This acquisition represents an expansion into the complementary areas of life insurance, health insurance and pensions, as well as access to a worldwide base of operations, with a solid financial foundation.

Founded in Canada in 1900, Crown Life offers a range of financial services including individual and group life insurance, health insurance, and pension programs. In addition, some reinsurance services are provided to other life insurance companies.

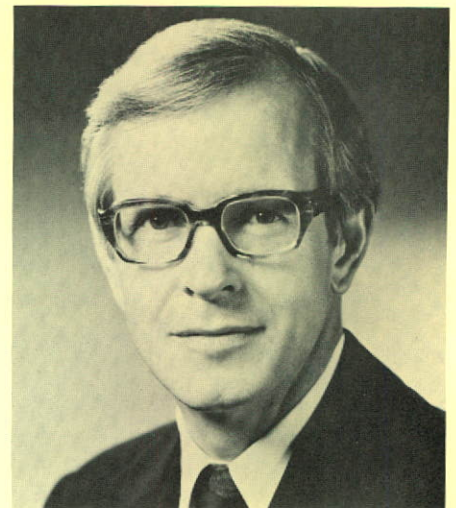
1980 was a profitable year for Crown Life. The Company reported total revenue in excess of \$1 Billion for the first time in its history; a figure 17 per cent greater than that attained in 1979. Total premium revenue in 1980 increased to \$795 Million, 12 per cent ahead of 1979. Of this total, health insurance accounted for \$322 Million, life insurance for \$307 Million, and annuities for \$166 Million. Investment and other income totalled \$217 Million in 1980.

In 1980, the total of amounts paid or credited to policyholders and beneficiaries was \$786 Million, an increase of 19 per cent over the 1979 figure.

Crown Life's general fund investment income posted a 34 per cent increase over the corresponding 1979 figure. Invested assets increased 14 per cent during 1980, and overall net yield rate was



John A. Moody, President,  
Medco Centres, Inc.



Robert C. Dowsett, President,  
Crown Life Insurance Company

9.77 per cent, compared to 8.23 per cent in 1979.

1980 Crown Life earnings from consolidated insurance operations totalled \$34.1 Million, up nearly 24 per cent over 1979. Earnings from non-consolidated subsidiary companies increased to \$2.0 Million from \$270 Thousand in 1979. This dramatic increase was due in large part to the improved earnings of Datacrown Inc.

Total net earnings for 1980 were \$38.3 Million. Net earnings attributable to participating policyholders were \$14.5 Million, after payment of policyholders' dividends of \$21.5 Million. Net earnings attributable to shareholders were \$23.9 Million, or \$11.93 per share, on 2,000,000 shares.

In the 1980 Financial Statements, following a long-established practice accepted by the Canadian regulatory authorities, United States dollar items have been converted using the rate US\$1.00 equals C\$1.00. Sterling items have been converted using £1 equals C\$2.00. Because of the continued weakness of the Canadian dollar and the increasing percentage of Crown Life business which is in the United States and the United Kingdom, the Company began using rates of C\$1.15 and C\$2.50 respectively for transactions in United States dollars

and Sterling, effective January 1, 1981. Had these rates been used previously, total earnings in the non-participating section, including the shareholders' account, would have been changed for 1980 from \$11.93 per share to approximately \$13.70 and for 1979 from \$13.17 per share to approximately \$15.70.

Crown Life and its insurance subsidiaries serve over 5 Million clients through 240 sales and service offices in various parts of the world. The Company's strong position in the international marketplace as an exporter of life insurance expertise is exemplified by the fact that 70 per cent of its total premium income in 1980 was generated outside Canada. The United States accounts for 56 per cent of Crown Life's premium income, while overseas operations account for 14 per cent.

## Computer Services:

Part of the investment in shares of Crown Life included an entry into the computer services market through a subsidiary company of Crown Life, known as Datacrown Inc.: 85.5 per cent of Datacrown's common shares and all of its preferred shares are currently held as investments of Crown Life policyholders' and shareholders' funds.

(Continued)



Revenue and profitability of Datacrown Inc. increased substantially during 1980 following the successful completion of consolidation of Systems Dimensions Ltd. with Datacrown Limited in 1979. Non-recurring expenses associated with the merger had severely constrained profits in 1979 and had some effects on profits in the first quarter of 1980.

In 1980, assets increased by 17 per cent to \$55 Million. Datacrown's 1980 total revenue in Canada and the United States grew 14 per cent to \$68.6 Million, while after-tax earnings increased from \$68,000 in 1979 to nearly \$2 Million, in 1980.

One of North America's leading computer services companies, Datacrown supplies shared processing to corporations, government agencies and public institutions. Clients throughout Canada and the United States have access to Datacrown's Systemcentres in Toronto and Ottawa, equipped with the largest computers manufactured by IBM, through a trans-continental communications network.

Construction is well underway on Datacrown's third Systemcentre in Maryland near Washington, D.C. This new \$10 Million facility, which will open during 1981, is designed to accommodate a rapid increase in Datacrown's United States business.

## A Bright Future:

1980 has been a year of both solid growth and exciting new development for Extencicare. Our financial position has been solidified through ownership of shares of Crown Life Insurance Company, and several other new areas of enterprise have begun to show early signs of success.

Our current balance sheet indicates that the Company is well positioned to continue the growth and development demonstrated in years past.

With the 1980 acquisition of shares of Crown Life, a change in control of Extencicare has resulted:

The Burns and Jodrey families, formerly the major shareholders of Crown Life, have become the major shareholders of Extencicare.

We welcome Mr. H. Michael Burns, a Director of Extencicare since 1978, as Chairman of the Board and Chief Executive Officer; and Mr. D.J. Hennigar as Vice-Chairman of the Board and Chairman of the Executive Committee. Mr. Harold Livergant continues as a Director of the Company, and President, as well as Chief Operating Officer.

We also welcome Mr. Charles F.W. Burns and Mr. John J. Jodrey, as representatives of the Burns and Jodrey families.

Four more newcomers to the Extencicare Board of Directors are Mr. R.C. Dowsett, President of Crown Life, Mr. D.M. Dunlap, President of Simcoe Beverages in Kettleby, Ontario; Mr. R.N. Granger, Q.C., a partner in the firm of Aird & Berlis in Toronto, and Mr. J.T. MacQuarrie, Q.C., a partner in the firm of Stewart, MacKeen and Covert in Halifax, Nova Scotia. Our warmest welcome is offered to all new Directors.

Extencicare extends sincere thanks for their wise counsel and visionary contributions to our former Board members: Messrs. J.A. Bradshaw, Q.C., C.S. MacNaughton, P.A. Manson, M.D. Shyba; Dr. J.R. Scott; The Honourable Sidney L. Buckwold, and The Honourable Frank D. Moores.

We further extend thanks for the hard work and devotion of our employees, as well as the unfailing support of the Extencicare Shareholders.

At Extencicare, our commitment to the provision of an excellent quality of service to both society and our shareholders, is the foundation on which the success of the Company rests.



Richard G. Taylor, President,  
Datacrown Inc.

Canadians have begun to realize this Company's potential for tremendous impact on a society whose demographic statistics indicate increasing reliance on health care, life insurance, health insurance and pension services. Extencicare has built a solid reputation based on an excellent quality of service, and outstanding personnel, in the field and within administration. The combination of our expertise, and commitment to quality will ensure that Canadians, and others within our spectrum of services, may be confident that their needs are cared for in a responsible fashion.

Through the proper utilization of our financial and human resources, we anticipate with confidence a bright future for Extencicare.

Chairman of the Board and  
Chief Executive Officer

President and Chief Operating Officer



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## Financial Statements

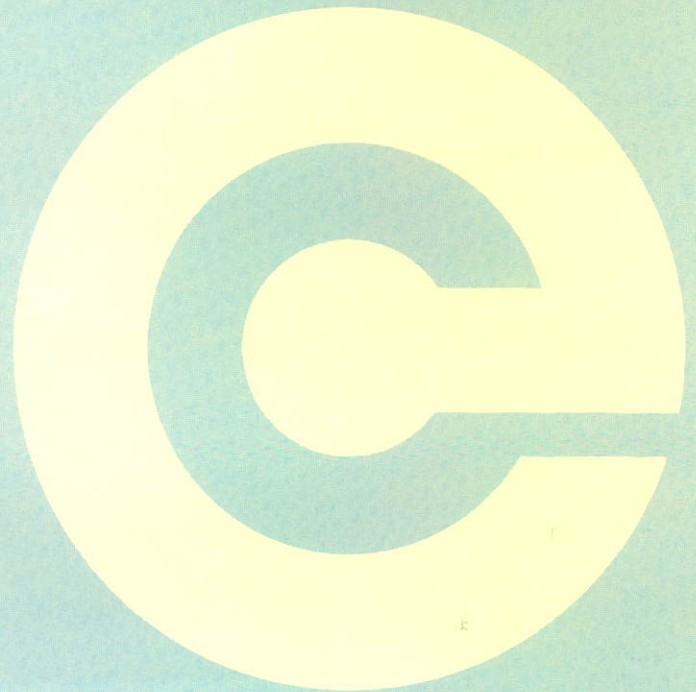
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Extendicare Ltd. 10

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Crown Life Insurance Company 20

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# extendicare ltd.

(Incorporated under the laws of Canada)

## Consolidated Balance Sheet

(Thousands of dollars)

Assets	December 31,		August 31,
	1980	1979	1980
	(unaudited)		
<b>Current</b>			
Cash .....	\$ 376	\$ 155	\$ 339
Short-term investments .....	2,226	7,041	6,436
Accounts receivable .....	11,259	8,353	8,806
Supplies and prepaid expenses .....	2,918	2,082	2,089
	<u>16,779</u>	<u>17,631</u>	<u>17,670</u>
Investment in Crown Life Insurance Company (note 2) .....	166,760		
Property and equipment (note 3) .....	55,663	52,738	53,907
<b>Other</b>			
Mortgages receivable (note 4) .....	838	2,006	838
Loans and other amounts receivable (note 5) .....	1,716	1,344	1,452
Goodwill .....	5,269	4,903	4,841
Deferred charges .....	487	399	373
	<u>8,310</u>	<u>8,652</u>	<u>7,504</u>
	<u>\$247,512</u>	<u>\$79,021</u>	<u>\$79,081</u>

Approved by the Board

Director

Director



## Liabilities

	December 31, 1980	1979	August 31, 1980
	(unaudited)		
<b>Current</b>			
Bank indebtedness (note 6) .....	\$ 956	\$ 2,018	\$ 622
Accounts payable and accrued liabilities .....	10,029	6,383	7,052
Income taxes payable .....	1,060	575	3,750
Principal due within one year on non-current liabilities (note 6) .....	2,528	3,142	2,633
Deferred income taxes .....	989	954	1,039
	<u>15,562</u>	<u>13,072</u>	<u>15,096</u>
<b>Non-current liabilities (note 6) .....</b>	<b>36,425</b>	<b>41,366</b>	<b>37,119</b>
<b>Deferred income taxes .....</b>	<b>3,793</b>	<b>3,613</b>	<b>3,704</b>
<b>Minority interest .....</b>	<b>154</b>	<b>487</b>	<b>236</b>
<b>Shareholders' equity</b>			
Capital stock (note 7) .....	173,314	8,975	8,998
Retained earnings .....	18,264	11,508	13,928
	<u>191,578</u>	<u>20,483</u>	<u>22,926</u>
	<u>\$247,512</u>	<u>\$79,021</u>	<u>\$79,081</u>



## Consolidated Statement of Earnings

(Thousands of dollars except per share amounts)

	Four months ended December 31, 1980		Year ended August 31, 1980
	(unaudited)		
Revenue from health care operations .....	\$30,875	\$27,374	\$86,595
Earnings from operations .....	\$ 4,297	\$ 3,953	\$13,571
Share of earnings of Crown Life Insurance Company (note 2) .....	3,549		
Investment income .....	212	307	1,236
	<u>8,058</u>	<u>4,260</u>	<u>14,807</u>
Interest .....	1,440	1,614	4,919
Income taxes .....	1,488	1,348	5,076
	<u>2,928</u>	<u>2,962</u>	<u>9,995</u>
Net earnings .....	<u>\$ 5,130</u>	<u>\$ 1,298</u>	<u>\$ 4,812</u>
Earnings per share (note 8)			
Class A .....	\$ .435	\$ .275	\$1.03
Common .....	\$ .41	\$ .25	\$ .93

## Consolidated Statement of Retained Earnings

(Thousands of dollars)

	Four months ended December 31, 1980		Year ended August 31, 1980
	(unaudited)		
Balance at beginning of period .....	\$13,928	\$10,736	\$10,736
Net earnings .....	5,130	1,298	4,812
	<u>19,058</u>	<u>12,034</u>	<u>15,548</u>
Dividends .....	794	526	1,620
Balance at end of period .....	<u>\$18,264</u>	<u>\$11,508</u>	<u>\$13,928</u>



# Consolidated Statement of Changes in Financial Position

(Thousands of dollars)

	Four months ended December 31, 1980	1979	Year ended August 31, 1980
	(unaudited)		
<b>Working capital derived from</b>			
Operations			
Net earnings .....	<b>\$5,130</b>	\$1,298	\$ 4,812
Items not involving working capital			
Depreciation .....	<b>887</b>	872	2,487
Amortization .....	<b>72</b>	61	142
Non-current deferred income taxes .....	<b>95</b>	(13)	78
Minority interest .....		24	52
Share of earnings retained by Crown Life Insurance Company (note 2) ..	<b>(2,444)</b>		
Other .....	<b>(294)</b>	85	130
	<b>3,446</b>	2,327	7,701
Proceeds from sale of assets .....	<b>102</b>	178	205
Non-current liabilities assumed .....	<b>501</b>		129
Issue of shares for cash on exercise of stock options .....		8	31
	<b>4,049</b>	2,513	8,066
<b>Working capital applied to</b>			
Investment in Crown Life Insurance Company .....			<b>\$164,316</b>
Less issue of shares on acquisition .....			<b>(164,316)</b>
Additions to property and equipment .....	<b>2,102</b>	385	2,070
Dividends .....	<b>794</b>	526	1,620
Reduction in non-current liabilities .....	<b>1,614</b>	2,117	6,323
Purchase of minority interest .....	<b>314</b>		428
Other items .....	<b>582</b>		125
	<b>5,406</b>	3,028	10,566
<b>Decrease in working capital</b> .....	<b>1,357</b>	515	2,500
<b>Working capital at beginning of period</b> .....	<b>2,574</b>	5,074	5,074
<b>Working capital at end of period</b> .....	<b>\$1,217</b>	\$4,559	\$ 2,574



## extencare ltd.

# Notes to Consolidated Financial Statements

### 1. Summary of accounting policies

The significant accounting policies of Extencare Ltd. and its consolidated subsidiary companies are set out below. These policies are in accordance with generally accepted accounting principles and have been consistently applied.

#### (a) Principles of consolidation

The consolidated financial statements include the accounts of all subsidiary companies other than Crown Life Insurance Company and its subsidiaries. Crown Life Insurance Company follows accounting practices prescribed or permitted by the Department of Insurance of Canada. These practices do not in all respects conform with generally accepted accounting principles. Therefore, a modified form of the equity method is used to account for this investment. Financial statements of Crown Life begin on page 20.

#### (b) Foreign currency translation

Revenues and expenses of United States subsidiaries are translated at rates of exchange prevailing during the period. Assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Unrealized gains and losses arising on translation have been reflected in earnings.

#### (c) Short-term investments

Short-term investments are carried at cost which approximates market value.

#### (d) Property and equipment

Property and equipment is stated at cost. Provisions for depreciation are computed by the straight line method and the declining balance method at rates based on the following estimated life expectancies:

Buildings	—	20 to 40 years
Furniture and equipment	—	varying periods not exceeding 20 years
Leasehold improvements	—	the term of the applicable leases.

#### (e) Deferred charges

Revenues and operating expenses of new nursing centres and new divisions are deferred until such time as they are deemed operational. They are deemed to be operational in the month during which revenues equal or exceed expenses or one year from the date revenue is first earned, whichever first occurs. Net amounts deferred are then charged to earnings over three to five years on a straight line basis.

Direct loan costs are amortized over the life of the related debt.

Certain market development costs are being amortized on a straight line basis over periods not to exceed five years.

#### (f) Goodwill

Goodwill is the excess of the purchase price of businesses over the fair value of the assets acquired. Goodwill acquired subsequent to April 1, 1974 is amortized to earnings on a straight line basis over periods not to exceed forty years. Goodwill acquired prior to that date is carried in the accounts at cost.

#### (g) Income taxes

Deferred income taxes result from claiming depreciation and other items for tax purposes in amounts which differ from those recorded in the accounts and from filing certain United States federal income tax returns on a cash basis while the financial statements recognize revenues and expenses on an accrual basis.





## Notes to Consolidated Financial Statements

(Continued)

### (h) Revenue

The fees charged by the Company for its nursing centres and diagnostic services in Canada are regulated by provincial authorities which establish maximum fees chargeable by the industry.

The fees charged by the Company for its nursing centres in the United States include revenues resulting from residents participating in federal and state funded cost reimbursement programmes. These revenues are based on the approved prospective rates which were in effect from time to time during the period. Final cost settlement adjustments, if any, are recorded when objectively determinable.

### (i) Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current period.

## 2. Investment in Crown Life Insurance Company

The Company acquired 699,750 shares of Crown Life on October 8, 1980 and a further 1,141,336 shares on November 19, 1980. These acquisitions represent 92.1% of the outstanding shares of Crown Life. In payment thereof the Company issued 1,783,588 Class A shares and 13,865,521 convertible common shares valued at \$10.50 per share for \$164,316,000.

The Company's share of earnings of Crown Life is included from the effective dates of acquisition.

The carrying value of the investment in Crown Life is less than the proportionate underlying equity in Crown Life which equity is comprised of non-participating reserves and surplus and shareholders' capital and surplus. Certain of these reserves and surplus balances are allocated to satisfy statutory requirements and are not presently available for distribution to shareholders.

An analysis of this investment is as follows:

	(Thousands of dollars)	
Cost of shares acquired .....		\$164,316
Share of earnings .....	\$3,549	
Dividends .....	(1,105)	2,444
Carrying value of investment, December 31, 1980 .....		\$166,760

## 3. Property and equipment

	December 31, 1980	1979	August 31, 1980
	(unaudited)		
	(Thousands of dollars)		
Land .....	\$ 5,142	\$ 4,351	\$ 5,099
Buildings .....	49,275	46,496	47,925
Furniture and equipment .....	11,911	10,783	11,419
Leasehold improvements .....	611	761	591
	<b>66,939</b>	62,391	65,034
Accumulated depreciation .....	<b>12,531</b>	9,958	11,552
	<b>54,408</b>	52,433	53,482
Construction in progress .....	<b>1,255</b>	305	425
	<b>\$55,663</b>	\$52,738	\$53,907



## Notes to Consolidated Financial Statements

(Continued)

### 4. Mortgage receivable

At December 31, 1980 the Company held a second mortgage receivable in the amount of \$838,000 and is liable as a guarantor in respect of a first mortgage outstanding of approximately \$1,500,000 on a nursing centre previously owned by a subsidiary.

Subsequent to December 31, 1980 the Company acquired the nursing centre for the amounts outstanding under the first and second mortgages.

### 5. Loans and other amounts receivable

	December 31, 1980	1979	August 31, 1980
	(unaudited)		
	(Thousands of dollars)		
Loans to officers and employees .....	\$ 684	\$ 874	\$ 730
Amounts receivable and deposits .....	830	325	529
Sundry, at cost .....	202	145	193
	<b>\$1,716</b>	<b>\$1,344</b>	<b>\$ 1,452</b>

### 6. Bank indebtedness and non-current liabilities

	December 31, 1980	1979	August 31, 1980
	(unaudited)		
	(Thousands of dollars)		
Extencicare Ltd. and Canadian Subsidiaries:			
Mortgages, 7 3/8% to 14 3/4% maturing through to 2007 .....	<b>\$19,699</b>	\$20,761	\$20,542
8 1/2% Sinking Fund Debentures, due 1984 .....	<b>1,158</b>	1,440	1,158
Bank loan, interest rate varying with New York bank prime (U.S. \$700,000) .....	<b>833</b>	819	812
Other .....	<b>26</b>	86	32
United States Subsidiaries:			
Mortgages, 6% to 15% maturing through to 1999 (U.S. \$8,206,000) .....	<b>9,765</b>	9,634	9,349
Notes, 8% to 9% maturing through to 1983 (U.S. \$224,000) .....	<b>267</b>	1,003	402
Lease purchase and sales contracts, various rates to 9% maturing through to 1993 (U.S. \$1,695,000) .....	<b>2,017</b>	2,051	2,022
Bank loans at interest rates varying with New York bank prime, maturing through to 1986 (U.S. \$4,360,000) .....	<b>5,188</b>	8,714	5,435
	<b>38,953</b>	44,508	39,752
Less principal due within one year and included in current liabilities .....	<b>2,528</b>	3,142	2,633
	<b>\$36,425</b>	<b>\$41,366</b>	<b>\$37,119</b>

The weighted average annual interest rate of all non-current liabilities is approximately 11%.

Bank indebtedness is secured by a floating charge debenture on property and equipment and a general assignment of accounts receivable.

Principal payments on non-current liabilities due within the next five fiscal years after giving effect to renewal privileges are as follows:

	(Thousands of dollars)			
1981	\$2,528	1984	\$2,553	
1982	2,432	1985	3,358	
1983	4,312			



## Notes to Consolidated Financial Statements

(Continued)

### 7. Capital stock

The authorized capital of the Company consists of:

- (i) preferred shares, issuable in series;
- (ii) non-voting Class A shares, and
- (iii) convertible common shares, convertible on a one for one basis into Class A shares.

The Class A shares entitle the holders thereof to non-cumulative dividends totalling 10¢ per share in each financial year of the Company in priority to any dividends on the common shares. The Class A shares and the common shares participate equally in all further dividends during the financial year.

A summary of transactions involving share capital is set out below:

	Class A		Common	
	Number	Amount (Thousands of dollars)	Number	Amount (Thousands of dollars)
Issued				
September 1, 1980 .....	2,930,255	\$ 5,431	1,923,091	\$ 3,567
On acquisition of shares of Crown Life Insurance Company	1,783,588	18,728	13,865,521	145,588
On exercise of options and conversions of common shares	15,123	127	(14,923)	(127)
December 31, 1980 .....	4,728,966	\$24,286	15,773,689	\$149,028

The Company has Employee Stock Option Plans for officers and employees. The details of the options outstanding and the shares reserved under such Plans are as follows:

	December 31, 1980	
	Class A	Common
Shares under option .....	62,400	85,600
Shares available for option .....	37,252	14,852
Shares reserved under the Plans .....	99,652	100,452
Range of option prices .....	\$2.13 - \$9.75	\$2.13 - \$10.25
Various expiry dates to .....	September, 1990	September, 1990

### 8. Earnings per share

The calculation of earnings per share gives effect to the preferential dividends paid to the Class A shareholders (2.5¢ per share for the four months ended December 31, 1980 and December 31, 1979 and 10¢ per share for the year ended August 31, 1980).



## Notes to Consolidated Financial Statements

(Continued)

### 9. Segmented information

The Company considers nursing centres to be the dominant segment of its consolidated operations.

Revenue from health care operations for the four months ended December 31, 1980 is \$30,875,000 and is represented by \$17,782,000 from Canadian operations, \$13,033,000 from United States operations and \$60,000 from general corporate operations. Segmented earnings from operations amounted to \$3,050,000 in Canada and \$1,187,000 in the United States. Also, \$60,000 was earned from general corporate revenue. The total assets of the Company are \$247,512,000 which represents \$40,766,000 as Canadian assets, \$34,372,000 as United States assets, \$5,614,000 as general corporate assets and \$166,760,000 as investment in Crown Life Insurance Company.

Revenue from health care operations for the year ended August 31, 1980 is \$86,595,000 and is represented by \$49,066,000 from Canadian operations, \$36,988,000 from United States operations and \$541,000 from general corporate operations. Segmented earnings from operations amounted to \$9,004,000 in Canada and \$4,110,000 in the United States. Also, \$457,000 was earned from general corporate revenue. The total assets of the Company as at August 31, 1980 are \$79,081,000 which represents \$39,754,000 as Canadian assets, \$31,153,000 as United States assets and \$8,174,000 as general corporate assets.

### 10. Commitments

- (a) The Company has lease commitments with terms expiring up to 2014, exclusive of renewals. Rentals to be charged to earnings are as follows:

	(Thousands of dollars)
1981	\$1,173
1982	1,108
1983	1,054
1984	664
1985	582
1986 and thereafter	3,662

During the period ended December 31, 1980 rent expense of \$394,000 has been charged to operations.

- (b) Effective October 1, 1980 the Company agreed to lease 6 nursing centres (a total of 902 nursing centre beds) in Ohio and Indiana for 20 years. Minimum rental payments amount to U.S. \$1,500,000 per annum and escalate each year based on a percentage of the increase in the consumer price index. In addition, the Company has an option to purchase the nursing centres commencing in the sixth year. The rent escalation paid during the first five years is creditable against the option price in the sixth and ensuing years. The Company is presently operating these centres under a management agreement pending completion of closing matters.

### 11. Contingent liabilities

The Company and its consolidated subsidiaries are defendants in actions for damages and costs allegedly sustained by the plaintiffs. Management and counsel are of the opinion that the Company and its consolidated subsidiaries will incur no significant financial loss and, accordingly, no provision has been made in the financial statements in respect of these claims.



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## **Auditors' Report To the Shareholders of Extendicare Ltd.**

We have examined the consolidated balance sheet of Extendicare Ltd. as at December 31, 1980 and the consolidated statements of earnings, retained earnings and changes in financial position for the four months 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 December 31, 1980 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada  
February 19, 1981

**Chartered Accountants**



# Crown Life Insurance Company

## Consolidated Balance Sheet

<b>Assets</b>	<b>December 31, 1980</b>	<b>1980</b>	<b>1979</b>
			\$000
<b>Invested assets</b>			
Bonds .....		855,391	744,246
Shares .....		207,586	148,150
Mortgages on real estate .....		766,892	715,311
Real estate .....		64,473	62,133
Loans on policies, secured by cash values .....		184,731	152,035
Data processing equipment .....		1,380	2,415
Equity value of non-consolidated subsidiary companies .....		14,620	12,975
Bank certificates of deposit .....		25,538	18,763
Cash .....		6,737	9,275
Segregated investment funds .....		82,556	67,859
		<b>2,209,904</b>	<b>1,933,162</b>
<b>Other assets</b>			
Outstanding premiums .....		50,507	46,534
Accrued interest .....		35,401	28,125
Recoverable advances to agents and general agents .....		17,347	14,207
Other .....		16,497	10,130
		<b>119,752</b>	<b>98,996</b>
		<b>2,329,656</b>	<b>2,032,158</b>

On behalf of the Board

Chairman

President



## Liabilities

December 31, 1980

1980

1979

\$000

### Liabilities under policy contracts

Amounts required, in addition to future premiums and interest, to provide for unmatured obligations under all policies in force .....	1,478,604	1,334,285
Policyholders' dividends and other amounts on deposit .....	89,365	76,556
Policy benefits in course of payment and provision for unpaid claims .....	202,742	178,795
Provision for next dividends payable to policyholders .....	16,898	16,292
Segregated fund liabilities .....	82,556	67,859
	<b>1,870,165</b>	<b>1,673,787</b>

### Other liabilities

Taxes payable .....	8,410	8,319
Bank indebtedness .....	16,535	12,603
Special reinsurance ceded agreements .....	70,498	—
Other .....	34,360	41,307
	<b>129,803</b>	<b>62,229</b>

### Reserves, surplus and share capital

Reserve for investment values and currency exchange .....	15,000	23,500
Reserve for excess of cash surrender values over policy contract liabilities .....	72,463	68,128
Reserve for non-Canadian additional statutory requirements .....	36,019	65,094
Reserve for Canadian additional statutory requirements .....	8,300	7,500
Reserve for specified contingencies .....	2,780	6,180
Reserve for general contingencies .....	12,000	12,000
Reserve for value of miscellaneous assets .....	25,379	21,332
Total reserves .....	<b>171,941</b>	<b>203,734</b>
General surplus in insurance funds .....	154,095	88,774
Share capital .....	2,000	2,000
Shareholders' account .....	1,652	1,634
	<b>329,688</b>	<b>296,142</b>
	<b>2,329,656</b>	<b>2,032,158</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.



## Consolidated Statement of Earnings

Year Ended December 31, 1980

1980

1979

### Revenue

\$000

Life insurance and annuity premiums .....	472,486	422,962
Health insurance premiums .....	322,435	288,383
Investment income, net of related expenses of \$6,458,000 (1979 \$5,225,000) ...	188,277	140,512
Segregated funds investment income .....	13,201	10,612
Special reinsurance received agreements .....	13,800	—
Other .....	2,398	1,749
	<b>1,012,597</b>	<b>864,218</b>

### Amounts paid or credited to policyholders and beneficiaries

Death and disability benefits .....	113,555	105,088
Health insurance benefits .....	281,225	245,926
Annuities .....	26,391	24,793
Maturities and surrenders of policies .....	94,766	74,598
Special reinsurance ceded agreements .....	77,670	—
Dividends to policyholders .....	21,555	19,964
Interest on amounts on deposit .....	12,771	9,005
Increase in amounts required to provide for unmatured obligations on policies in force .....	144,319	180,124
Increase in segregated fund liabilities .....	14,185	3,256
	<b>786,437</b>	<b>662,754</b>

### Expenses

Life insurance and annuity expenses .....	118,920	111,142
Health insurance expenses .....	59,979	50,869
Premium and other taxes .....	12,575	11,545
	<b>191,474</b>	<b>173,556</b>

### Earnings from consolidated insurance operations before income taxes .....

Income taxes .....	34,686	27,908
	<b>549</b>	<b>326</b>

### Earnings from consolidated insurance operations .....

Net capital gains .....	34,137	27,582
Earnings of non-consolidated subsidiary companies, after income taxes of \$2,083,000 (1979 \$150,000) .....	2,223	13,698
	<b>1,986</b>	<b>270</b>

<b>Net earnings for the year</b> .....	<b>38,346</b>	<b>41,550</b>
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## Consolidated Statement of General Surplus

<b>Year Ended December 31, 1980</b>	<b>1980</b>	<b>1979</b>
	\$000	
General surplus in insurance funds, beginning of year .....	<b>88,774</b>	86,497
Net earnings for the year .....	<b>38,346</b>	41,550
Transfer from reserve for investment values and currency exchange .....	<b>8,500</b>	—
Transfer from reserve for non-Canadian additional statutory requirements .....	<b>29,075</b>	—
Transfer from reserve for specified contingencies .....	<b>3,400</b>	—
	<b>168,095</b>	128,047
Transfer to reserve for investment values and currency exchange .....	—	7,300
Transfer to reserve for excess of cash surrender values over policy contract liabilities ..	<b>4,335</b>	11,448
Transfer to reserve for non-Canadian additional statutory requirements .....	—	5,436
Transfer to reserve for Canadian additional statutory requirements .....	<b>800</b>	7,500
Transfer to reserve for value of miscellaneous assets .....	<b>4,047</b>	3,947
Dividends to shareholders .....	<b>4,800</b>	3,600
Increase in shareholders' account .....	<b>18</b>	42
	<b>14,000</b>	39,273
<b>General surplus in insurance funds, end of year .....</b>	<b>154,095</b>	88,774

## Analysis of Consolidated Net Earnings

<b>Year Ended December 31, 1980</b>	<b>Net earnings attributable to</b>							
	Total		Participating policyholders' account		Non-participating and shareholders' account		Statutory earnings per share	
	1980	1979	1980	1979	1980	1979	1980	1979
	\$000		\$000		\$000		\$	
Earnings from consolidated insurance operations before policyholders' dividends .....	<b>55,692</b>	47,546	<b>35,302</b>	26,963	<b>20,390</b>	20,583	<b>10.19</b>	10.29
Dividends to policyholders .....	<b>(21,555)</b>	(19,964)	<b>(21,555)</b>	(19,964)				
Transfer from participating account to shareholders' account .....			<b>(1,134)</b>	(1,051)	<b>1,134</b>	1,051	<b>.57</b>	.53
<b>Earnings from consolidated insurance operations .....</b>	<b>34,137</b>	27,582	<b>12,613</b>	5,948	<b>21,524</b>	21,634	<b>10.76</b>	10.82
Net capital gains .....	<b>2,223</b>	13,698	<b>1,094</b>	9,144	<b>1,129</b>	4,554	<b>.56</b>	2.28
Earnings of non-consolidated subsidiary companies .....	<b>1,986</b>	270	<b>774</b>	118	<b>1,212</b>	152	<b>.61</b>	.07
<b>Net earnings for the year .....</b>	<b>38,346</b>	41,550	<b>14,481</b>	15,210	<b>23,865</b>	26,340	<b>11.93</b>	13.17

Statutory earnings attributable to shareholders include a portion of the earnings of subsidiary companies, earnings of the non-participating life and health accounts, the shareholders' account and, as limited by law, the amount transferred from the participating policyholders' account to the shareholders' account. This transfer was based on 5% of distributed participating earnings.



# Crown Life Insurance Company

## Notes to Financial Statements

1. The accounting practices followed by the Company are prescribed or permitted by the Department of Insurance of Canada. The Company's significant accounting policies are as follows: —

- (i) Consolidated financial statements include the operations and financial position of the Company's subsidiaries listed below: —

Crown Life Assurance Company Limited  
Crown Life Pensions Limited  
Crown Life Management Services Limited  
Coronet Properties Limited.

Datacrown Inc., the computer services subsidiary, and its subsidiaries have been shown on an equity basis as their accounts are not compatible with the accounting practices prescribed or permitted under the Canadian and British Insurance Companies Act.

The accounts of Crown Life (Caribbean) Limited, a Trinidad and Tobago subsidiary life insurance company, have been shown on an equity basis due to requirements of that jurisdiction.

The values of assets and liabilities used to account for subsidiary companies are the values prescribed or permitted by legislation or regulation in the jurisdictions in which they are domiciled.

- (ii) The United States dollar items in these statements have been converted at \$1.00, a long established practice. Items in other foreign currencies have been translated into Canadian dollars at appropriate rates of exchange. If current rates of exchange had been used for all foreign currencies there would have been an increase in the reserves and surplus shown of \$25,093,000 (1979 \$11,212,000).
- (iii) The item investment income includes: —
- (a) Interest, dividends and rents.
- (b) With respect to assets held for the life insurance business, a portion of the difference between cost and market value of shares and a portion of gains and losses realized on disposal of bonds, shares and mortgages.
- (c) With respect to the segregated investment funds and life insurance subsidiaries, all realized and unrealized capital gains and losses on invested assets.
- (iv) The item net capital gains includes currency exchange gains and capital gains and losses realized on the disposal of real estate and of the invested assets for the Company's health insurance business.
- (v) Income taxes are the aggregate of the amounts payable and recoverable based on the tax laws of each of the countries in which the Company does business. The provision is based on the taxes payable method which does not recognize the tax effect of timing differences between accounting earnings and taxable earnings.
- (vi) Asset valuations are as follows: —
- (a) Bonds, at amortized cost; including, for life insurance business, the deferred portion of realized gains and losses on disposals.
- (b) Shares, at cost; including, for life insurance business, a portion of the difference between cost and market, and the deferred portion of the realized gains and losses on disposals.
- (c) Mortgages, at outstanding principal balances; including, for life insurance business, the deferred portion of realized gains and losses on disposals.
- (d) Real estate, at cost less encumbrances and accumulated depreciation.
- (e) Segregated investment funds, at market values.
- (f) Data processing equipment, at cost less accumulated depreciation.



- (g) Recoverable advances to agents and general agents, at amounts due less allowance for doubtful recoveries.
  - (h) Furniture, fixtures and equipment, which are included in other assets, at cost less accumulated depreciation.
- (vii) Valuation of liabilities under policy contracts: —
- (a) Liabilities under policy contracts are the liabilities related to the payment after the valuation date of all matured and unmatured obligations under all policy contracts.
  - (b) Liabilities under policy contracts are determined using assumptions appropriate to the circumstances of the Company and the policies in force. For life insurance business, the calculation assumes that the amount of acquisition expenses allowed by law is deferred and amortized over the premium paying period of the policies. For health insurance business, such expenses are capitalized and included in other assets.
  - (c) When a policy provides for a cash surrender value higher than the amount held as a policy contract liability, surplus has been appropriated to provide a reserve for the difference.
- 2.** The reserve for non-Canadian additional statutory requirements provides \$36,019,000 as an appropriation of surplus reflecting valuation requirements of non-Canadian jurisdictions for assets, liabilities and reserves where such requirements are different from the bases described in these notes.
- 3.** The reserve for Canadian additional statutory requirements provides \$8,300,000 as a supplementary appropriation of surplus within the health insurance account.
- 4.** The reserve for investment values and currency exchange provides \$37,674,000 for book values of invested assets in excess of prescribed market values, less \$22,674,000, the major portion of the net unrealized foreign exchange gains.
- 5.** The reserve for specified contingencies provides \$2,780,000 as additional group health insurance reserves.
- 6.** The reserve for value of miscellaneous assets is in respect of the Company and all of its subsidiaries, and includes: —
- \$17,347,000 recoverable advances to agents and general agents
  - \$ 6,670,000 furniture and fixtures
  - \$ 1,362,000 prepaid expenses and sundry receivables.
- 7.** The Company and its subsidiaries maintain a number of pension plans for their eligible employees. It is estimated that at December 31, 1980 these plans have unfunded liabilities of \$5,483,000 (1979 \$5,401,000). These unfunded liabilities are being amortized generally over varying periods with a maximum period of fifteen years in accordance with applicable governing legislation. The payments towards the unfunded liabilities in 1980 amounted to \$745,000 (1979 \$680,000).
- 8.** During the year: —
- (a) The Company leased real estate and data processing equipment to Datacrown Inc. for an annual rental of \$2,338,000 (1979 \$2,305,000)
  - (b) The Company paid \$6,164,000 (1979 \$5,503,000) to Datacrown Inc. for computer services.
- 9.** The share capital authorized, issued and fully paid is 2,000,000 shares, par value \$1 each.



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## Valuation Actuary's Report to the policyholders and shareholders

I have made the valuation of policy contract liabilities of Crown Life Insurance Company for its consolidated balance sheet as at December 31, 1980 and its consolidated statement of earnings for the year then ended. In my opinion, the valuation for Crown Life Insurance Company conforms to the Recommendations for Insurance Company Financial Reporting of the Canadian Institute of Actuaries.

In regard to the policy contract liabilities of the United Kingdom subsidiary insurance companies, I have relied upon the valuation made by the Appointed Actuary of the subsidiary companies.

In my opinion, the amount held for liabilities under policy contracts makes proper provision for the obligations payable in the future under the companies' policies, a proper charge on account of those liabilities has been made in the statement of earnings, and the amount of surplus reserved for the excess of cash surrender values over policy contract liabilities is proper.

Toronto, Canada  
February 2, 1981

D.R. Johnston, F.S.A., F.C.I.A., M.A.A.A.  
Vice-President and Actuary

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## Auditors' Report to the policyholders and shareholders

We have examined the consolidated balance sheet of Crown Life Insurance Company as at December 31, 1980 and the consolidated statements of earnings and general surplus and the analysis of consolidated net earnings 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 December 31, 1980 and the results of its operations for the year then ended in accordance with accounting principles described in Note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Toronto, Canada  
February 2, 1981

COOPERS & LYBRAND  
Chartered Accountants





## Summary of Growth

	1980*	1979*	1978*	1977	1976	1970
<b>Revenue</b>						
				\$000		
Life insurance premiums .....	<b>306,975</b>	281,566	242,742	223,664	200,058	99,214
Annuity premiums .....	<b>165,511</b>	141,396	110,528	93,202	56,995	26,939
Health insurance premiums .....	<b>322,435</b>	288,383	237,610	195,727	156,805	34,431
Investment and other income* .....	<b>217,676</b>	152,873	124,135	109,067	87,951	43,688
	<b>1,012,597</b>	864,218	715,015	621,660	501,809	204,272
<b>Amounts paid or credited and expenses</b>						
Life insurance and annuity amounts* ...	<b>477,387</b>	393,397	333,187	299,446	232,756	117,834
Health insurance amounts .....	<b>287,495</b>	249,394	195,099	164,665	135,368	29,861
Dividends to policyholders* .....	<b>21,555</b>	19,964	15,182	15,320	14,565	9,908
Life insurance and annuity expenses* ..	<b>118,920</b>	111,142	93,012	86,737	78,981	38,400
Health insurance expenses* .....	<b>59,979</b>	50,869	38,952	33,653	27,423	5,716
<b>Taxes</b>						
Income taxes .....	<b>2,632</b>	476	1,270	1,640	(495)	2,962
Premium and other taxes .....	<b>12,575</b>	11,545	10,277	10,266	8,061	2,353
	<b>15,207</b>	12,021	11,547	11,906	7,566	5,315
<b>Total net earnings after taxes*</b> .....	<b>38,346</b>	41,550	35,267	10,830	7,269	(2,762)
<b>Dividends to shareholders</b> .....	<b>4,800</b>	3,600	2,870	2,640	2,450	1,200
<b>Total assets*</b> .....	<b>2,329,656</b>	2,032,158	1,763,380	1,556,741	1,345,264	743,334
<b>Reserves, surplus and share capital</b>						
Participating reserves* .....	<b>28,780</b>	33,433	43,181	13,017	10,012	5,342
Participating general surplus* .....	<b>82,907</b>	63,773	38,816	15,085	10,534	24,230
Non-participating reserves* .....	<b>143,161</b>	170,301	124,922	23,087	23,007	14,538
Non-participating general surplus* .....	<b>71,188</b>	25,001	47,681	57,436	58,181	37,070
Shareholders' capital and surplus .....	<b>3,652</b>	3,634	3,592	3,569	3,533	3,364
	<b>329,688</b>	296,142	258,192	112,194	105,267	84,544
<b>New business</b>						
Individual life amounts .....	<b>2,763,881</b>	2,577,689	2,359,712	2,163,758	1,823,361	818,623
Group life amounts .....	<b>2,947,890</b>	2,965,838	3,139,584	2,518,358	2,325,021	758,568
	<b>5,711,771</b>	5,543,527	5,499,296	4,682,116	4,148,382	1,577,191
Annuity premiums, first year and single ..	<b>110,168</b>	98,284	64,422	61,603	27,429	19,689
Health premiums, first year .....	<b>62,201</b>	59,071	47,244	43,891	33,556	8,494
<b>Business in force</b>						
Individual life amounts .....	<b>14,129,429</b>	12,765,560	11,640,844	10,308,988	9,002,778	4,293,664
Group life amounts .....	<b>19,327,193</b>	19,444,369	16,872,868	14,540,644	12,562,792	3,367,221
	<b>33,456,622</b>	32,209,929	28,513,712	24,849,632	21,565,570	7,660,885
Annuity liabilities* .....	<b>718,265</b>	628,990	514,092	453,609	366,705	159,132
Health total premiums .....	<b>322,435</b>	288,383	237,610	195,727	156,805	34,431
<b>Number of office staff</b> .....	<b>3,177</b>	3,166	3,042	2,961	2,870	1,843
<b>Number of sales offices</b> .....	<b>240</b>	229	221	217	216	204

\*Revisions in accounting practices distort comparison with pre-1978 figures.



# extendicare ltd.

## Divisional Directory

### HEALTH CARE DIVISION — CANADA AND OVERSEAS

**GARY J. CHATFIELD**  
President

**RICHARD A. GARDNER**  
Executive Vice-President

**JACOB BIRBRAGER**  
Senior Vice-President,  
Engineering

**WILLIAM V. MARDIMAE**  
Assistant Vice-President,  
Engineering

One Yonge Street, Suite 900,  
Toronto, Ontario, M5E 1E5  
Telephone: (416) 361-0572  
Telex: 065-24027

#### CANADA

##### Nursing Centres

**STEPHEN R. HAAS**  
Assistant Vice-President

**LARRY W. ODEGARD**  
Assistant Vice-President

**PAUL A. RUSHFORTH**  
Assistant Vice-President

##### Diagnostic Services

**DAWN J. JEFFERY**  
Assistant Vice-President

4949 Bathurst Street,  
Toronto, Ontario, M2R 1Y1  
Telephone: (416) 223-9575

#### OVERSEAS

##### Extendicare Development & Management Ltd.

**ROBERT J. BELL**  
Vice-President

#### HEMOCARE DIVISION

##### Amicare Inc.

**JACQUES KRASNY**  
President

One Yonge Street, Suite 700,  
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Telephone: (416) 361-0572  
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##### Para-Med Division

**KEVIN G. ROXBY**  
Vice-President and General Manager

##### ProtectAlert Division

**WILL B. ROBINSON**  
Vice-President and General Manager

### HEALTH CARE DIVISION — UNITED STATES

#### United Health, Inc.

**J. WESLEY CARTER**  
President

##### Nursing Centres

#### Medco Centers, Inc.

**JOHN A. MOODY**  
President

**CHARLTON A. WOOD**  
Vice-President, Operations

**ROBERT C. JOBES**  
Vice-President, Finance

403 Carpenter Street,  
Evansville, Indiana, 47703, U.S.A.  
Telephone: (812) 422-3231  
Telex: 027-8430

##### Multiphasic Screening

#### United Health Maintenance, Inc.

**MARY M. STRINE**  
Vice-President and General Manager

9017 Red Branch Road, Suite 203,  
Columbia, Maryland, 21045, U.S.A.  
Telephone: (301) 730-9009

#### Industrial Medical Specialities, Inc.

**MICHAEL T. BALASSONE**  
Vice-President and General Manager

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Telephone: (302) 655-1648

##### Diagnostic Services

#### Professional Clinical Laboratories, Inc.

**LEO A. LONG**  
Vice-President and General Manager

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#### INSURANCE

##### Crown Life Insurance Company

**ROBERT C. DOWSETT**  
President

120 Bloor Street East,  
Toronto, Ontario, M4W 1B8  
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#### DATA PROCESSING

##### Datacrown Inc.

**RICHARD G. TAYLOR**  
President

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