C

extendicare ltd.

Annual Report 1979

Financial Highlights

	1979	1978	Change
REVENUE	$85,706,208	$87,320,853	- 1.9%
EARNINGS BEFORE EXTRAORDINARY ITEM	3,904,391	3,233,052	+ 20.8
PROPERTY AND EQUIPMENT	53,155,479	43,358,191	+ 22.6
TOTAL ASSETS	77,551,136	70,104,695	+ 10.6
SHAREHOLDER'S EQUITY	19,703,533	18,040,809	+ 9.2
CASH FLOW FROM OPERATIONS	7,172,334	5,509,258	+ 30.2
PER SHARE			
Earnings Before Extraordinary Item			
Class A	$0.885	$0.825	+ 7.3
Common	$0.810	$0.750	+ 8.0
Cash Flow			
Class A	$1.605	$1.375	+ 16.7
Common	$1.530	$1.300	+ 17.7
SHARES OUTSTANDING			
Class A	2,830,056	2,172,689	+ 30.3
Common	2,015,336	2,172,689	- 7.2
Total	4,845,392	4,345,378	+ 11.5

Shareholders are invited to attend the Company's Annual Meeting at 10 a.m., March 24, 1980 in the Quebec Room of the Royal York Hotel, Toronto.

Chairman's Message

To Our Shareholders:

With the fiscal year ending August 1979, Extendicare is now in its second decade of providing effective, quality health care services. It is interesting to note by contrast that at the end of its first fiscal year - August 1969 - Extendicare owned one nursing centre, had four more under construction, and had total assets of some $7.3 million. As of August 31, 1979, the Company owned and leased 49 facilities and had total assets of $77.6 million. We should all be proud of such progress.

This dramatic growth has elevated Extendicare to a highly prominent position in the health care delivery system. It reflects the increasing demand for our ability to provide a professionally managed, comprehensive range of quality health care services at reasonable costs. We intend to become even more visible to our various publics through a general upgrading of our communications programs.

For the fiscal year under review, Extendicare had consolidatd revenue of $85,706,208, compared with $87,320,853 for the same period in the previous year. The reduction in revenue was attributable to our divestiture of the Hartz Standard Division which, because of concern for a possible emerging conflict of interest, and following an assessment of its potential, was, with your Board of Directors' approval, sold in March, 1979.

Revenue from nursing centres increased from $52,398,838 in fiscal 1978 to $61,086,031 in 1979, and revenue from diagnostic centres and other operations increased from $8,121,228 in 1978 to $11,975,596 in 1979.

Net earnings in the year under review were $1,431,391. Earnings per Class A share before extraordinary item were 88.5 cents, an increase of 7.3% over the previous year. Earnings per common share before extraordinary item were 81 cents, an increase of 8% over the previous year.

Taking into account the extraordinary item, the earnings per Class A share were 34.5 cents, and for common shares 27 cents.

Revenue from nursing centres continues to be your Company's main source of income, and it is expected that this strong base will continue for the forseeable future. As of March 1, 1979, four new nursing homes in Mississippi were acquired, adding 480 licensed beds to our operations. In addition, your Company exercised its option to acquire a nursing centre in Ontario which was previously leased.

Over the next five years, the number of Company-owned and/or managed facilities is expected to increase considerably through the development of new sites, the acquisition of existing homes and rapid expansion of management services for others. As governments and health care institutions strive to find a solution to the problem of providing an acceptable standard of care with fewer available incremental dollars, we are confident that Extendicare's proven record in this area will result in positive results from our continuing efforts in North America and internationally.

The Company's diagnostic services are performed in Canada by medical laboratories in the Toronto area, and in the United States by Professional Clinical Laboratories, Inc.

In Toronto, more than two million tests in 13 labs were conducted in fiscal 1979. This network of facilities, with its reputation for rapid, reliable testing and reporting, will be expanded as selective acquisition and expansion opportunities arise through the development of new and needed services for the community.

Professional Clinical Laboratories offers a comprehensive range of services to hospitals, doctors and individuals. It is the largest diagnostic laboratory in the State of Delaware.

United Health Maintenance, Inc., headquartered in Maryland, operates a fleet of mobile multiphasic screening and testing units in many States. These vehicles, staffed by qualified personnel and equipped with an extensive range of medical equipment, conduct a wide range of on-site tests for employees at plants, stores, office buildings and other work locations.

Because of the benefits derived from early detection of health disorders, this preventive health care service is encouraged by medical professionals and others, for it supports a reduction in the number of patient days in health care institutions.

Para-Med Health Services employs registered nurses, registered nursing aides, male nursing attendants, health care aides and other professional and skilled personnel to provide nursing and special-care services to people in private homes and in health care institutions.

Established in 1974, Para-Med now has offices in Toronto, Ottawa, London, Hamilton and Kingston. The large field staff of full-time and part-time personnel provide care for numerous needs, including family crisis situations, industrial nursing, specialized staff relief for health care institutions, convalescent care and supportive services for senior citizens.

Extendicare Development & Management, established to provide complete administrative programs for any health care institutions, was successful in bringing to fruition in fiscal 1979 negotiations for managing a new 215-bed hospital in Abidjan, in the Ivory Coast of West Africa. The hospital will be the third largest in the city, which is the capital of that country.

This will be your Company's first major overseas venture. The contract follows prolonged discussions to resolve the complex relationships between governments, private enterprise, medical disciplines and hospital management. In addition, the transfer of technology from one country to another, together with the meshing of two different health care systems, is quite complicated.

During fiscal 1979, the Company entered into discussions for the management of facilities in North America, Europe, the Middle East, South America and in Africa. The Company remains confident that important growth potential exists in these areas.

Fiscal 1979 can be described as a year of consolidation and continued growth. The development of Extendicare, and our subsequent prominence in the health services field, is a direct result of our unique ability to provide a wide range of effective services, wherever they are needed. This success would not be possible without the confidence of governments, our shareholders and our employees. The support of these people, in our people-oriented business, is most gratefully acknowledged.

Our second decade holds the promise of even greater opportunities for the Company in its main spheres of operations - ownership or management of nursing centres in Canada and the United States; diagnostic services, providing nursing and other trained health care personnel for private employment; undertaking management services to a variety of health-related organizations; and providing consulting services for governments and private bodies at home and abroad.

However, immediate action is required by governments and the providers of health care in Canada to alleviate the continued pressures on the health care delivery system. Extendicare believes that the health care system is in need of a new style of management more than it needs additional funds. The concept of multi-unit management addresses this issue. This practical concept assigns functional expertise to specific areas, allows all facilities to achieve the highest level of operation by free flow of ideas, and permits the most efficient and effective means of resource planning and utilization.

As one of the largest professional managers of health care facilities in North America, Extendicare is in a strong position to offer to various institutions and organizations the resources of a multi-unit management team with sophisticated systems and the depth of experience and expertise necessary to solve health care administration problems.

Extendicare is proud of its reputation and its record of achievements in the health care field. I have no doubt that our second decade will prove to be as rewarding as our first.

Harold L. Livergant
February 5th, 1980.

Ten Year Financial and Statistical Summary Years Ended August 31

Revenue	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970
Nursing centres	**$61,086,031**	$52,398,838	$42,007,864	$27,152,994	$22,893,296	$17,740,024	$11,192,215	$ 5,677,280	$ 1,412,313	$ 436,996
Medical and surgical supplies	**12,644,581**	26,800,787	23,049,244	21,346,099	22,679,600	13,192,166				
Diagnostic centres and other	**11,975,596**	8,121,228	6,117,376	5,393,957	3,386,475	3,407,829	2,900,319	2,238,353	387,288	269,187
	85,706,208	87,320,853	71,174,484	53,893,050	48,959,371	34,340,019	14,092,534	7,915,633	1,799,601	706,183
Earnings (Loss) before Extraordinary items	**3,904,391**	3,233,052	2,763,720	2,248,805	1,900,553	1,318,028	944,980	205,656	(619,448)	(61,001)
Earnings (Loss) after Extraordinary items	**1,431,391**	3,233,052	2,763,720	2,484,468	1,911,329	1,559,090	1,165,980	396,630	(619,448)	(61,001)
Working capital (deficiency)	**5,073,692**	3,153,874	1,328,746	1,470,468	756,641	1,388,298	(725,082)	(247,083)	534,401	1,694,684
Property and equipment	**53,155,479**	43,358,191	41,414,368	28,633,533	29,793,775	26,402,697	22,921,070	17,832,407	14,423,899	7,485,832
Total assets	**77,551,136**	70,104,695	64,952,382	46,523,212	45,980,175	41,933,178	28,741,679	22,613,422	19,818,109	10,540,504
Shareholders' equity	**19,703,533**	18,040,809	13,767,003	11,424,385	9,258,440	7,646,154	3,868,184	2,721,031	2,324,401	2,943,849
Cash flow (deficiency) from operations	**$ 7,172,334**	$ 5,509,258	$ 4,993,318	$ 3,547,713	$ 3,693,021	$ 3,170,727	$ 2,471,325	$ 897,752	$ (370,873)	$ (5,028)
Per Share										
Earnings (Loss) before Extraordinary items										
Common (before continuance)		$1.57	$1.36	$1.12	$0.96	$0.80	$0.59	$0.13	$(0.38)	$(0.04)
Class A	**$0.885**									
Common	**0.810**									
	$1.695									
Earnings (Loss) after Extraordinary items										
Common (before continuance)		$1.57	$1.36	$1.24	$0.97	$0.95	$0.72	$0.25	$(0.38)	$(0.04)
Class A	**$0.345**									
Common	**0.270**									
	$0.615									

	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970
Dividends paid										
Common (before continuance)	$0.100	$0.33	$0.26	$0.22	$0.18	$0.11	$0.01			
Class A	0.225									
Common	0.150									
	$0.475									
Shares outstanding										
Common (before continuance)		2,172,689	2,048,678	2,025,365	1,998,090	1,988,040	1,613,850	1,610,000	1,610,000	1,610,000
Class A	2,830,056									
Common	2,015,336									
Operational beds	5,945	5,438	5,455	3,368	3,519	3,141	2,684	1,824	809	639
Available patient days	2,071,218	2,010,668	1,782,407	1,230,360	1,202,382	1,146,465	809,420	443,398	181,064	67,901
Earned patient days	2,001,072	1,901,915	1,707,885	1,199,602	1,160,179	1,036,897	726,050	386,200	103,750	41,920
Occupancy percentage	96.6%	94.6%	95.8%	97.5%	96.5%	90.4%	89.7%	87.1%	57.3%	61.7%

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.

Consolidated Balance Sheet

as at August 31, 1979

extendicare ltd.

(Incorporated under the laws of Canada)

Assets

	1979	1978
CURRENT		
Cash	$ 577,701	$ 342,823
Short-term investments	5,445,850	-
Accounts receivable	6,593,918	10,384,812
Income taxes recoverable	726,605	-
Supplies and prepaid expenses	2,005,912	1,760,526
Inventory for resale	-	5,465,398
	15,349,986	17,953,559
PROPERTY AND EQUIPMENT (note 4)	53,155,479	43,358,191
OTHER		
Mortgages receivable	2,011,472	858,322
Other assets (note 5)	1,689,288	1,246,778
Deferred charges	420,573	659,330
Goodwill	4,924,338	6,028,515
	9,045,671	8,792,945
	$77,551,136	$70,104,695

Liabilities

	1979	1978
CURRENT		
Bank indebtedness (note 6)	$ 321,750	$ 2,289,211
Accounts payable and accrued liabilities	5,885,998	8,027,711
Income taxes payable	–	577,039
Principal due within one year on non-current liabilities (note 6)	3,116,134	3,099,328
Deferred income taxes	952,412	806,396
	10,276,294	14,799,685
NON-CURRENT LIABILITIES (note 6)	43,482,961	34,050,116
DEFERRED INCOME TAXES	3,626,060	2,694,475
MINORITY INTEREST	462,288	519,610

Shareholders' Equity

CAPITAL STOCK (note 7)		
Issued and fully paid	8,967,169	6,773,307
Amount for which shares are to be issued	–	825,600
	8,967,169	7,598,907
RETAINED EARNINGS (note 7)	10,736,364	10,441,902
	19,703,533	18,040,809
	$77,551,136	$70,104,695

Approved by the Board

Director H. L. Swergant

Director J. A. Bradshaw

Consolidated Statement of Earnings

Year Ended August 31, 1979

	1979	1978
REVENUE		
Nursing centres	$61,086,031	$52,398,838
Medical and surgical supplies	12,644,581	26,800,787
Diagnostic centres and other	11,975,596	8,121,228
	85,706,208	87,320,853
EXPENSES		
Operating	64,329,366	70,331,240
General and administrative	7,003,161	5,243,520
Interest on non-current liabilities	4,468,793	3,433,654
Depreciation	2,357,262	1,879,317
Amortization	221,493	322,049
	78,380,075	81,209,780
EARNINGS BEFORE THE UNDERNOTED	7,326,133	6,111,073
INCOME TAXES		
Current	2,500,128	2,526,678
Deferred	879,895	276,068
	3,380,023	2,802,746
EARNINGS BEFORE MINORITY INTEREST AND EXTRAORDINARY ITEM	3,946,110	3,308,327
Minority interest	41,719	75,275
EARNINGS BEFORE EXTRAORDINARY ITEM	3,904,391	3,233,052
Provision for loss on sale of division (note 8)	2,473,000	–
NET EARNINGS	$ 1,431,391	$ 3,233,052
EARNINGS PER SHARE (note 9)		
Before extraordinary item		
Class A	$0.885	$0.825
Common	$0.810	$0.750
After extraordinary item		
Class A	$0.345	$0.825
Common	$0.270	$0.750

Consolidated Statement of Retained Earnings

Year Ended August 31, 1979

	1979	1978
BALANCE AT BEGINNING OF YEAR AS PREVIOUSLY REPORTED	$10,272,902	$ 7,825,131
Adjustment due to change in method of foreign currency translation (note 2)	169,000	74,000
BALANCE AT BEGINNING OF YEAR AS RESTATED	10,441,902	7,899,131
Net earnings	1,431,391	3,233,052
	11,873,293	11,132,183
Dividends	1,136,929	690,281
BALANCE AT END OF YEAR	$10,736,364	$10,441,902

Consolidated Statement of Changes in Financial Position

Year Ended August 31, 1979

	1979	1978
WORKING CAPITAL DERIVED FROM		
Operations	$ 7,172,334	$5,509,258
Proceeds from sale of assets	78,631	314,675
Non-current liabilities assumed	7,340,151	2,819,690
Issue of shares		
For cash on exercise of stock options and warrants	1,284,912	770,011
On conversion of notes	–	135,459
	15,876,028	9,549,093
WORKING CAPITAL APPLIED TO		
Additions to property and equipment	2,840,159	2,836,644
Acquisition of businesses (note 3)	3,483,000	572,180
Dividends	1,136,929	690,281
Reduction in non-current liabilities	4,561,042	3,429,150
Reduction in working capital on disposition of Division (note 8)	1,472,509	–
Other items	462,571	195,710
	13,956,210	7,723,965
INCREASE IN WORKING CAPITAL	1,919,818	1,825,128
WORKING CAPITAL AT BEGINNING OF YEAR	3,153,874	1,328,746
WORKING CAPITAL AT END OF YEAR	$ 5,073,692	$3,153,874

Notes to Consolidated Financial Statements

Year Ended August 31, 1979

1. **SUMMARY OF ACCOUNTING POLICIES**
The significant accounting policies of Extendicare Ltd. and 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 financial statements include the accounts of the Company and all its subsidiary companies. The principal operating subsidiaries and the Company's ownership therein are as follows:

	OWNERSHIP
United Health Maintenance, Inc.	90%
Medco Centers, Inc.	95%
Medco Centers (Mississippi), Inc.	100%
Professional Clinical Laboratories, Inc.	100%

(b) FOREIGN CURRENCY TRANSLATION
Revenues and expenses are translated at rates of exchange prevailing during the year. Assets and liabilities are translated at the exchange rate in effect at the balance sheet date.

There were no significant translation gains or losses during the year.

(c) PROPERTY AND EQUIPMENT
Property and equipment is stated at historical cost. Provisions for depreciation are computed by either the straight line method or 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.

The related leasehold interest included in other assets is stated at cost and is amortized on a straight line basis over the term of the lease.

(d) DEFERRED CHARGES
It is the policy of the Company to defer revenues and operating expenses of new nursing centres and new division operations 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 five years.

(e) GOODWILL
Goodwill arises from the excess of purchase price for businesses over the fair value of assets acquired at the dates of acquisition.

Goodwill acquired subsequent to April 1, 1974 is amortized to earnings on a straight line basis over 40 years. Goodwill acquired prior to that date is carried in the accounts at cost without amortization.

(f) INCOME TAXES
The Company follows the deferral method of income tax allocation.

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 U.S. federal income tax returns on a cash basis while the financial statements recognize revenues and expenses on an accrual basis.

(g) REVENUE
The fees charged by the Company for its nursing home facilities 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 home facilities 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.

(h) COMPARATIVE FIGURES
Certain 1978 figures provided for comparative purposes have been reclassified to conform with the presentation used in the current year.

2. ACCOUNTING CHANGE

In 1979, the Company changed its method of foreign currency translation to that described in note 1. This change resulted in an increase in consolidated net earnings of $230,000 in the year ended August 31, 1979. The effect on consolidated net earnings as reported in prior years is a $169,000 increase of which $95,000 is applicable to the year 1978. Prior period data have been restated to reflect this accounting change.

3. ACQUISITIONS

On September 1, 1978 the Company exercised its option to acquire a nursing centre in Ontario which was previously leased.

Effective March 1, 1979 the Company acquired four nursing centres in the state of Mississippi.

These transactions have been accounted for by the purchase method.

The net assets obtained in these acquisitions are as follows:

Property and equipment	$ 9,721,000
Non-current liabilities assumed	6,238,000
Cash consideration given	$ 3,483,000

4. PROPERTY AND EQUIPMENT

	1979	1978
Land	$ 4,287,105	$ 3,921,496
Buildings	45,998,429	35,732,136
Furniture and equipment	10,795,794	8,624,230
Leasehold improvements	764,906	739,760
	61,846,234	49,017,622
Accumulated depreciation	9,058,524	7,451,087
	52,787,710	41,566,535
Construction in progress	367,769	1,791,656
	$53,155,479	$43,358,191

5. OTHER ASSETS

	1979	1978
Loans to officers and employees	$ 873,600	$ 813,500
Leasehold interest, less amortization	330,834	344,205
Notes receivable and deposits	359,676	44,763
Sundry, at cost	125,178	44,310
	$ 1,689,288	$ 1,246,778

6. BANK INDEBTEDNESS AND NON-CURRENT LIABILITIES

	1979	1978
EXTENDICARE LTD. AND CANADIAN SUBSIDIARIES:		
Mortgages, 7-3/8% to 11-3/4% maturing through to 2007	$20,930,047	$19,254,907
8-1/2% Sinking Fund Debentures, due 1984	1,451,000	1,768,000
Bank loans at interest rates varying with New York bank prime (U.S. $1,621,000)	1,896,570	2,096,000
Promissory notes, various rates to 8% maturing through to 1981	91,153	251,805
UNITED STATES SUBSIDIARIES:		
Mortgages payable, 6% to 11% maturing through to 1999 (U.S. $8,330,706)	9,746,926	5,029,433
Notes payable, 6% to 11% maturing through to 1983 (U.S. $992,597)	1,161,338	2,416,015
Lease purchase and sales contracts payable, various rates to 11% maturing through to 1993 (U.S. $1,891,273)	2,212,788	2,457,284
Bank loans at interest rates varying with New York bank prime, maturing through to 1986 (U.S. $7,785,704)	9,109,273	3,876,000
	46,599,095	37,149,444
Less principal due within one year and included in current liabilities	3,116,134	3,099,328
	$43,482,961	$34,050,116

The weighted average annual interest rate of all non-current liabilities is approximately 10.8%.

Substantially all assets of the companies are mortgaged or pledged as security on bank indebtedness or non-current liabilities.

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

1980	$3,116,134
1981	8,044,925
1982	2,503,382
1983	2,867,417
1984	1,633,754

7. SHAREHOLDERS' EQUITY

On January 15, 1979 the Company was continued under the Canada Business Corporations Act and its Charter was amended. As a result the authorized capital of the Company consists of:

(i) an unlimited number of preferred shares without nominal or par value, issuable in series;

(ii) an unlimited number of non-voting Class A shares without nominal or par value; and

(iii) an unlimited number of convertible common shares without nominal or par value.

The previously authorized but unissued preferred shares of the par value of ten dollars ($10) each and the previously authorized but unissued common shares without nominal or par value were cancelled and each of the previously issued and outstanding common shares without nominal or par value was subdivided into one Class A share and one common share.

The Class A shares and the common shares are similar to each other in all respects except that:

(i) the Class A shares are non-voting while the common shares are voting;

(ii) 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;

(iii) after the preferential dividends on the Class A shares referred to in (ii) have been declared in each financial year of the Company and their payment authorized within such financial year, the Class A shares and common shares participate equally share for share in all further dividends during such financial year; and

(iv) the common shares are convertible into Class A shares on a one for one basis but the Class A shares are not convertible into common shares.

A summary of transactions involving share capital is as follows:

	Before Continuance		After Continuance			
	Common		Class A		Common	
	Number	Amount	Number	Amount	Number	Amount
Issued and fully paid September 1, 1978	2,172,689	$6,773,307				
Issued in connection with acquisition, effective July 1, 1978, of Professional Clinical Laboratories, Inc.	68,800	825,600				
Exercise of warrants and options to January 15, 1979	8,350	56,449				
	2,249,839	7,655,356				
Cancellation and subdivision on continuance	(2,249,839)	(7,655,356)	2,249,839	$3,827,678	2,249,839	$3,827,678
Exercise of warrants and options			166,353	614,906	165,753	613,557
Conversions of common shares			407,060	753,468	(407,060)	(753,468)
Additional consideration issued in connection with acquisition of Professional Clinical Laboratories, Inc.			6,804	41,675	6,804	41,675
Issued and fully paid August 31, 1979			2,830,056	$5,237,727	2,015,336	$3,729,442

Under a bank debenture the Company has agreed, unless otherwise consented to by the bank, to restrict dividends to 50% of the Company's earnings before extraordinary items.

The Company has at the present time reserved 103,829 Class A and 104,429 common shares for issuance to officers and key employees under the Company's Employee Stock Option Plans. To August 31, 1979, 55,855 Class A shares and 55,255 common shares have been exercised, 23,600 Class A shares and 24,200 common shares were optioned to officers and 10,729 of each of Class A and common shares to other employees at prices ranging from $2.13 to $6.25 per share with varying expiry dates to January, 1989.

8. **EXTRAORDINARY ITEM**
Effective March 1, 1979 the Company sold the assets and business of its Hartz Standard Division. The provision for loss of $2,473,000 is net of income tax reductions of $1,090,000.

9. **EARNINGS PER SHARE**
Earnings per share for the year ended August 31, 1978 have been restated to reflect:
   (i) the subdivision of each of the previously issued and outstanding common shares into one Class A share and one common share on the same basis as the current year; and
   (ii) the allocation of preferential dividends amounting to 7.5 cents per Class A share.

10. **LONG TERM LEASES**
The Company has lease commitments with terms expiring up to 2005, exclusive of renewals. Maximum rentals to be charged to earnings are as follows:

For the year:

1980	$1,095,000
1981	1,040,000
1982	979,000
1983	883,000
1984	694,000
1985 and thereafter	4,190,000
	$8,881,000

During the year ended August 31, 1979 rent expense of $1,324,000 has been charged to operations.

11. **CONTINGENT LIABILITIES**
   (a) The Company is liable as a guarantor in respect of a first mortgage on a nursing home sold by a subsidiary during 1976. The principal balance outstanding under this mortgage at August 31, 1979 was approximately $1,520,000.
   (b) The Company, under certain circumstances, may be required to acquire, at a price based upon a multiple of earnings, the remaining 10% minority interest in United Health Maintenance, Inc.
   (c) The Company and its 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 subsidiaries have defenses against all significant claims and accordingly, no provision has been made in the financial statements in respect of these claims.

Auditors' Report

To the Shareholders of Extendicare Ltd.

We have examined the consolidated balance sheet of Extendicare Ltd. as at August 31, 1979 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at August 31, 1979 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, after giving retroactive effect to the change in the method of foreign currency translation as described in note 2, on a basis consistent with that of the preceding year.

Toronto, Canada
November 16, 1979

Thorne Riddell
Chartered Accountants

Board of Directors, Officers and Advisory Personnel

extendicare ltd.

Board of Directors

*Harold L. Livergant
Chairman of the Board and President

*James A. Bradshaw, Q.C.
Solicitor, Campbell, Godfrey & Lewtas

†The Hon. Sidney L. Buckwold
Senate of Canada

†H. Michael Burns
Chairman, Crown Life Insurance Company Limited

*H. Hoyle Campbell, M.D.
Surgeon

†William E. Hewitt
Manager Pension Investments, Imperial Oil Limited

†Charles S. MacNaughton
Director of Several Corporations

*Derril G. McLeod, Q.C.
Solicitor, Pedersen, Norman, McLeod & Todd

Carole Pulver

J. Russell Scott, M.D.
Physician

Martin D. Shyba
Chairman, Hartz Standard (1979) Ltd.

*Jean-Paul Tessier
President, BGL Construction Ltd.

*Executive Committee Member
†Audit Committee Member

Officers

Harold L. Livergant
Chairman of the Board and President

J. Wesley Carter
Executive Vice-President

Jacob Birbrager
Senior Vice-President, Engineering

Richard A. Gardner
Senior Vice-President, Administration

Jacques Krasny
Senior Vice-President, Management and Development

Winston Ling
Senior Vice-President, Finance

Gerald P. Hiebert
Vice-President and General Manager, Canadian Health Care Division

Donald P. Schurman
Vice-President, Canadian Health Care Division

Michael R. Kordyback
Treasurer

Richard L. Bertrand
Controller

Benjamin J. Hutzel
Secretary

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.
R.K. Murray, M.B., Ch.B., M.S., Ph.D.
P.K. O'Brien, M.B., F.R.C.P.(C), M.R.C.(PATH)
F. Burns Roth, M.D.
L. Roth-Moyo, B.Sc., M.D., F.R.C.P.(C)
E.C. Shortliffe, M.C., F.A.C.H.A.
F.O. Wishart, M.D., D.P.H., C.R.C.P.
J.S. Wootliff, F.R.C.P.(C), M.B., M.R.C.(PATH)

Transfer Agents for Class A and Common Shares

Montreal Trust Company

Auditors

Thorne Riddell

Legal Counsel

Campbell, Godfrey & Lewtas

Bankers

Bank of Montreal

Corporate Directory

Canada

CORPORATE OFFICE AND CANADIAN HEALTH CARE DIVISION HEAD OFFICE

One Yonge Street, Suites 700 and 900,
Toronto, Ontario, M5E 1E5
Telephone (416) 361-0572 Telex 065-24027

Nursing centres operated by Extendicare:

ONTARIO

Haliburton	Ottawa-Starwood
Kingston	Peterborough
London	Port Stanley
Mississauga	St. Catharines
Oakville	Sudbury
Oshawa	Toronto - Highbourne
Ottawa - Medex	Toronto - North York
Ottawa - New Orchard	Toronto - Scarborough

SASKATCHEWAN

Moose Jaw	Regina - Sunset Drive
Regina - Parkside	Saskatoon
Regina - Rae Street	

Nursing centres and hospitals operated by Extendicare for others:

Kiwanis Villa - Victoria, B.C.
Frank Eliason Centre (hospital) - Saskatoon, Sask.
Radville Community Hospital and Marian Home - Radville, Sask.
Country Village - Woodslee, Ontario
Hyde Park Nursing Home - Guelph, Ontario
Tendercare Nursing Home - Sault Ste. Marie, Ontario

Diagnostic Services
Director: DAWN J. JEFFERY

Technical Director: ALEXANDER SESLER

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

12 locations in Metropolitan Toronto

Para-Med Personnel Services Ltd.
Director: HELEN L. TAPE

55 Queen Street East
Suite 704, Toronto, Ontario M5C 1R6
Telephone: (416) 864-9575

Branch Offices in:
Hamilton, Kingston, London, Ottawa, Toronto

United States

Nursing Centres
MEDCO CENTERS, INC.
President: JOHN A. MOODY
Senior Director of Operations:
CHARLTON A. WOOD
Director of Finance: ROBERT C. JOBES

405 Carpenter Street, Evansville, Indiana 47703
Telephone: (812) 422-3231

Nursing centres operated by Medco:

INDIANA

Chandler	French Lick - Center
Elkhart	Huntingburg
Evansville - North	Loogootee
Evansville - McCurdy	Mount Vernon
French Lick - Annex	Newburgh

KENTUCKY

Bowling Green	Frankfort	Owensboro
Brandenburg	Franklin	Paducah
Campbellsville	Hardinsburg	Pembroke
Elizabeth Town	Henderson	Springfield
Fordsville	Morganfield	

MISSISSIPPI

Canton Clarksdale Clinton Starksville

Nursing centres operated by Medco for others:
Clarksville & Danville, Indiana

Multiphasic Screening and Testing
UNITED HEALTH MAINTENANCE INC.
President: KENNETH L. BLUM
Vice-President, Operations: MARY STRINE

9017 Red Branch Rd.
Suite 203, Columbia, Maryland 21045
Telephone: (301) 730-9009

Diagnostic Services
PROFESSIONAL CLINICAL LABORATORIES, INC.
General Manager: LEO A. LONG
Technical Director: ROSE HILGER

1701 Shallcross Avenue
Wilmington, Delaware 19806
Telephone: (302) 575-0570 and 655-7268

Locations throughout the State of Delaware

International

EXTENDICARE DEVELOPMENT & MANAGEMENT LTD.
Vice-President: ROBERT J. BELL
Manager, Abidjan, Ivory Coast: J. ALBERT LAVOIE