C

EXTENDICARE

1995 Annual Report

Contents

Cover
Mrs. Dorothy Foxwell, a resident at Extendicare/Bayview in Willowdale, Ontario, enjoys a visit from Toby, a popular guest at the nursing centre.

A Commitment to Excellence

Extendicare Inc. provides a wide array of health care services through wholly owned United Health, Inc. in the United States, Extendicare (Canada) Inc. in Canada, and Extendicare (U.K.) Limited in the United Kingdom.

Today, over 33,700 Extendicare employees are committed to providing high-quality, cost-effective health care services to more than 26,600 residents in 252 nursing centres, hospitals and assisted living centres. Extendicare provides institutional pharmacy and medical services and supplies to over 30,500 clients. The Corporation also offers subacute care and rehabilitative therapy services in the United States, and home care rehabilitative services and institutional health care management in Canada.

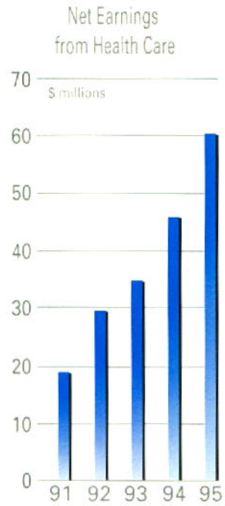
Our goal is to be the first choice for health care in each of the communities we serve. The Corporation's continued growth is the measure of our success in meeting health care needs and expectations.

Financial Highlights

(thousands of dollars except per share amounts)	1995	1994
Revenue	1,375,990	1,244,823
Earnings before depreciation, rent, interest and income taxes	173,561	149,641
Net earnings from health care before undernoted	57,315	45,766
Note receivable realized in excess of book value	3,121	
Net earnings from health care	60,436	45,766
Share of earnings of Crown Life	9,480	8,704
Net earnings	69,916	54,470
Earnings per Non-voting Class A Share		
Health care operations before gain realized on note receivable and after preferred share dividends	0.75	0.59
Gain realized on note receivable	0.05	
Life insurance	0.14	0.14
	0.94	0.73

Message to Shareholders

We are pleased to report that your Corporation achieved another year of record revenues and earnings. Highlights of our financial results are on the previous page. Additional details including Financial and Statistical Information, Management's Discussion and Analysis of 1995, and the Consolidated Financial Statements are found on pages 16 through 43 of this report.



Health care is a demanding profession, but one that is personally rewarding. Our employees have the knowledge and skills to compete effectively in diverse health care markets. Their efforts and willingness to work diligently to fulfill the goals established for the Corporation are reflected not only in this year's record revenues and earnings, but in the confidence with which we face the future. Since our founding in 1968, we have never lost sight of our goal to provide high-quality, cost-effective health care services, programs and products to consumers of all ages in the markets we serve.

In the past year, we achieved significant growth in the United States through expanded rehabilitative therapy capacity at many of our facilities. This expansion includes state-of-the-art equipment, and offers both inpatient services to clients who require skilled nursing and subacute care, and outpatient services to clients who formerly received care in hospital therapy settings at significantly higher cost.

David J. Hennigar and Frederick B. Ladly

Our growth in these ancillary services allows us to meet the needs of an ever-broadening range of patients outside of the traditional nursing home setting, to increase our revenue, and to expand the scope and range of services that we provide to a community through a single facility. It also allows us to increase utilization of the supplies and services provided by our UPC Health Network and open the opportunity for affiliations and associations with other health care providers. Much of this expansion and growth has been driven by our ability to successfully meet the needs of our customers, whether they are a patient, medical doctor, health maintenance organization, managed care organization or insurance company.

During the past year, Extendicare continued to expand its operations through acquisition, construction and upgrading of facilities, primarily in the United States and the United Kingdom. During 1995, we acquired nine nursing centres (including three that were previously leased), a 60 percent interest in an institutional pharmacy partnership, and a 51 percent interest in a rehabilitative therapy business, for a total of $38.1 million. The Corporation also completed construction of and opened five assisted living centres, one nursing centre, four nursing centre additions and 17 therapy unit additions. The Corporation is continuing an active expansion program which includes construction of nursing centres, assisted living centres, and therapy unit additions. In December 1995, your Board of Directors approved further construction projects costing $71 million, which will be completed through 1996 and early 1997. In January 1996, we acquired three nursing centres in the United States, one of which was previously leased.

Extendicare is constantly evaluating opportunities within the health care field and monitoring government decisions which may impact various segments of our business. We have been proactive in discussions concerning regulatory changes, and many of our employees continue to participate in special panels and commissions to ensure that final regulations are fair to both provider and consumer.

In late 1995, there was a great deal of debate in the United States regarding the future direction and funding of Medicare and Medicaid, the two primary sources for funding of health care services for the elderly. This debate started with a number of radical proposals that would have had a severe impact on the health care industry's ability to meet the needs of its clients. At the beginning of 1996, the scope of the debate was reduced, and it would now appear that the overall impact of any final compromise will not significantly impact the Corporation's operations.

During the year, Extendicare successfully completed offers to purchase Class I, Series 2, 3 and 4 Preferred Shares, and Class II, Series 1 Preferred Shares for Non-voting Class A Shares which has the effect of reducing annual preferred share dividend requirements to $3.4 million at current interest rates. During 1995, United Health issued US$40 million of private placement mortgage notes, the proceeds of which were used to repay bank loans. Subsequent to December 31, 1995, United Health reached agreement for a private placement of an additional US$40 million of mortgage notes. It is expected that this financing will be completed in the first quarter of 1996. In addition, during 1995, your Corporation expanded its bank lines of credit in the United States and the United Kingdom for purposes of funding acquisitions and construction. United Health increased its bank lines of credit to US$75 million, and Extendicare (U.K.) Limited increased its bank lines of credit to £15 million.

In February 1995, Dr. Seth B. Goldsmith was appointed to the Corporation's Board of Directors. Dr. Goldsmith is Professor, Graduate Program in Health Policy and Management, School of Public Health at the University of Massachusetts. At its 1995 annual shareholders' meeting, the Corporation announced the retirement of two members of the Board of Directors: Marsh A. Cooper, and Robert N. Granger. Mr. Cooper had served on the Board since April 21, 1981, and Mr. Granger since October 8, 1980. The Board recognizes their significant contributions over the years in the growth of our Corporation. At the same time, three new directors were elected: Derek H.L. Buntain, President and Chief Executive Officer, Goodman & Company (Bermuda) Limited; Dr. Joy D. Calkin, Vice-President (Academic) and Provost, Professor, Faculty of Nursing, The University of Calgary; and George S. Dembroski, Vice-Chairman, RBC Dominion Securities Limited. Effective January 1, 1996, two senior management changes were announced: Frederick B. Ladly, formerly President and Chief Executive Officer, was appointed Chief Executive Officer and Deputy Chairman of the Board; and J. Wesley Carter, formerly Executive Vice-President and Chief Operating Officer, was appointed President and Chief Operating Officer.

Extendicare has always built on its past and looked to the future. As we near the end of the twentieth century, we are clearly focused on the opportunities that lie ahead. On behalf of the Board of Directors and shareholders, we would like to thank the 33,700 employees of Extendicare and its subsidiaries in the United States, Canada and the United Kingdom for their dedication and commitment in the provision of high-quality health care programs, products and services. Each day, their efforts touch the lives of thousands of individuals.

To all those who contribute to the making of our excellent reputation every day, our sincere thanks. To our shareholders, thank you for your continuing support and encouragement. The future is bright. We are living in a period of rapid change which creates opportunities for those who are willing to accept the challenge.

David Hennigar

David J. Hennigar
Chairman

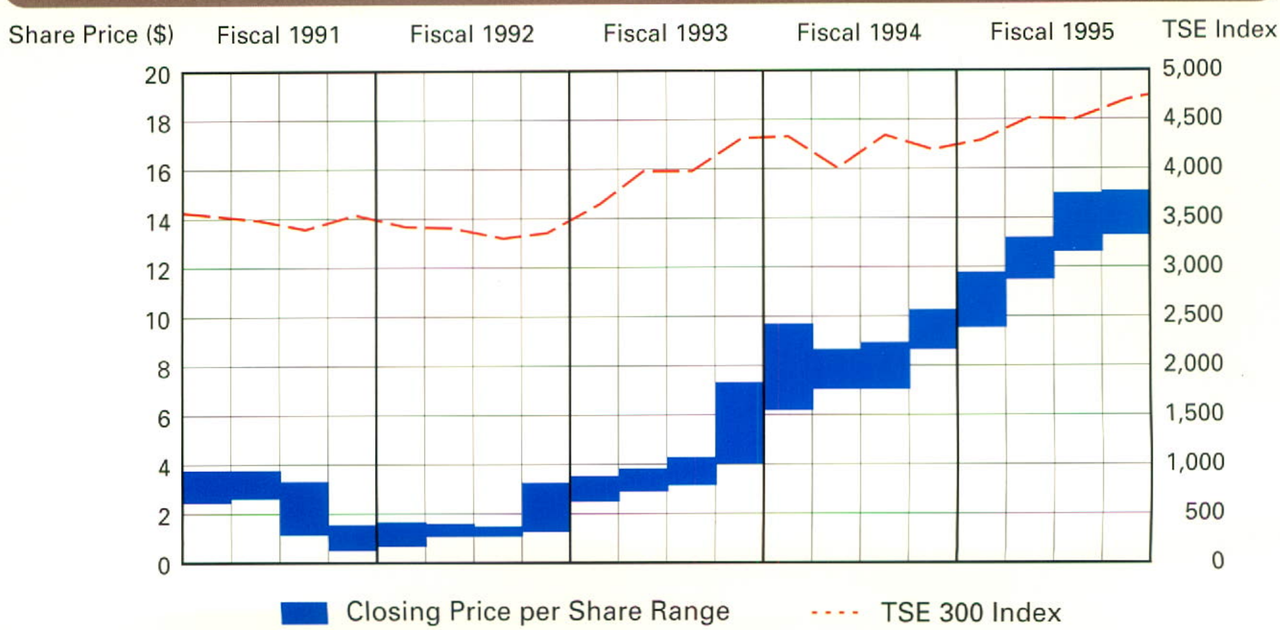
Frederick B Ladly

Frederick B. Ladly
Chief Executive Officer
and Deputy Chairman

Quarterly Financial Information

(thousands of dollars except per share amounts)	1st	2nd	3rd	4th	Total
Fiscal 1995					
Revenue	336,607	335,945	343,170	360,268	1,375,990
Earnings before depreciation, rent, interest, and income taxes	40,992	43,012	43,650	45,907	173,561
Earnings from operations	17,801	19,964	20,110	21,446	79,321
Net earnings from health care	16,328	14,370	14,523	15,215	60,436
Share of earnings of Crown Life	1,662	2,925	2,521	2,372	9,480
Net earnings	17,990	17,295	17,044	17,587	69,916
Earnings per Non-voting Class A Share					
Health care operations after preferred share dividends	0.22	0.19	0.19	0.20	0.80
Net earnings	0.25	0.23	0.23	0.23	0.94
Fiscal 1994					
Revenue	292,577	306,815	322,101	323,330	1,244,823
Earnings before depreciation, rent, interest, and income taxes	34,254	36,583	39,522	39,282	149,641
Earnings from operations	13,463	14,923	17,625	16,230	62,241
Net earnings from health care	10,046	11,076	11,678	12,966	45,766
Share of earnings of Crown Life	955	1,836	2,499	3,414	8,704
Net earnings	11,001	12,912	14,177	16,380	54,470
Earnings per Non-voting Class A Share					
Health care operations after preferred share dividends	0.13	0.14	0.15	0.17	0.59
Net earnings	0.14	0.17	0.19	0.23	0.73

Quarterly Trading History of Extendicare Inc. Non-voting Class A Shares

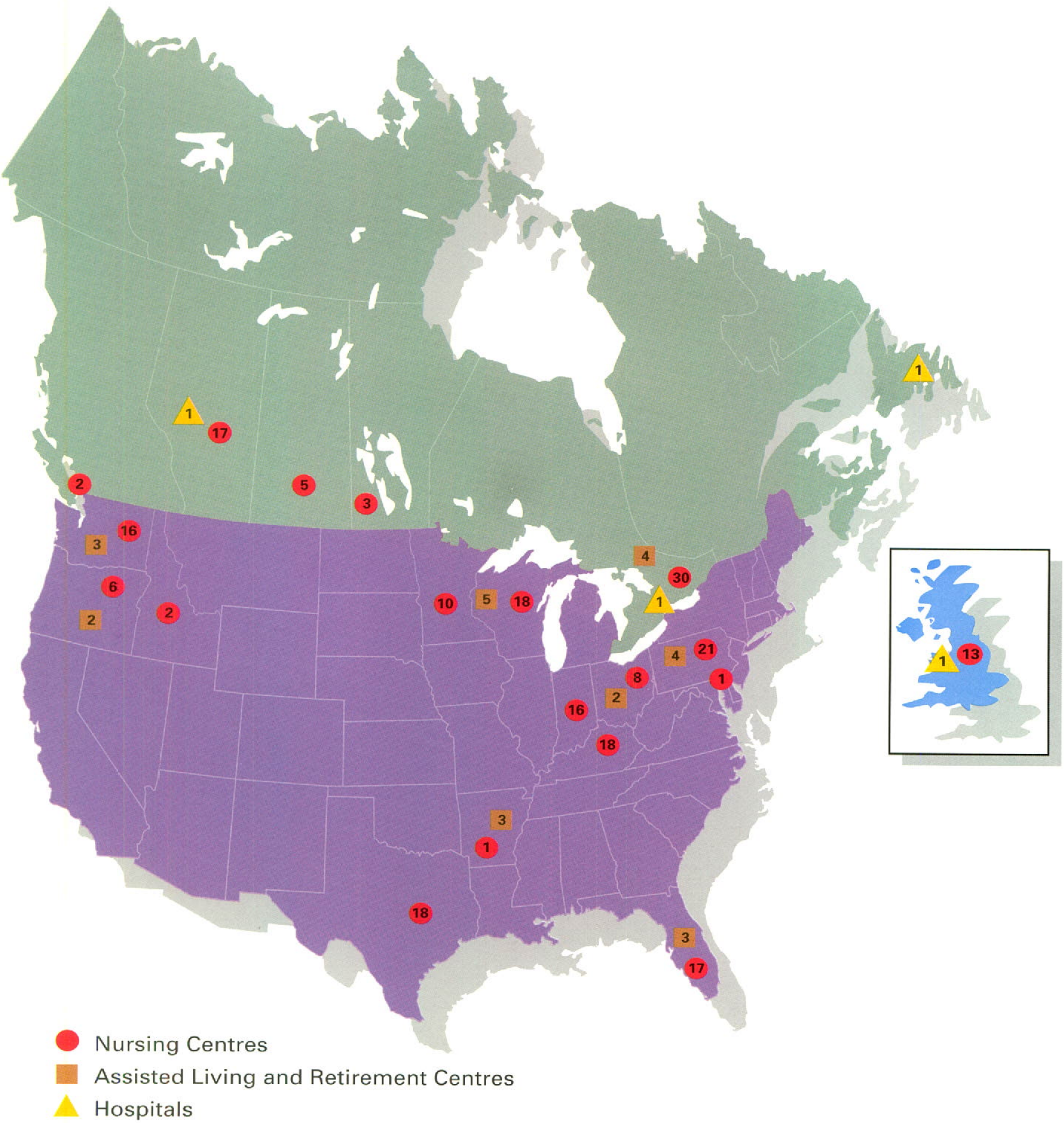


Volume of Shares Traded (millions)

4.0	3.6	2.9	4.4	4.6	1.5	1.7	8.2	7.4	5.7	6.0	22.8	28.6	10.7	5.7	6.7	10.3	12.1	12.0	5.9

Extendicare at a Glance

Extendicare Facilities



Extendicare at a Glance

Extendicare Inc. Facilities and Resident Capacity as at December 31, 1995

	Owned		Leased		Managed		Total	
	Facilities	Resident Capacity	Facilities	Resident Capacity	Facilities	Resident Capacity	Facilities	Resident Capacity
Arkansas	4	287	-	-	-	-	4	287
Florida	20	2,024	-	-	-	-	20	2,024
Idaho	1	130	1	122	-	-	2	252
Indiana	10	1,044	6	689	-	-	16	1,733
Kentucky	18	1,508	-	-	-	-	18	1,508
Maryland	1	132	-	-	-	-	1	132
Minnesota	10	1,418	-	-	-	-	10	1,418
Ohio	7	544	3	351	-	-	10	895
Oregon	5	356	3	254	-	-	8	610
Pennsylvania	20	2,205	-	-	5	430	25	2,635
Texas	5	723	13	1,025	-	-	18	1,748
Washington	15	1,740	4	436	-	-	19	2,176
Wisconsin	23	2,007	-	-	-	-	23	2,007
Total United States	**139**	**14,118**	**30**	**2,877**	**5**	**430**	**174**	**17,425**
Alberta	14	1,208	-	-	4	462	18	1,670
British Columbia	1	75	-	-	1	12	2	87
Manitoba	2	458	-	-	1	120	3	578
Newfoundland	-	-	-	-	1	408	1	408
Ontario	27	4,097	-	-	8	893	35	4,990
Saskatchewan	5	654	-	-	-	-	5	654
Total Canada	**49**	**6,492**	**-**	**-**	**15**	**1,895**	**64**	**8,387**
Total United Kingdom	**13**	**793**	**-**	**-**	**1**	**77**	**14**	**870**
TOTAL	**201**	**21,403**	**30**	**2,877**	**21**	**2,402**	**252**	**26,682**

Facilities by Type

	United States		Canada		United Kingdom		Total	
	Facilities	Resident Capacity	Facilities	Resident Capacity	Facilities	Resident Capacity	Facilities	Resident Capacity
Nursing Centres	152	16,551	57	7,412	13	835	222	24,798
Assisted Living and Retirement Centres	22	874	4	374	-	-	26	1,248
Hospitals	-	-	3	601	1	35	4	636
TOTAL	**174**	**17,425**	**64**	**8,387**	**14**	**870**	**252**	**26,682**

Focus on Service

Extendicare is committed to providing superior health care services that meet the physical, emotional and psychological needs of residents, patients and clients with dignity and respect.

The demanding standards of service are met by our employees in a variety of ways. Mark Dischinger, a Registered Nursing Assistant in Robbinsdale, Minnesota, expresses his perspective of service as follows:

"I see the people I work with doing their best to provide quality care. As a member of that health care team, I am encouraged by their best efforts and am challenged to make my contributions similarly encouraging. Achieving excellence is contagious . . . my main motivation for achieving excellence is that it is rewarding. One night about a year ago, a young man with a traumatic brain injury awoke very distressed and crying out. In trying to discover the source of distress, the nurse's questioning eliminated physical pain as a possibility. "Was it a bad dream?" she asked. "No", he replied. "Was it a good dream?" I offered, with a helpless sense of sympathetic levity. He nodded, "Yes" and the gravity of his situation hit. Like me, these people have hopes and fears, dreams and memories, but often they find themselves living a nightmare. I have the privilege of being a calming, reassuring, supportive and caring presence in that nightmare. That motivates me to do my best."

Indicative of the Corporation's success in achieving its service goals are the numerous letters from families that Extendicare receives every year:

"There is no way to say 'Thank You' that would fully express the gratitude that our family feels toward you...the wonderful people of Extendicare. We will be forever grateful to all of you."

"Everyone is so kind and friendly — all of you have a special gift for working with the elderly. We can't say enough about you."

"I cannot express in words to you what you have done for my family. We feel a great comfort leaving my great grandmother with Extendicare, knowing she is loved and well cared for."

"As far as I am concerned, you all do more than your jobs . . . you all understand how hard it is for us and you always let us know you are there . . . I thank you with all my heart."

Leaders in Care

Skilled Nursing

Extendicare's core business is the provision of specialized complex and rehabilitative care to residents and the community. The Corporation's nursing centres employ registered nurses, licensed practical nurses, certified nursing assistants and qualified health care aides who provide care as prescribed by each resident's attending physician and a full range of personal support.

The focus of the Corporation's commitment to excellence is its belief in treating residents with dignity and respect through the implementation of rigorous standards in its facilities and other settings — standards that management and staff at all levels constantly assess and update. Extendicare is proud, for example, to have been a leader in publicizing its residents' bill of rights.

As a corporate philosophy, the Corporation also trains, challenges, motivates and rewards its employees for their performance and achievements. Through specialized training programs, employees upgrade their skills, and learn new technologies and care methods in their field. In addition to striving for personal goals, employees are encouraged to work together as teams and to earn corporate awards for achievements in such areas as safety, community service, education and training, and innovation.

RESIDENT PROFILE

Charlie Edgar
Fort Macleod, Alberta

We came to Canada and Fort Macleod in 1910, from Dumfries, Scotland. We landed in Quebec after a three-week boat ride on the Aquatania, out of Liverpool. We boarded the old immigrant cars in Quebec and came west. These old cars had the hard wooden seats with pull down bunks overhead. They had old pot belly stoves at the end of the cars so we could cook up a meal. There were eight of us in the party — Father, Mother, five boys and one girl. Coming through Medicine Hat, I saw my first Indians. I remember one especially. He was sitting on the platform wearing a tall silk hat, and at that time, I figured that was how the town was named.

After the First War, I worked mainly at stooking, driving bundle teams or spike pitching or field pitching on threshing rigs. I broke horses for our neighbours. I worked in the flour mill sewing sacks at the CPR reservoir east of Magrath. I joined the North-West Mounted Police in May 1918 and helped break remounts for the Police Draft that went to Russia in 1919.

The Mounted Police in the old days always wore red serge jackets and Stetson hats. I had been riding horses for a living and also played the part of Sergeant Wilde of the North-West Mounted Police in a picture called "Policing the Plains". It took the years 1924 and 1925 to accomplish the silent picture.

(Charlie Edgar served as mayor of Fort Macleod from 1974 through 1979.)

Extendicare constantly monitors its facilities and services to ensure that they meet specific quality, operational and financial performance criteria. The Corporation prefers to own rather than lease its nursing and assisted living centres and actively seeks to acquire facilities that meet its various performance criteria. In addition, Extendicare carries out capital expenditure programs to provide assisted living and expanded therapy areas that meet the changing needs of its communities .

Subacute Care and Rehabilitation

In the United States, the Corporation has an ongoing program for development of subacute care and rehabilitative therapy services. Existing therapy units, together with new and expanded therapy units built during 1995, increased the services provided. The provision of enhanced therapy services through our nursing centres has increased their visibility within the community. The provision of a wide range of services within a nursing centre improves its marketability both to individuals and to managed care organizations.

Patients who require subacute care are medically stable, yet require specialized medical and therapy services. These services include, but are not limited to, wound care, inhalation therapy, as well as physical, speech or occupational therapy to assist in post-operative, stroke, or heart attack recovery. Patients are typically discharged within 30 to 90 days.

Effective local management is a key factor in the Corporation's success. The administrator of each facility controls the centre's costs and markets its services to a wide range of potential clients and referral sources. In addition,

RESIDENT PROFILE

Mrs. Emily Charlotte Clayson
Kent, England

I was born on October 4, 1904 at Bulford Camp, Wiltshire, the second of six children.

I married in 1931 and then again in 1941. I have one daughter named Jill and four grandchildren and two great grandchildren.

What a wonderful life I have had. I have seen the first motor car, balloons, aeroplanes, zeppelins. Then on to seaplanes, bombers, jets and the Concorde. I have lived through two wars: 1914 and 1939. I helped with voluntary work during the wars. I was blasted out of my home and made deaf. I have farmed and constructed gardens, travelled Europe, walked up mountains, did a lot of charity work and was Mother and Nana to many.

I helped to build the Marley Tile Company in 1928 with my family and am proud to see it as a world-wide company today.

I now live at Ashurst Park nursing centre and am still doing my bit and pleased to be able to do it.

Right: An occupational therapist at an Accident Injury Management clinic tests her client's large motor skills on a versatile simulator.

administrators network with other health care providers such as hospitals, physicians, and managed care organizations to ensure that the nursing centre is an integral part of the health care delivery process in the community.

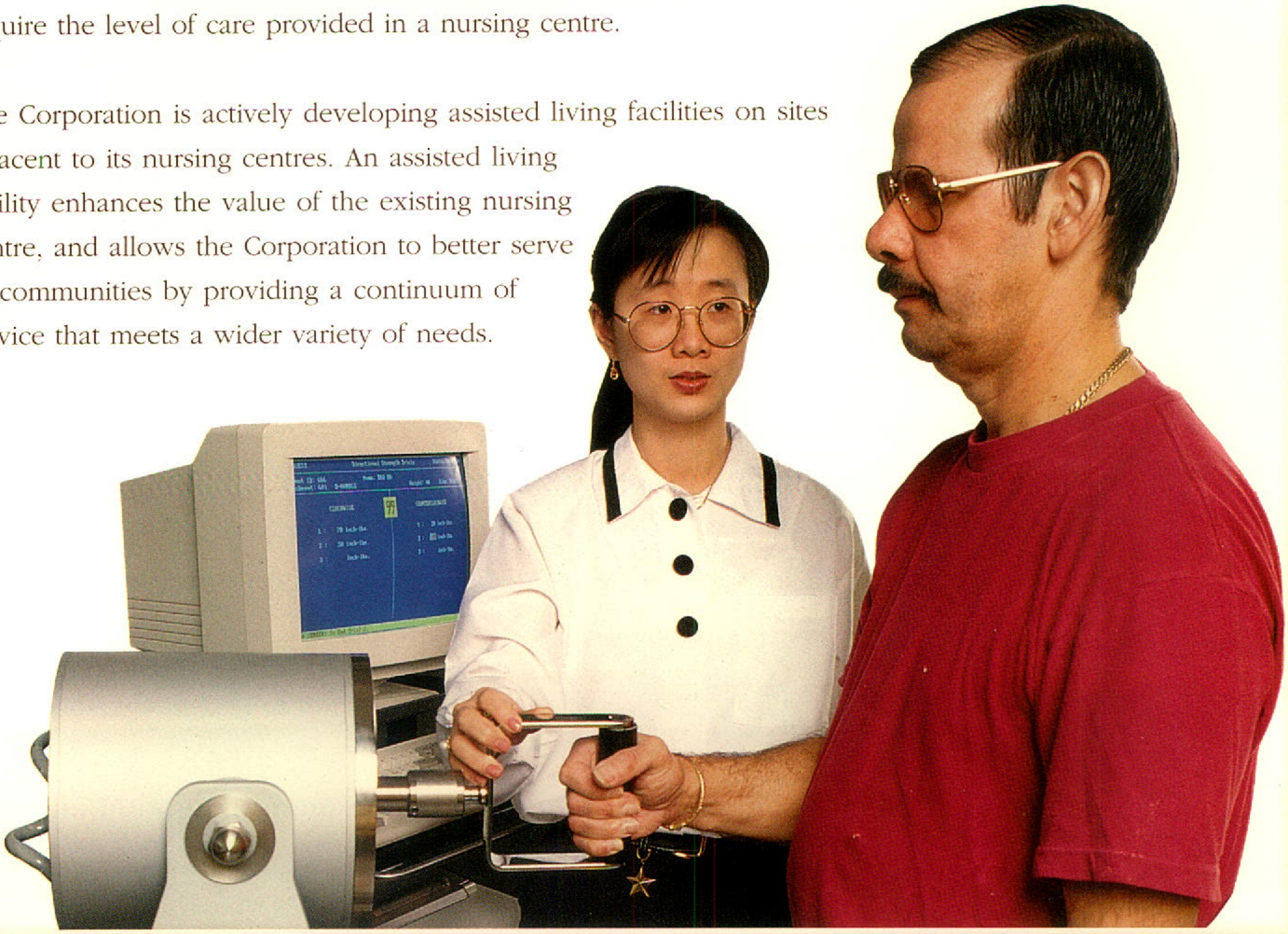
In Canada, Extendicare expanded its range of health care services through the acquisition in October 1995 of 51 percent of a rehabilitative services company, Accident Injury Management Clinics Inc. (AIM). Through 13 clinics in Ontario, the organization provides rehabilitative therapy services to individuals injured in automobile and work-related accidents, or involved with short and long-term disability claims. Revenue relating to rehabilitative services is generated from individuals and insurance and is not part of the government health plan.

The market for the services that AIM provides is relatively new, and Extendicare believes that demand will grow steadily as rehabilitation services are delivered in a cost-effective manner with measurable results.

Assisted Living

Assisted living facilities in the United States provide accommodation, meals and assistance in the activities of daily living primarily to seniors who do not require the level of care provided in a nursing centre.

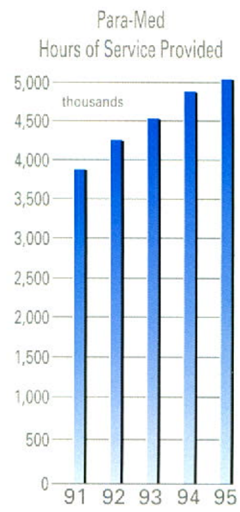
The Corporation is actively developing assisted living facilities on sites adjacent to its nursing centres. An assisted living facility enhances the value of the existing nursing centre, and allows the Corporation to better serve its communities by providing a continuum of service that meets a wider variety of needs.



Home Care

Through Para-Med Health Services, Extendicare is the largest private provider of home care services in Canada, providing 5 million hours of care and support services in 1995 to more than 28,500 clients of all ages who live in a variety of home settings in Alberta, British Columbia and Ontario. Para-Med's professional and para-professional staff are skilled in providing complex nursing care, occupational and physio therapy, speech and language pathology, and home support.

Para-Med is also active in organizing community programs, such as respite care and support for disabled children in schools, that enable clients to enrich their lives through increased independence.



Facility Management and Consulting

Extendicare has increased its involvement in providing a full array of consulting and management services to not-for-profit boards and private organizations that are seeking improvements to the care they provide and efficiencies to their operation. The Corporation is experienced in overseeing the design, construction, development and management of long-term care and acute care centres and has applied its expertise to many institutions across Canada.

As governments address their fiscal difficulties, Extendicare looks forward to participating in more of these successful public-private partnerships. The Corporation also offers consulting services in administration, nursing, dietary, quality assurance and other health care specialities to a variety of clients.

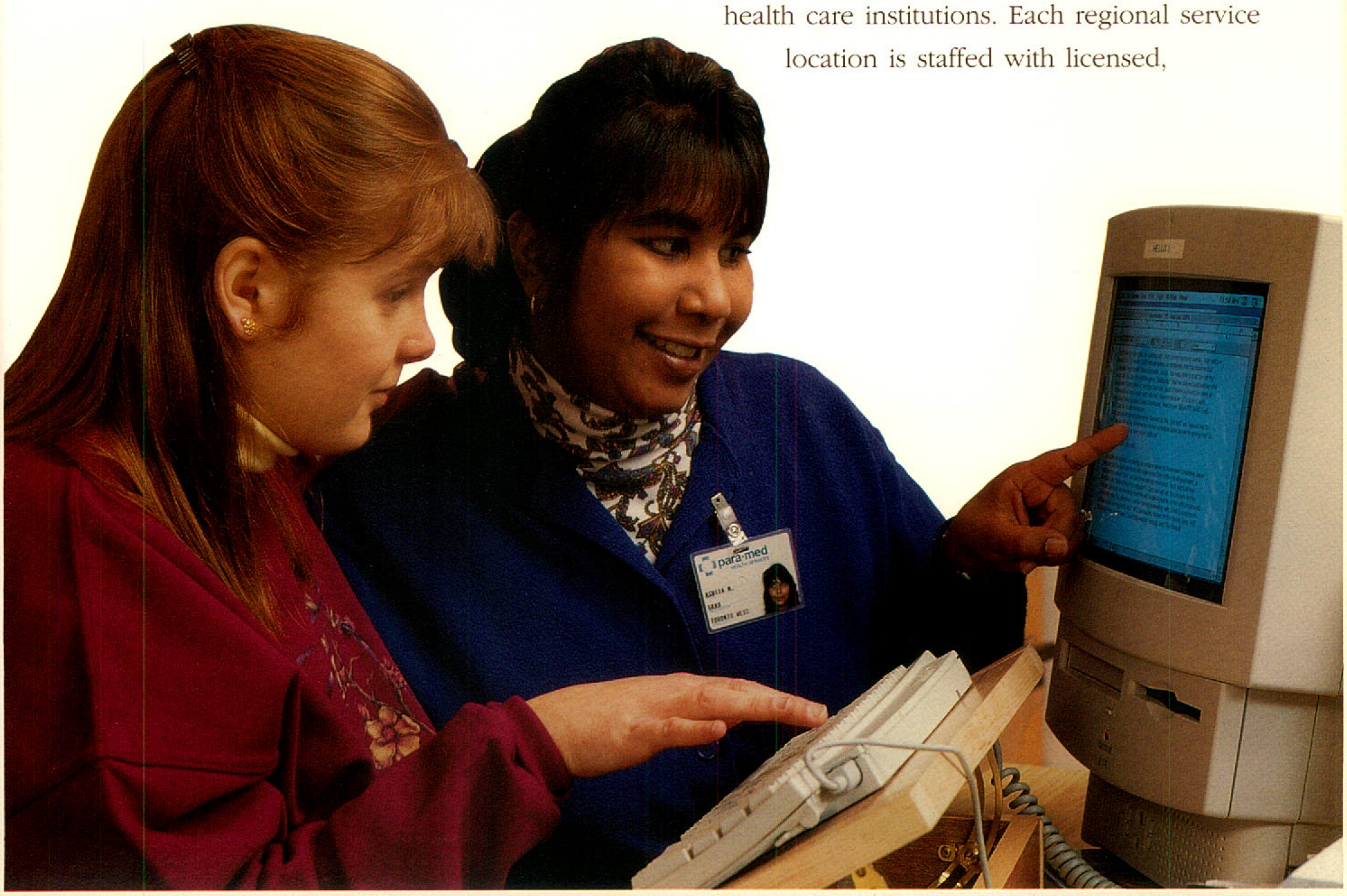
In early 1996, Extendicare announced the appointment of John J. Penaligon as Vice-President, Hospital Development. Mr. Penaligon was formerly President and CEO of the Queensway General Hospital in Etobicoke, Ontario, where Extendicare has had a long-standing and successful management contract for the McCall Chronic Care Wing. His mandate is to develop Extendicare partnerships with other hospitals across Canada.

In the United Kingdom, Extendicare operates the North Wales Medical Centre — a 35-bed acute care hospital that provides a variety of medical and surgical procedures to patients who seek care outside of the publicly funded health system. This centre also offers out-patient diagnostic and treatment services.

Pharmacy, Medical Services and Supplies

The UPC Health Network provides institutional pharmacy, group purchasing, home medical equipment, home health services, clinical respiratory therapy, and other health-related services to clients of all ages in the United States.

Pharmaceutical services include drug distribution, record keeping assistance, and pharmacy consulting to more than 30,500 individuals in nursing centres, assisted living centres, and other health care institutions. Each regional service location is staffed with licensed,



registered pharmacists, and quality control staff who ensure maximum efficiency and compliance with regulations.

The UPC Health Network distributes durable medical equipment and supplies, and provides a wide range of services such as intravenous therapy products, respiratory, oxygen and enteral therapies to hospitals, long-term care facilities, and individuals. It also operates a home health agency in Wisconsin that includes skilled nursing and home health care services, as well as in-house physical, occupational, and speech therapy programs.

Group Purchasing Services

As part of the UPC Health Network in the United States, the UHF Purchasing Group provides purchasing services throughout the United States to over 4,000 nursing homes with over 370,000 residents. Its program offers group purchasing of a complete line of food, supplies, and capital equipment at volume pricing from a wide range of vendors.

In Canada, through its LTC Group Purchasing Program, Extendicare offers cost-effective food, supply and equipment contracts to 102 long-term care providers who care for more than 9,000 residents across the country.

RESIDENT PROFILE

Nina Zoppa
St. Petersburg, Florida

At Alpine Health and Rehabilitation Center, they call her "Bella," meaning "Beautiful." But to the world, she is known as the Angel of the Harp. Nina Martini Zoppa began studying the harp at the age of six at the Conservatory at San Pietro A Miala in Naples, Italy.

Nina came to America at the end of 1920 and made her first appearance in New York and then toured throughout the eastern United States. At Carnegie Hall, one of America's most famous symphony venues, she was a featured soloist with the Boston Symphony Orchestra, and she received laudatory notices from critics who praised the brilliance of her performance.

To get the sparkle in her eyes, all you have to do is ask Nina how she used to feel when she got on the stage and sat down to play. "That I was in heaven," she replies. "It felt like the world is in your hands. Like an angel talking to the world."

After New York, Nina went to Chicago and later served as an instructor of the harp at De Paul University. She returned to New York regularly and played at the Paramount, The Rialto and the Roxy Theatre. She even had her own radio program on WYNS in New York City, where three times a week she played the harp and sang.

Crown Life

Now in its 95th year of operation, Crown Life Insurance Company provides financial products and services across North America and in selected international markets. The company offers life insurance, health insurance and pension programs on a participating and non-participating basis to individuals and groups, and reinsurance services to other insurance companies.

Extendicare has a 32.2 percent ownership interest in Crown Life. Based in Regina, Saskatchewan, Crown Life serves its customers from sales and service offices in Canada, the United States, the Atlantic and Caribbean islands, Hong Kong and Macau.

Crown Life's operating results reflect sustained progress in 1995. The highlights of 1995 include continued growth in income and a significant improvement in its capital ratio. Extendicare's share of Crown Life earnings was $9.5 million for 1995, compared with $8.7 million for 1994. Improved claims experience resulted in the increase in shareholders' income. Operating expenses totalled $134 million in 1995. While ongoing administration expenses were lower in 1995 than in the previous year, provisions were established for improvements in the technology supporting the group life and health and individual businesses. New systems are key to delivering further improvements in customer service and productivity.

Total Crown Life assets were $6.0 billion, compared with $6.7 billion a year ago. Asset quality continued to improve in 1995. At year end, the bond portfolio, which has an average quality of AA+, represented 39.9 percent of total assets. Investment in mortgage loans decreased to 36.7 percent of the company's total assets from 39.2 percent in 1994.

The ratio of the company's capital resources to liabilities improved to 13.5 percent in 1995, compared with 8.6 percent a year earlier. Crown Life's capital ratio is now among the highest of Canadian life insurers.

Financial and Statistical Information

(thousands of dollars unless otherwise noted)	1995	1994	1993	1992	1991
Balance Sheet					
Property and equipment	643,993	574,104	491,452	447,239	402,521
Health care assets	1,061,771	927,262	795,906	690,590	616,290
Investment in Crown Life, equity basis	101,726	94,339	82,650	157,947	188,004
Non-current liabilities	463,011	436,630	403,573	354,097	324,464
Shareholders' equity					
Preferred equity	49,501	121,167	125,762	196,200	414,426
Common equity	282,557	151,854	89,409	80,974	30,233
Statement of Earnings					
Revenue					
Nursing and assisted living centres					
United States	907,912	808,753	692,066	589,099	488,742
Canada	226,054	222,406	214,798	208,278	207,628
United Kingdom	22,045	16,647	8,276		
Home care services - Canada	94,080	92,137	80,722	74,324	66,022
Pharmacy and medical services and supplies - United States	109,140	91,751	71,908	51,588	40,589
Other	16,759	13,129	13,830	10,539	4,293
	1,375,990	1,244,823	1,081,600	933,828	807,274
Earnings (loss)					
Health care					
Earnings before depreciation, rent, interest and income taxes	173,561	149,641	121,944	101,625	85,639
Earnings from operations	79,321	62,241	42,732	32,762	18,446
Net earnings from health care	60,436	45,766	34,182	28,572	17,957
Life insurance	9,480	8,704	(66,195)	(29,349)	(8,633)
Earnings (loss) from continuing operations	69,916	54,470	(32,013)	(777)	9,324
Other Information					
Number of facilities					
United States	174	166	157	154	150
Canada	64	63	62	62	63
United Kingdom	14	11	9	7	7
Total number of facilities	252	240	228	223	220
Operational capacity (residents)					
United States	17,425	17,133	16,395	16,668	16,382
Canada	8,387	8,284	8,071	8,182	8,271
United Kingdom	870	646	565	403	407
Total operational capacity (residents)	26,682	26,063	25,031	25,253	25,060
Occupancy (percentage)	92.1	93.1	94.5	94.9	94.9
Number of employees	33,700	32,700	31,700	31,200	29,700
Number of shares outstanding					
Non-voting Class A	54,947,806	46,590,886	40,337,336	28,691,134	28,661,444
Common	7,789,986	8,674,102	11,695,227	12,164,550	12,178,745

Management Discussion and Analysis

In the United States, the Corporation's wholly owned subsidiary, United Health, Inc. (United Health), owns, leases and operates long-term care facilities in 13 states under the trade name Unicare. United Health also provides pharmaceutical products to nursing centre residents and health care products and services to nursing centre residents and home-bound individuals through its wholly owned subsidiary, United Professional Companies (UPC).

In Canada, the Corporation's wholly owned subsidiary, Extendicare (Canada) Inc., owns, manages and operates nursing and retirement centres in five provinces. It is a major provider of home health care in three provinces through its Para-Med Health Services (Para-Med) division and, through a newly acquired investment, Accident Injury Management Clinics Inc. (AIM), Extendicare provides rehabilitative services in Ontario. The Corporation also manages three hospitals in three provinces.

In the United Kingdom, the Corporation's wholly owned subsidiary, Extendicare (U.K.) Limited, owns, manages and operates 13 long-term care facilities and a private hospital.

At December 31, 1995, Extendicare operated 252 facilities (1994 - 240) with capacity to care for 26,682 residents (1994 - 26,063). Reference is made to the table on page 7 which details the facilities and resident capacity by area. With the exception of Ontario, Canada, and Pennsylvania, United States, in which the Corporation operates 35 and 25 facilities, respectively, no more than 10 percent of the Corporation's facilities are located in any one province or state. Long-term care and assisted living facilities are located in groups in geographic proximity, thereby allowing for regional development of ancillary businesses, cost-effective management control and reduced travel costs.

Significant Events in 1995

Acquisitions and Construction

The Corporation invested $38.1 million in health care operations in 1995 through the following acquisitions: in the United States, five nursing centres, including three previously leased facilities, and a 60 percent partnership interest in an institutional pharmacy in Florida; in the United Kingdom, four nursing centres; and in Canada, a 51 percent interest in AIM, an Ontario-based rehabilitative therapy business. The six newly acquired facilities increased resident capacity by 422.

The Corporation also completed construction of and opened five assisted living centres, one nursing centre, two nursing centre additions and 17 therapy unit additions in the United States, and two nursing centre additions in the United Kingdom. These activities increased resident capacity by 344.

Preferred Shares Purchased for Cancellation

The Corporation successfully completed offers to purchase Class II Preferred Shares and Class I Preferred Shares, Series 2, 3 and 4, for Non-voting Class A Shares, resulting in the cancellation of 76 percent of such shares outstanding, and the issue of 5,768,288 Non-voting Class A Shares as follows:

Shares	1995 Closing Date	Preferred Shares Acquired Percentage of Outstanding	Preferred Shares Acquired Number	Non-voting Class A Shares Issued
Class II Preferred Shares, Series 1	May 30	82	1,494,316	2,764,463
Class I Preferred Shares				
Series 3	Aug. 4	68	393,933	
Series 4	Aug. 4	86	925,252	
			1,319,185	2,229,416
Class I Preferred Shares, Series 2	Aug. 28	54	458,242	774,409
Total		76	3,271,743	5,768,288

The servicing value of the preferred shares acquired and cancelled was $81.8 million, reducing annual dividend requirements by approximately $4.3 million based on a current prime rate of 7 percent.

Other

The Corporation realized, in the first quarter of 1995, a gain of $3.1 million as a result of the early payment of a non-interest bearing note receivable due April 30, 1996.

Significant Events in 1994

The Corporation changed its name to Extendicare Inc. from Crownx Inc., in November 1994, to reflect the Corporation's activity in and commitment to the health care sector.

Extendicare acquired for $48.5 million, nine nursing centres and one assisted living centre in the United States and a nursing centre in the United Kingdom, increasing resident capacity by 1,089. In addition, the operating assets of a respiratory care services company in the United States were acquired for $1.7 million.

On December 14, 1994, United Health sold two facilities in Connecticut for $5.7 million, resulting in a gain of $0.5 million.

The Corporation also completed construction of and opened two assisted living centres and five therapy unit additions in the United States, and a nursing centre in the United Kingdom.

Results of Operations

The following table sets forth details of revenue and earnings as a percentage of total revenue:

Details of Revenue and Earnings as a Percentage of Total Revenue

(percent)	1995	1994
Revenue		
Nursing and assisted living centres		
United States - routine care	49.7	51.6
- ancillary	16.3	13.4
Canada	16.4	17.9
United Kingdom	1.6	1.3
Home care services - Canada	6.9	7.4
Pharmacy and medical services and supplies - United States	7.9	7.4
Other	1.2	1.0
	100.0	100.0
Operating and administrative costs	87.4	88.0
Earnings before depreciation, rent, interest and income taxes	12.6	12.0
Property costs	4.2	4.3
Interest, net	2.6	2.7
	6.8	7.0
Earnings from operations	5.8	5.0

Revenue

Revenue for 1995 was $1.38 billion, representing an increase of $131.2 million (10.5 percent) from $1.24 billion in 1994. The majority of the Corporation's revenue (84 percent) was derived from nursing and assisted living centre operations. Revenue from these sources increased $108.2 million (10.3 percent) to $1,156 million from $1,047.8 million in 1994. Nursing and assisted living centre revenue includes ancillary revenue principally comprised of charges for rehabilitative and subacute care specialty services. Revenue derived from the Corporation's Canadian home care operations, representing 6.9 percent of total revenue, increased $1.9 million (2.1 percent) to $94.1 million. Revenue derived from pharmacy and medical services and supplies in the United States, representing 7.9 percent of total revenue, increased $17.4 million (19 percent) to $109.1 million.

Revenue from United States operations increased to $1,031.6 million compared with $912.3 million in 1994, an increase of $119.3 million or 13.1 percent.

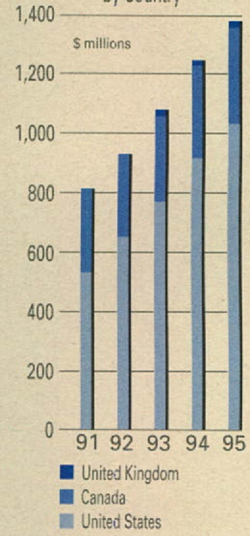
Revenue from United States nursing and assisted living centre operations increased $99.2 million, of which revenue from acquisitions, net of divestitures, and the opening of newly constructed facilities contributed an increase of $20.2 million (of this amount, $8.2 million relates to ancillary revenue).

The stronger U.S. dollar also accounted for $4.2 million of the increase in revenue. The remaining increase in nursing and assisted living centre revenue of $74.8 million was realized from facilities which the Corporation operated during each of 1995 and 1994 ("same store" facilities). Routine care services from same store facilities contributed an increase of approximately $25.7 million, or 4.2 percent. Routine care revenue increased approximately $42.6 million, primarily as a result of increases in payor source rates and changes in payor mix between years. Partially offsetting the improvement in routine care revenue was lower average occupancy of 89.2 percent in 1995 compared with 91.4 percent in 1994, resulting in decreased revenue of approximately $16.9 million. The lower average census between years is due to a number of factors, including the effects of the start-up process associated with newly constructed bed capacity, an increase in the number of residents requiring shorter stays as part of a subacute care rehabilitation condition, and the impact of alternative resident settings (assisted living centres, hospitals and home health care). Ancillary revenue in the United States from same store facilities increased approximately $49.1 million (31.6 percent) in 1995 compared with 1994. The increase between years is primarily due to increased utilization of restorative therapy services by residents, the completed construction of 17 therapy additions to same store facilities during 1995, and the full year impact of five therapy additions constructed in 1994.

The Corporation's private, Medicare and Medicaid sources of revenue for United States nursing and assisted living centre operations was 19 percent, 31 percent, and 50 percent, respectively, in 1995 compared with 20 percent, 26 percent, and 54 percent, respectively, in 1994.

Pharmacy and medical services and supplies revenue increased $17.4 million primarily due to price increases and product mix changes ($5.9 million), an increase in sales volume of existing product lines and services ($4 million), the acquisition of a 60 percent interest in an institutional pharmacy partnership in 1995 ($3.4 million), the acquisition of a respiratory business in late 1994 ($1.8 million), and the impact of the stronger U.S. dollar ($0.5 million). UPC operations serviced on average 28,000 clients in 1995 compared with 25,000 in 1994. UPC operations were servicing in excess of 30,500 clients at year end.

Health Care Revenue by Country



The remaining increase in revenue from United States operations of $2.7 million was realized, primarily due to increased investment income earned on investments held for self-insured liabilities.

Revenue derived from Canadian operations totalled $322.4 million in 1995, an increase of 2 percent from $315.9 million in 1994. Nursing centre revenue increased 1.6 percent primarily due to increased rates. Home care revenue increased $1.9 million or 2.1 percent primarily due to increased hours of service to 5 million in 1995 from 4.9 million in 1994.

United Kingdom revenue increased $5.4 million to $22 million in 1995. Acquisitions in 1995 and 1994 increased revenue by $4.8 million. Revenue from same store facilities accounted for the remaining $0.6 million increase, primarily due to improved average occupancy levels to 89.6 percent in 1995 from 86.1 percent in 1994. The total average occupancy levels for all owned nursing facilities decreased in 1995 to 82.6 percent compared with 85.3 percent in 1994. This decline is primarily due to the start-up process associated with the construction of two additions and one newly opened facility in 1995. Delays in admissions as a result of local authorities managing their spending also contributed to the decline in occupancy levels.

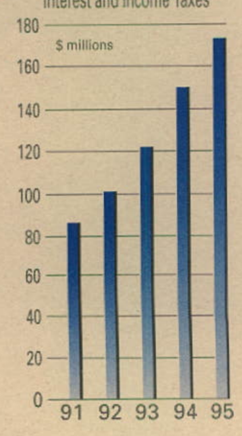
Operating and Administrative Costs

Operating and administrative costs increased $107.2 million, or 9.8 percent, which is less than the expansion of the Corporation's revenue base. The stronger U.S. dollar resulted in increased operating and administrative costs of approximately $4.2 million.

Acquisitions, net of divestitures, and construction of facilities and additions, in 1995 and 1994, resulted in increased operating and administrative costs of approximately $21.6 million in 1995.

Operating and administrative costs from same store facilities increased approximately $81.4 million. Wage-related expenses increased approximately $32.6 million to attract and retain qualified personnel. Remaining increases, excluding wage-related costs, were: increased ancillary service costs of approximately $36.7 million associated with increased demand for such services resulting from higher patient acuity levels; increased pharmacy and medical services and supplies-related costs of approximately $8.2 million associated with the growth of the business; and increased Canadian home care related costs of approximately $0.4 million, primarily due to increased marketing efforts targeting the private sector. The remaining increase of $3.5 million was related to routine care costs and general and administrative costs.

Health Care Earnings before Depreciation, Rent, Interest and Income Taxes



Earnings before Depreciation, Rent, Interest and Income Taxes

The resulting earnings before depreciation, rent, interest and income taxes of $173.6 million, represents a 16 percent increase over $149.6 million in 1994. These earnings as a percent of revenue increased to 12.6 percent from 12 percent in 1994 largely as a result of expansion of subacute care and rehabilitative therapy services, and pharmacy operations as referred to above.

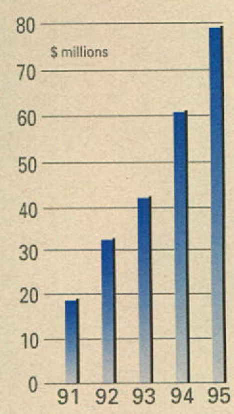
Property Costs

Property costs, representing lease costs, depreciation and amortization charges, increased $4.2 million to $58.2 million in 1995 compared with $54 million as a result of the increase in the number of facilities operated.

Interest

Interest expense increased to $36.1 million in 1995 from $33.4 million in 1994, primarily as a result of higher debt levels due to the acquisition of facilities. The average debt level throughout 1995 was approximately $462 million compared with approximately $436 million in 1994. At December 31, 1995, the weighted average interest rate of all non-current liabilities was approximately 8.6 percent, the same as that at December 31, 1994.

Health Care Earnings from Operations



Start-up Losses

The Corporation has absorbed pre-tax start-up losses associated with newly constructed facilities and additions in 1995 of approximately $2 million. The impact of these activities in 1994 was not significant.

Income Taxes

Income taxes for 1995 increased to $22 million from $17 million in 1994 primarily as a result of increased pre-tax earnings.

Life Insurance

The Corporation has a 32.2 percent ownership interest in Crown Life Insurance Company (19.3 percent fully diluted). Crown Life offers a full range of life and health insurance and pension programs to individuals and groups and provides reinsurance services to other insurance companies.

The Corporation's share of Crown Life earnings for 1995 was $9.5 million compared with $8.7 million in 1994.

Crown Life shareholders' income, after preferred share dividends, was $29.4 million in 1995 compared with $27 million in 1994. The improvement resulted from improved mortality experience and generally improved operating results across all business lines. These improvements were partially offset by provisions for replacement of computer systems.

Financial Position and Cash Flows

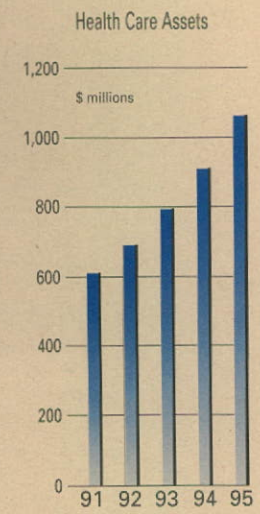
Assets

Total assets, prior to the investment in Crown Life, increased by $134.5 million to $1,061.8 million at December 31, 1995, from $927.3 million at December 31, 1994. The weakening of the U.S. dollar to $1.36 at December 31, 1995, from $1.40 at December 31, 1994, resulted in a decrease in total assets of approximately $22.1 million.

The following describes the changes in the Corporation's assets and liabilities and their related cash flow impact on the statements of changes in financial position:

Property and Equipment

Property and equipment increased to $644 million from $574.1 million as a result of acquisitions and capital expenditures, offset partially by depreciation expense recorded in the year and the weaker U.S. dollar on translation at year end.



The Corporation acquired in 1995 the property and equipment of nine nursing centres, including three previously leased facilities. In addition, the Corporation acquired a 60 percent interest in an institutional pharmacy partnership and a 51 percent interest in a rehabilitative therapy company. The cost of property and equipment acquired in these acquisitions totalled $35.3 million.

Other property and equipment capital expenditures in 1995 totalled $88.2 million, of which approximately $48 million was spent on construction and other non-routine capital projects. During 1995, United States operations completed construction of and opened two nursing centre additions, one nursing facility, 17 therapy unit additions and five assisted living facilities. In the United Kingdom, construction was completed on two nursing centre additions. Routine capital expenditures were approximately $40.2 million, representing required periodic capital improvements for renovation and routine replacement of capital items.

During 1994, property and equipment acquired totalled $47.2 million as follows: $41.7 million on the purchase of nine nursing centres and an assisted living centre in the United States; $5.3 million on the purchase of a nursing centre in Plymouth, England; and $0.2 million on the purchase of a respiratory business in the United States. The sale of two facilities in Connecticut for proceeds of $5.7 million, resulted in a $5.2 million decrease in property and equipment.

Other property and equipment capital expenditures in 1994 amounted to $52 million. During 1994, the Corporation spent approximately $20 million on non-routine capital expenditures in the United States which included the completion of two assisted living facilities and five therapy units, in addition to costs associated with projects under construction at year end. Routine maintenance capital expenditures in 1994 were approximately $32 million.

The Corporation plans to continue its growth through acquisitions, construction of additions to existing facilities and new assisting living facilities in 1996. Plans for 1996 include approximately $40 million for acquisitions ($31.3 million of which have been completed).

In addition, the Corporation had under construction at year end, for completion during 1996, two nursing centres in the United Kingdom, and two nursing centre additions, five assisted living centres, and 17 therapy unit additions in the United States, for a total cost of $37.6 million, of which $16.3 million had been spent during 1995. Additional capital projects involving a further

$84 million have been approved for the construction of one nursing centre, six nursing centre additions, 13 assisted living facilities, and 33 therapy unit additions in the United States, and three nursing centre additions in the United Kingdom, with completion dates through to 1997. It is expected that during 1996 construction will begin on one nursing centre, four nursing centre additions, and eight assisted living facilities in the United States, and three nursing centre additions in the United Kingdom.

Other Assets

Other assets increased to $137 million from $125.6 million due to an increase in investments held for self-insured liabilities, and goodwill arising on acquisitions, offset partially by a decrease in amounts receivable.

The Corporation self-insures a portion of its general liability and workers' compensation risks related to its U.S. health care operations through Laurier Indemnity Corporation, Ltd. and Laurier Indemnity Corporation, wholly owned insurance subsidiaries. Funds have been invested to support self-insured liabilities and, as such, these funds are not available for operations. At December 31, 1995, the investments held for self-insured liabilities amounted to $95 million compared with $79.6 million at December 31, 1994. The investments support increased actuarial liabilities and meet regulatory capital requirements.

Investment in Crown Life

The Corporation's investment in Crown Life, which is accounted for on an equity basis, has increased to $101.7 million at December 31, 1995, from $94.3 million at December 31, 1994.

On July 31, 1995, Crown Life issued $75 million of Series A Debentures and $75 million of Series B Debentures which mature on July 31, 2094 and July 31, 2030, respectively. The debentures are convertible at the option of the holders into common shares of Crown Life at a price of $65.00 per share until July 31, 2005. Conversion of all of the debentures at December 31, 1995, would dilute the Corporation's equity in Crown Life to 19.3 percent and its equity carrying value therein to $90 million.

Non-current Liabilities

Non-current liabilities, including the portion due within one year, increased to $481.8 million at December 31, 1995, from $463.3 million at the beginning of the year. Debt levels increased primarily for the purposes of financing acquisitions and construction projects. The weighted average interest rate of all non-current liabilities at December 31, 1995, was approximately 8.6 percent. After offsetting non-current liabilities with investments, and notes and mortgages receivable, $71.9 million was exposed to floating rates.

United Health issued US$40 million of private placement mortgage notes in 1995 having maturities ranging from seven to 15 years, at rates of 7.43 percent on US$18 million and 7.63 percent on US$22 million, the proceeds of which were used to repay bank loans.

In addition, United Health expanded its bank lines of credit during 1995 from US$50 million to US$75 million and the number of banks participating in the agreement from two to four. The agreement was also extended to April 30, 1997 and includes a provision for converting up to US$50 million of bank lines of credit to term loans repayable over a five year period. Borrowing availability under these bank lines of credit at December 31, 1995 was US$47.1 million.

Extendicare (U.K.) Limited increased its term bank lines of credit during 1995 from £10 million to £15 million for the purposes of funding acquisitions and construction, and obtained a £350,000 short-term operating line. At December 31, 1995, £1.2 million was available under this facility.

Subsequent to December 31, 1995, United Health reached agreement with two insurance companies for a private placement of US$40 million of mortgage notes at 7.67 percent. Principal payments on the mortgage notes are due over 10 years based on amortization over 12 years. It is expected this financing will be completed in the first quarter of 1996.

Certain debt agreements of United Health include covenants with respect to the payment of dividends and reduction of capital. As at December 31, 1995, US$25.7 million could be distributed.

Shareholders' Equity
Shareholders' equity increased during the year to $332.1 million from $273 million.

The stated value of preferred share capital decreased to $49.5 million at December 31, 1995, from $121.2 million at the beginning of the year as a result of the three separate offers during 1995 to acquire preferred shares, and acquisitions made under purchase obligations, as detailed in Note 8 to the Consolidated Financial Statements.

Common shareholders' equity at December 31, 1995, increased to $282.6 million from $151.8 million. Extendicare issued Non-voting Class A Shares in 1995 with a stated value of $78.8 million in consideration for the purchase of the Corporation's preferred shares, the acquisition of 51 percent of AIM, and on the exercise of stock options. Earnings for the year further increased common shareholders' equity. Shareholders' equity was reduced by preferred share dividends, the cost of Class II Preferred Shares, Series 1 in excess of book value and the impact of the weaker U.S. dollar.

Liquidity and Capital Resources

The Corporation had $5.3 million in cash and short-term investments net of short-term indebtedness, and net working capital, excluding cash, of $18.8 million at December 31, 1995. Cash flow generated from continuing operations before working capital changes was $110.8 million in 1995 compared with $92.7 million in 1994 as a result of the improvement in operating earnings. The Corporation experienced an increase in operating working capital, excluding cash, in both 1995 and 1994 of $14 million and $24.1 million respectively. The Corporation has been experiencing growth in both accounts receivable and payable due to growth in operations.

Crown Life operates under the Insurance Companies Act which outlines provisions with respect to the corporate governance of life insurance companies including distribution of capital and retained earnings. The Corporation does not anticipate receiving dividends from Crown Life in the near future.

Extendicare's preferred share dividend requirements are $3.4 million per year assuming prime interest rates of 7 percent remain in effect throughout the year. The Corporation pays certain dividends which vary with fluctuations in the Canadian prime interest rate. A fluctuation of 1 percent in interest rates will affect the annual amount of preferred share dividends by $161,000.

The current level of cash flow and available bank lines of credit are sufficient to support ongoing operations and capital expenditures, service debt obligations and pay preferred share dividends. The Corporation has planned in excess of $156 million of approved construction, acquisitions and other non-routine capital projects to be completed during 1996 and 1997. There were approximately $66.7 million of unused commitments under available bank lines of credit at December 31, 1995, and the Corporation has subsequently obtained commitments for debt financing in the United States of US$40 million.

The Corporation's long-term debt ratio has improved to 59 percent at December 31, 1995, from 63 percent at the beginning of the year. Considering preferred shares as debt, the Corporation has realized a significant improvement in the long-term debt ratio to 66 percent from 81 percent a year ago. Improvements in the above ratios are as a result of earnings realized, and the acquisition and cancellation by the Corporation of some of its preferred shares.

Competition

The long-term care industry is highly competitive with businesses offering a variety of similar services. The Corporation faces competition locally and regionally from other long-term health care providers, including for-profit and not-for-profit organizations, home health agencies, institutional pharmacies, medical supplies and services agencies, and rehabilitative therapy providers. Significant competitive factors for the placing of residents in nursing facilities include quality of care, services offered, reputation, physical appearance, location and in the case of private pay residents, cost of the services. Since there is little price competition with respect to Medicaid and Medicare residents in the United States, the range of services provided by the Corporation's centres and their locations affect a centre's competitive position in its market. Competition in the institutional pharmacies, medical supplies and rehabilitation services markets ranges from small local operators to companies which are national in scope and distribution capability. The Corporation focuses its marketing efforts on the medical and health care communities in each location it serves. Assisted living facilities, for example, are being constructed on land adjacent to our nursing centres to provide residents with a continuum of care. The Corporation believes it has a superior reputation for the quality of services it provides.

Regulations/Environment

In the United States, long-term care centres are subject to annual licensing, regulatory requirements of state and local authorities and, to qualify for reimbursement under government sponsored programs, are subject to various conditions of participation and other requirements imposed by federal authorities. These requirements relate to the condition of the centres, the adequacy and condition of the equipment used therein, the quality and adequacy of personnel, the quality of nursing care, and residents' rights and quality of life. State licensing and other regulatory requirements vary from jurisdiction to jurisdiction and such requirements are subject to change. Nursing facilities are subject to annual and routine interim inspections by state and local authorities to assess compliance with the various standards for continued operation and assure compliance with the conditions of participation in the Medicaid and Medicare programs. There can be no assurance that, in the future, the Corporation will be able to maintain or renew any required regulatory approvals or licenses, or continue to meet the requirements for participation in Medicare or Medicaid programs.

In the United States, the Corporation receives its revenue from Medicaid, Medicare and private payors. The private-pay classification includes payments from individuals, commercial insurers, health maintenance organizations, and other fee-based payment sources including Blue Cross and Veteran's Administration. In 1995 and 1994, approximately 67 percent and 65 percent, respectively, of the Corporation's United States nursing centre and UPC operations revenue was derived from the Medicaid and Medicare programs.

Medicaid is a state-administered program, financed by state and matching federal funds, and provides medical assistance to eligible persons based on financial need. Medicaid programs vary from state to state, but typically provide for payment to nursing centres up to established ceilings at rates based upon cost reimbursement principles. Reimbursement rates are determined by most states from cost reports filed annually by each facility on a prospective or retrospective basis. In a prospective system, the rate is calculated from historical data and updated using an inflation index.

Most states in which the Corporation operates have a prospective system. In a retrospective system, cost reports are filed for the year just ended based on that year's costs.

Medicare is a federally funded and administered program which provides funding for nursing centre care to eligible individuals age 65 or older and certain disabled people, based on medical need. Other services, such as the Corporation's medical supplies business, bill Medicare directly for the services they provide to eligible clients.

Funds received by the Corporation under Medicare and Medicaid are subject to audit with respect to proper application of various payment formulae. Such audits can result in retroactive adjustments to revenue. The Corporation believes that the payment formulae applicable to it have been properly applied and that any future adjustments will not have a material impact on its operations.

In the recently enacted federal budget deficit reduction bill, various reimbursement rules and regulations were adopted by the federal government that pertain to the Corporation. In addition, there have been a number of other proposals related to Medicare and Medicaid spending. Each of the legislative proposals offered by the President and Congress provide for significant reductions in the overall rate of Medicare and Medicaid spending growth. Although no comprehensive health care, Medicare or Medicaid reform legislation has yet been implemented, pressures to contain costs have impacted the health care delivery system. The Corporation cannot predict at this time whether any of these types of proposals will be adopted or, if adopted and implemented, what effect such proposals would have on the Corporation's business or financial condition.

In Canada, many aspects of nursing centre operations are regulated by various provincial and local government authorities. The granting and annual renewal of nursing centre licenses are regulated by the provincial governments which also administer regulations related to the adequacy of nursing centres including the standards of care and accommodation provided, equipment and personnel. Nursing centre daily rates for ward, semi-private or private accommodation are set by the provincial government authorities following negotiation with the applicable province's nursing centre association.

In the United Kingdom, local health authorities fund nursing centre residents according to assessed care requirements within the parameters of a financial means assessment. Prospective nursing centre residents are assessed by care managers and appropriate services are purchased on their behalf by the Local Authority. Under this funding system, additional services may be provided by the nursing centre which are paid for directly by the resident. The U.K. government has charged each Local Authority with purchasing the most cost-effective service available.

Extendicare Inc.
U.S. Nursing and Assisted Living Centres

Payment Source	1995	1994
Medicare	31%	26%
Medicaid	50%	54%
Private	19%	20%

Management's Responsibility For Financial Statements

The accompanying consolidated financial statements of Extendicare Inc. and other financial information contained in this annual report are the responsibility of management. The consolidated financial statements have been prepared in conformity with Canadian generally accepted accounting principles, using management's best estimates and judgements, where appropriate. In the opinion of management, these consolidated financial statements reflect fairly the financial position, results of operations and changes in financial position of the Corporation within reasonable limits of materiality. The financial information contained elsewhere in this annual report has been reviewed to ensure consistency with that in the consolidated financial statements.

A system of internal accounting and administrative controls is maintained by management to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that financial records are properly maintained to provide accurate and reliable financial statements.

The Extendicare Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board carries out this responsibility principally through its independent Audit Committee comprised of unrelated and outside directors. The Audit Committee meets regularly during the year to review significant accounting and auditing matters with management and the independent auditors and to review the interim and annual consolidated financial statements of the Corporation.

These consolidated financial statements have been audited, in accordance with generally accepted auditing standards, by KPMG Peat Marwick Thorne, Chartered Accountants, who were appointed by the shareholders. KPMG Peat Marwick Thorne have full and unrestricted access to the Audit Committee to discuss their audit and their related findings as to the integrity of the Corporation's financial reporting. The Auditors' Report outlining the scope of their examination and their opinion on the consolidated financial statements is presented on page 44.

Frederick B. Ladly

Frederick B. Ladly
Chief Executive Officer
and Deputy Chairman

February 16, 1996

B. L. Stephens

Barry L. Stephens
Vice-President, Finance,
Chief Financial Officer
and Secretary

Consolidated Balance Sheets

December 31 (thousands of dollars)	1995	1994
Assets		
Current assets		
Cash and short-term investments	50,007	37,853
Accounts receivable	201,099	164,846
Deferred income taxes	13,210	10,582
Inventories, supplies and prepaid expenses	16,488	14,311
	280,804	227,592
Property and equipment (note 3)	643,993	574,104
Other assets (note 4)	136,974	125,566
	1,061,771	927,262
Investment in Crown Life Insurance Company (note 5)	101,726	94,339
	1,163,497	1,021,601
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term indebtedness	44,723	16,629
Accounts payable and accrued liabilities	192,300	167,873
Dividends payable	880	1,707
Non-current liabilities due within one year	18,817	26,680
	256,720	212,889
Accrual for self-insured liabilities	68,834	62,664
Non-current liabilities (note 6)	463,011	436,630
Deferred income taxes	41,818	36,397
Non-controlling interests	1,056	
	831,439	748,580
Shareholders' equity (note 8)	332,058	273,021
	1,163,497	1,021,601

Approved by the Board

David J. Hennigar

David J. Hennigar
Chairman

Frederick B. Ladly

Frederick B. Ladly
Chief Executive Officer
and Deputy Chairman

Consolidated Statements of Earnings

Year ended December 31 (thousands of dollars except per share amounts)	1995	1994
Revenue		
Nursing and assisted living centres		
United States	907,912	808,753
Canada	226,054	222,406
United Kingdom	22,045	16,647
Home care services - Canada	94,080	92,137
Pharmacy and medical services and supplies - United States	109,140	91,751
Other	16,759	13,129
	1,375,990	1,244,823
Expenses		
Operating and administrative	1,202,429	1,095,182
Lease costs	16,053	15,400
Depreciation and amortization	42,126	38,590
Interest, net	36,061	33,410
	1,296,669	1,182,582
Earnings from operations	79,321	62,241
Gain realized on note receivable in excess of book value	3,121	
Gain on sale of nursing centres		478
Earnings before income taxes	82,442	62,719
Income taxes (note 9)		
Current	18,964	14,153
Deferred	3,042	2,800
	22,006	16,953
Net earnings from health care	60,436	45,766
Share of earnings of Crown Life (note 5)	9,480	8,704
Net earnings for the year	69,916	54,470
Earnings per share (note 10)		
Non-voting Class A	0.94	0.73
Common	1.88	1.46

Consolidated Statements of Changes in Financial Position

Year ended December 31 (thousands of dollars)	1995	1994
Cash provided by continuing operations		
Earnings	69,916	54,470
Items not involving cash		
Depreciation and amortization	42,126	38,590
Increase in accrual for self-insured liabilities	7,908	9,266
Deferred income taxes and other items	3,439	(436)
Undistributed share of earnings of Crown Life	(9,480)	(8,704)
Gain realized on note receivable in excess of book value	(3,121)	
Gain on sale of nursing centres		(478)
	110,788	92,708
Net change in operating working capital, excluding cash	(13,997)	(24,101)
	96,791	68,607
Cash provided by (used in) investment activities		
Property and equipment	(88,194)	(51,970)
Acquisitions	(38,148)	(46,597)
Nursing centre sale proceeds		5,716
Other assets	9,639	9,485
	(116,703)	(83,366)
Cash provided by (used in) financing activities		
Issue of non-current liabilities	77,184	38,868
Repayment of non-current liabilities	(49,946)	(20,701)
Increase in investments held for self-insured liabilities	(17,650)	(25,148)
Preferred share dividends	(7,033)	(7,969)
Purchase of preferred shares for cancellation	(74,160)	(4,207)
Issue of Non-voting Class A Shares	78,831	1,052
Other	(3,254)	2,229
	3,972	(15,876)
Decrease in cash	15,940	30,635
Cash at beginning of year	21,224	51,859
Cash at end of year	5,284	21,224

Cash is represented by cash and short-term investments net of short-term indebtedness.

Consolidated Statements of Retained Earnings (Deficit)

Year ended December 31 (thousands of dollars)	1995	1994
Retained earnings (deficit) at beginning of year	(60,942)	(108,270)
Add		
Net earnings for the year	69,916	54,470
Transfer from contributed surplus (note 8)	10,743	1,627
	80,659	56,097
	19,717	(52,173)
Deduct		
Preferred share dividends	6,203	7,916
Cost of Class II Preferred Shares, Series 1 purchased and cancelled in excess of book value	8,518	
Preferred share acquisition costs	633	
Share of Crown Life capital restructuring costs		853
	15,354	8,769
Retained earnings (deficit) at end of year (note 8)	4,363	(60,942)

Notes to Consolidated Financial Statements

December 31, 1995 and 1994

1. Summary of Accounting Policies

The significant accounting policies of Extendicare Inc. and its subsidiary companies are set out below. These policies are in accordance with generally accepted accounting principles applied on a consistent basis.

(A) Principles of Consolidation

The consolidated financial statements include those of the Corporation and its subsidiaries. Health care operations are conducted through wholly owned subsidiaries United Health, Inc. in the United States, Extendicare (Canada) Inc. in Canada, and Extendicare (U.K.) Limited in the United Kingdom, and their respective subsidiaries.

The equity method is used to account for the 32.24% ownership interest in Crown Life Insurance Company.

(B) Foreign Currency Translation

Revenues and expenses of self-sustaining foreign operations are translated at average rates of exchange in effect during the period. Assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Unrealized exchange gains or losses arising on translation are deferred and included in shareholders' equity in the foreign currency translation adjustment account.

Other assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at the balance sheet date. Translation gains and losses are reflected in earnings in the period in which they arise except for gains and losses relating to non-current monetary items. Translation gains and losses relating to these items are deferred and amortized on a straight-line basis over the remaining life of the respective item.

(C) Short-term Investments

Short-term investments, comprised of money market instruments, are stated at cost which approximates net realizable value.

(D) Property and Equipment

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

Buildings	- 20 to 40 years
Furniture and equipment	- varying periods not exceeding 15 years
Leasehold improvements	- the shorter of the useful life of the improvements or the initial term of the lease; and, in certain cases, the initial term of the lease plus one renewal period, not to exceed 25 years.

(E) Deferred charges

Costs associated with obtaining financing are deferred and amortized over the life of the related debt. The costs of acquiring leasehold rights are deferred and amortized over the term of the lease including renewal options. Deferred charges are stated at cost less accumulated depreciation.

(F) Goodwill

Goodwill, which is stated at cost less amortization, represents the cost of acquired net assets in excess of their fair market values. Amortization is computed using the straight-line method over periods not exceeding 40 years.

(G) Investments Held and Accrual for Self-insured Liabilities

The Corporation, for the purposes of gaining direct access to the reinsurance market and controlling the overall cost of insurance coverage, wholly owns two insurance subsidiaries. Laurier Indemnity Company and Laurier Indemnity Company, Ltd. provide workers' compensation as well as general and professional liability insurance coverage to the Corporation's U.S. subsidiary, United Health, Inc. The Corporation accrues for its self-insured liabilities on the basis of independent actuarial estimates which are determined annually. Through the insurance subsidiaries, the Corporation invests funds to support the accrual for self-insured liabilities. These funds are classified in other assets as investments held for self-insured liabilities.

(H) Revenue

The fees charged by the Corporation for its nursing centres in the United States include revenues resulting from resident participation in federal and state funded cost reimbursement programs. Reimbursement under these programs is made either on a prospective or retrospective basis subject to the determination of reasonable and reimbursable costs of providing such services. Such determinations of costs require interpretation of the various federal and state regulations and the application of cost funding techniques and are subject to audit and adjustment by the respective programs. The Corporation has included in earnings, estimates of the ultimate revenue it will derive from its participation in these programs.

In Canada, the fees charged by the Corporation for its nursing centres and home care services are regulated by provincial authorities. A substantial portion of these fees is funded by provincial programs.

In the United Kingdom, a substantial portion of the Corporation's fees is funded by government agencies, either directly to the Corporation, or through government assistance to residents. The fees paid by government agencies are based on care requirements and financial means assessments for each resident.

(I) 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.

2. Acquisitions

During 1995, the Corporation acquired the property and equipment of five nursing centres (including three previously leased facilities), in the United States and four nursing centres in the United Kingdom. The Corporation also acquired a 60% interest in York Hannover Partnership, an institutional pharmacy operation in Florida, United States; and a 51% interest in Accident Injury Management Clinics Inc., a rehabilitative therapy business in Ontario, Canada.

During 1994, the Corporation acquired the property and equipment of four nursing centres and an assisted living centre in the United States, and one nursing centre in the United Kingdom. The Corporation also acquired all of the issued and outstanding shares of a company engaged in operating five nursing centres. In addition, in the United States, the Corporation acquired the operating assets of a respiratory care services company.

These acquisitions have been accounted for by the purchase method and earnings have been included from the effective date of acquisition. The net assets acquired are as follows:

(thousands of dollars)	1995	1994
Net non-cash assets acquired		
Working capital (deficiency), excluding cash	(6)	1,211
Property and equipment and other assets	36,384	47,327
Non-current liabilities assumed	(112)	(3,151)
Deferred income taxes	(52)	(3,683)
	36,214	41,704
Goodwill	1,934	4,893
Net non-cash assets acquired	38,148	46,597
Cash (indebtedness) acquired	(71)	3,650
Net assets acquired	38,077	50,247
Consideration given		
Cash	35,935	49,340
Extendicare Inc. Non-voting Class A Shares	2,142	
Promissory notes		907
	38,077	50,247

Subsequent to December 31, 1995, the Corporation acquired for cash the property and equipment of three nursing centres in the United States for approximately $31,300,000. One of the facilities acquired had been operated by the Corporation under a lease agreement.

3. Property and Equipment

(thousands of dollars)	1995	1994
Land	53,189	42,535
Buildings	672,186	620,106
Furniture and equipment	135,009	117,608
Leasehold improvements	19,038	19,521
Construction in progress	26,247	16,758
	905,669	816,528
Accumulated depreciation and amortization	261,676	242,424
	643,993	574,104

The above includes $547,000 (1994 - $7,141,000) of net assets under capital leases.

4. Other Assets

(thousands of dollars)	1995	1994
Investments held for self-insured liabilities	95,025	79,629
Notes and mortgages receivable	22,672	28,599
Deferred charges and goodwill	19,166	17,230
Other assets	111	108
	136,974	125,566

5. Investment in Crown Life Insurance Company

On February 17, 1994, the Corporation and Haro Financial Corporation (Haro) jointly announced they had reached agreement in principle to determine the ownership interests of each of them in Crown Life, and subsequently entered into a reorganization agreement. The agreement, which was subject to a number of conditions, was finalized on February 10, 1995. Prior to December 31, 1993, the Corporation consolidated the results of Crown Life. The Corporation now owns 32.24% (formerly 54.61%) of the common equity of Crown Life and recorded its investment in Crown Life on the equity basis at December 31, 1993.

On July 31, 1995, Crown Life issued $75,000,000 of Series A Debentures and $75,000,000 of Series B Debentures which mature on July 31, 2094 and July 31, 2030, respectively. The debentures are convertible at the option of the holders into common shares of Crown Life at a price of $65.00 per share until July 31, 2005. Conversion of all of the debentures at December 31, 1995, would dilute the Corporation's equity in Crown Life to 19.3% and its equity carrying value therein to $89,977,000.

6. Non-current Liabilities

(thousands of dollars)	1995	1994
Payable in Canadian Dollars		
Mortgages		
7.86% to 10.25%, maturing through to 2013	140,170	141,544
At rates varying with prime, due 1997	21,100	21,100
Obligations under capital leases (note 7)	101	
Payable in United States Dollars		
Bank loans and loans under bank lines of credit, at rates varying with prime and/or LIBOR, maturing through to 2001	69,364	82,532
Mortgages and Industrial Development Revenue Bonds		
4.155% to 10%, maturing through to 2014	70,597	34,348
At varying rates, due 2010	4,604	44,857
Notes payable		
6.91% to 10.75%, maturing through to 2013	142,455	103,686
At rates varying with prime and/or LIBOR, maturing through to 2004	3,908	4,588
Obligations under capital leases (note 7)	244	8,481
Payable in Pounds Sterling		
Bank loans, secured, due 2005		
At rates varying with prime	18,690	11,194
At rates varying with prime between 10.97% and 12.47%	10,595	10,980
	481,828	463,310
Less due within one year and included in current liabilities	18,817	26,680
	463,011	436,630

Substantially all United States dollar non-current liabilities, with the exception of bank loans totalling $34,099,000 (1994 - $27,810,000) and obligations under capital leases, are secured by mortgages or pledges with respect to certain nursing and assisted living centres in the United States.

The weighted average interest rate of all non-current liabilities at December 31, 1995, is approximately 8.6% (1994 - 8.6%).

United Health, Inc. has entered into an interest rate swap agreement with a bank which effectively changes the interest rate on US$32,000,000 of floating rate Industrial Development Revenue Bonds due 2014 to a fixed rate of 4.155% during the period the swap agreement is in effect. The interest rate swap agreement took effect in April 1995 and matures October 2000.

Extendicare (U.K.) Limited has entered into a Cap and Collar agreement to November 1996, limiting the exposure on a notional £5,000,000 of floating rate debt to a maximum rate of 12.47% and a minimum rate of 10.97%.

Principal payments on non-current liabilities due within the next five fiscal years, exclusive of those obligations under capital leases, after giving effect to renewal privileges, are as follows:

(thousands of dollars)	
1996	34,579
1997	44,433
1998	36,428
1999	21,259
2000	18,198

United States debt agreements include covenants with respect to the payment of dividends and reduction of capital by United Health, Inc. As at December 31, 1995, US$25,700,000 could be distributed.

7. Other Commitments

At December 31, 1995, the Corporation was committed under non-cancellable leases requiring future minimum rentals as follows:

(thousands of dollars)	Capital Leases	Operating Leases	Total
1996	104	12,101	12,205
1997	59	10,904	10,963
1998	59	9,252	9,311
1999	41	8,534	8,575
2000	24	6,348	6,372
Thereafter	111	36,666	36,777
Total minimum payments	398	83,805	84,203
Less amount representing interest	53		
Obligations under capital leases	345		

As of December 31, 1995, the Corporation had capital expenditure purchase commitments outstanding of approximately $22,200,000.

8. Shareholders' Equity

The authorized capital of the Corporation consists of an unlimited number of:

Class I preferred shares, issuable in series; Class II preferred shares, issuable in series; Non-voting Class A Shares; and Common Shares, convertible on the basis of two Non-voting Class A Shares for each Common Share. All preferred shares are redeemable at the option of the Corporation.

Shareholders' equity is comprised as follows:

	1995		1994	
(thousands of dollars for amounts)	Number	Amount	Number	Amount
Class I Preferred Shares				
Convertible, Series I	1,017,332	25,433	1,097,232	27,430
Cumulative Redeemable, Series 2	355,105	8,878	835,947	20,899
Adjustable Dividend, Series 3	185,278	4,632	579,211	14,480
Adjustable Dividend, Series 4	149,272	3,732	1,252,524	31,313
Class II Preferred Shares, Series 1	357,739	5,903	2,589,870	42,733
Non-voting Class A Shares	54,947,806	213,879	46,590,886	130,637
Common Shares	7,789,986	38,767	8,674,102	43,167
1996 Warrants	55,972	923	89,457	1,476
		302,147		312,135
Retained earnings (deficit)		4,363		(60,942)
Foreign currency translation adjustment account		25,548		34,263
		332,058		285,456
Deduct cost of shares acquired and held by a related company				
Adjustable Dividend Preferred Shares, Series 4			178,000	2,545
Class II Preferred Shares, Series 1			770,600	9,890
				12,435
		332,058		273,021

The Convertible Preferred Shares, Series I are entitled to receive fixed cumulative preferential cash dividends at a rate of $2.00 per annum.

The Cumulative Redeemable Preferred Shares, Series 2 are entitled to receive quarterly cumulative preferential cash dividends in an amount determined by applying $25.00 to one-quarter of 71% of the average Canadian prime rate of interest for the quarter ended immediately before the relevant dividend payment date.

The Adjustable Dividend Preferred Shares, Series 3 are entitled to receive quarterly cumulative preferential cash dividends in an amount determined by applying $25.00 to one-quarter of 72% of an interest rate to be determined every five years by reference to yields on selected Government of Canada bonds (which rate has been set at 4.92% for the period commencing February 16, 1996 and ending February 15, 2001; previously the rate was 7.35%). The Series 3 Preferred Shares were convertible into Adjustable Dividend Preferred Shares, Series 4 on a share-for-share basis on February 16, 1996 and are convertible on each fifth anniversary thereof. On February 16, 1996, under the above conversion privileges, 20,035 Series 3 Preferred Shares were converted into an equal number of Series 4 Preferred Shares.

The Adjustable Dividend Preferred Shares, Series 4 are entitled to receive quarterly cumulative preferential cash dividends in an amount determined by applying $25.00 to one-quarter of 72% of the average Canadian prime rate of interest for the quarter ended immediately before the relevant dividend payment date. The Series 4 Preferred Shares were convertible into Series 3 Preferred Shares on a share-for-share basis on February 16, 1996 and on each fifth anniversary thereof.

The Class II Preferred Shares, Series 1 are entitled to receive monthly cumulative cash dividends in an amount determined by applying $25.00 to one-twelfth of the defined Annual Dividend Rate applicable to that calendar month. The Annual Dividend Rate for a calendar month is calculated with reference to the Canadian prime rate of interest and the defined Calculated Trading Price of the Class II Preferred Shares, Series 1.

The Non-voting Class A Shares entitle the holders thereof to quarterly preferential dividends cumulative within each financial year, aggregating 2.5 cents per share in each financial quarter, after which each Common Share and Non-voting Class A Share participates in further dividends in a two-to-one ratio.

The 1996 Warrants entitle the holders thereof to obtain on exercise, without additional payment to the Corporation, either:

(a) one Non-voting Class A Share at any time up to and including June 30, 1996; or
(b) one $25.00 Class II Preferred Share, Series 1 up to and including June 30, 1996 provided dividends on Class II Preferred Shares are not in arrears.

The following is a summary of capital transactions:

	1995		1994	
(thousands of dollars for amounts)	Number	Amount	Number	Amount
Class I Preferred Shares				
Series I				
Purchased for cancellation under purchase obligation	(79,900)	(1,997)	(115,300)	(2,883)
Series 2				
Purchased for cancellation under purchase obligation	(22,600)	(565)	(68,518)	(1,713)
Shares acquired under issuer bid	(458,242)	(11,456)		
Series 3				
Shares acquired under issuer bid	(393,933)	(9,848)		
Series 4				
Shares acquired under issuer bid	(1,103,252)	(27,581)		
Class II Preferred Shares, Series 1				
Issued on conversion of 1996 Warrants	32,785	542	24,640	407
Shares acquired under issuer bid	(2,264,916)	(37,372)		
Non-voting Class A Shares				
Issued on acquisition of preferred shares	5,768,288	71,774		
Issued for 51% interest of Accident Injury Management Clinics Inc.	153,000	2,142		
Issued on conversion of Common Shares and 1996 Warrants	1,768,932	4,412	6,042,250	15,035
Exercise of stock options	666,700	4,914	211,300	1,052
Common Shares				
Converted to Non-voting Class A Shares	(884,116)	(4,400)	(3,021,125)	(15,035)
1996 Warrants				
Converted to Class II Preferred Shares, Series 1	(32,785)	(541)	(24,640)	(407)
Converted to Non-voting Class A Shares	(700)	(12)		

Shares acquired under issuer bids and purchase obligations resulted in contributed surplus of $6,013,000 (1994 - $389,000). Shares acquired under the Class II Preferred Shares, Series 1 issuer bid resulted in a charge to deficit of $8,518,000, representing the excess of cost over book value of the shares acquired.

The December 31, 1994 results include the consolidation of a related company, which had acquired 178,000 of the Corporation's Class I Preferred Shares, Series 4 and 770,600 of the Corporation's Class II Preferred Shares, Series 1. The Corporation owned 100% of the non-voting shares of the related company and had the right to acquire, at any time for a nominal cost, all of the outstanding common shares. During 1995, the Corporation exercised its right, liquidated the company and cancelled the Corporation's shares held, resulting in contributed surplus of $4,730,000.

The Corporation's accumulated contributed surplus during 1995 of $10,743,000 (1994 - $1,627,000) was transferred to reduce the deficit.

A total of 5,769,400 Non-voting Class A Shares have been reserved under stock option plans of which a total of 1,752,000 Non-voting Class A Shares have been granted. These options have exercise prices ranging from $1.41 to $13.25 and expire over various dates to June 2002. During 1995, the Corporation granted options for 700,000 Non-voting Class A Shares at an exercise price of $13.25, which expire April 2000, and increased the number of Non-voting Class A Shares reserved under stock option plans by 3,000,000.

9. Income Taxes

The provision for income taxes is comprised as follows:

(thousands of dollars)	1995	1994
Earnings from health care before income taxes	82,442	62,719
Income taxes at statutory Canadian rate of 44.58% (1994 - 44.34%)	36,753	27,809
Income tax effect relating to the following items:		
Tax rate variance re foreign subsidiaries	(4,204)	(3,323)
Benefit of operating loss utilization	(6,564)	(6,352)
Jobs tax credit	(2,997)	(1,418)
Non-taxable income	(1,838)	(522)
Other items	856	759
	22,006	16,953

The Corporation has the following operating losses available to reduce future taxable income, the benefit of which has not been reflected in these financial statements:

(thousands of dollars)		Losses
Year of expiry:	1996	237
	1997	10,440
	1998	2,113
	1999	4,923
	2000	6,646
	2001	6,103
	2002	2,185
	2003 and thereafter	1,841

10. Earnings per Share

The calculation of earnings per share is based on net earnings reduced by preferred share dividends. Per share amounts do not reflect the preferential dividend to holders of Non-voting Class A Shares of 2.5 cents per quarter as it is cumulative only within each financial year. Net earnings after preferred share dividends are allocated to Non-voting Class A Shares and Common Shares outstanding on a one-to-two basis.

Fully diluted earnings per Non-voting Class A and Common Share are $0.92 and $1.84, respectively, for the year ended December 31, 1995, based on the following assumptions:

(a) conversion of Crown Life's convertible subordinated debentures at the date of issue, July 31, 1995, (note 5);
(b) the exercise at the beginning of the year of the 1996 Warrants for preferred shares (note 8); and
(c) the exercise at the beginning of the year of outstanding options, the proceeds of which would have been used to reduce non-current liabilities.

11. Other Segmented Information

Operations and identifiable assets by geographic segment for the periods indicated are as follows:

(thousands of dollars)	1995	1994
Revenue		
United States	1,031,584	912,268
Canada	322,361	315,908
United Kingdom	22,045	16,647
	1,375,990	1,244,823
Earnings before interest and income taxes		
United States	85,435	68,762
Canada	26,239	24,224
United Kingdom	3,708	2,665
	115,382	95,651
Identifiable assets		
United States	798,681	692,518
Canada	197,327	191,789
United Kingdom	65,763	42,955
	1,061,771	927,262
Investment in Crown Life Insurance Company, equity basis	101,726	94,339
	1,163,497	1,021,601

Operating earnings for 1995 include depreciation and amortization of $42,126,000 (1994 - $38,590,000), of which $35,698,000 (1994 - $32,375,000) is attributable to U.S. operations; $5,007,000 (1994 - $4,867,000) to Canadian operations; and $1,421,000 (1994 - $1,348,000) to U.K. operations.

Interest income in the amount of $4,369,000 (1994 - $3,757,000) has been deducted from interest expense.

12. Pensions

Retirement compensation arrangements, including a defined benefit plan, are maintained with certain employee groups.

Pension costs related to current service are charged to income as services are rendered. Variations between fund experience and actuarial estimates as well as past service costs, if any, are amortized to income over the estimated average remaining service lives of the employee groups covered by the plans.

Based on the most recent actuarial valuation, the aggregate present value of the accrued pension benefit was $11,987,000 (1994 - $10,678,000). The aggregate market value of assets in the plans was $4,111,000 (1994 - $3,673,000). The unfunded obligations have been accrued and are reflected in these financial statements.

13. Contingent Liabilities

The Corporation and its consolidated subsidiaries are defendants in actions brought against them from time to time in connection with their operations. While it is not possible to estimate the outcome of the various proceedings at this time, such actions generally are resolved within amounts provided. The Corporation does not believe that it will incur any significant additional loss or expense.

Crown Life is a defendant in a number of lawsuits involving the sale on a "vanishing premium" basis of participating whole life insurance policies in the United States. The Corporation's investment in Crown Life is in its non-participating business. The extent, if any, to which the non-participating business may be affected by the outcome of such lawsuits is not determinable at this time. Crown Life believes it has acted responsibly and appropriately at all times with respect to these policies and will vigorously contest the lawsuits, including any appeals, if necessary.

Auditors' Report

To the Shareholders of Extendicare Inc.

We have audited the consolidated balance sheets of Extendicare Inc. as at December 31, 1995 and 1994 and the consolidated statements of earnings, deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and 1994 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

KPMG Peat Marwick Thorne

Toronto, Canada
February 16, 1996

KPMG Peat Marwick Thorne
Chartered Accountants

Corporate Governance

In December 1994, The Toronto Stock Exchange Committee on Corporate Governance in Canada issued a report (the "TSE Report") containing guidelines for corporate governance. Subsequently, The Toronto Stock Exchange ("TSE") and the Montreal Exchange ("ME"), upon which the Corporation's shares are traded, passed by-laws requiring all listed corporations incorporated in Canada to disclose on an annual basis specified aspects of their corporate governance practices. The Corporation's approach to corporate governance is described below.

Mandate of the Board

The mandate of the Board includes:

- adopting a strategic planning process for the Corporation;
- approving objectives for the Corporation and the overall operating and financial plans to achieve them;
- evaluating the performance of the Corporation and its senior management;
- identifying and managing the principal risks of the Corporation's business;
- verifying the integrity of the Corporation's internal control and management information systems;
- selecting the Chief Executive Officer and approving the selection of other senior executives; and
- monitoring the Corporation's communications with shareholders, other stakeholders and the general public.

The Board believes that management is responsible for the development of long-term corporate strategy, while the role of the Board is to review, question and validate, and ultimately to approve, the strategies proposed by management. In addition to those matters which must by law be approved by the Board, management is required to seek Board approval for significant acquisitions, divestitures and capital expenditures. Other matters of strategic importance to the Corporation or which impact significantly on the operations of the Corporation are brought to the Board's attention for its input, consideration and approval.

The Board's expectation is that management will seek to maximize shareholder value in a manner which is consistent with good corporate citizenship, including fair treatment of the Corporation's employees and the provision of quality service to the public.

Composition of the Board

The TSE Report recommends that the board of directors be constituted with a majority of individuals who qualify as "unrelated directors". The TSE Report defines an unrelated director as a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the corporation, other than interests and relationships arising from shareholdings.

The Board has considered the relevant definitions in the TSE Report and other factors, and has determined that of the Corporation's 14 directors, 11 are unrelated directors. Messrs. Burns, Hennigar and Ladly are "inside" directors (i.e. directors who are officers and/or employees of the corporation) and are therefore, by definition, "related" directors. The Chair of the Board, Mr. Hennigar, although considered to be a related director, is not a member of management.

The TSE Report also recommends that, in circumstances where a corporation has a "significant shareholder" (i.e., a shareholder with the ability to exercise the majority of the votes for the election of the directors attached to the outstanding shares of the corporation), the board of directors should include a number of directors who do not have interests in or relationships with either the corporation or the significant shareholder and which fairly reflects the investment in the corporation by shareholders other than the significant shareholder.

Each of Mr. Burns and Mr. Hennigar, representing the Kingfield and Scotia interests, could be considered significant shareholders, given their agreement to act in concert with respect to an aggregate of 64.6 percent of the voting class of common equity. However, 11 of the directors of the Corporation who are unrelated directors are also independent of Messrs. Burns and Hennigar, with the result that the investment in the Corporation by its other shareholders is fairly reflected in the composition of the Board.

The Board has determined that 14 directors is an appropriate number at the current time, given the Corporation's structure and needs, as this permits the Board to be large enough for a diversity of experience and opinion, yet small enough to allow for efficient operation and decision making.

Board Committees

The Corporation currently has an Audit Committee, a Human Resources Committee and a Corporate Governance and Nominating Committee. Set out below is a description of each committee, its mandate and its activities.

Audit Committee

The Audit Committee reviews the annual financial statements of the Corporation, and makes recommendations to the Board with respect to such statements. The Committee also makes recommendations to the Board regarding the appointment of independent auditors and their remuneration and reviews any proposed changes in accounting practices or policies. The Committee reviews the nature, scope and results of the external audit and also reviews with the auditors and management the adequacy of the Corporation's internal accounting control procedures and systems.

The Corporation's Audit Committee is composed entirely of outside directors, all of whom are also unrelated directors. The Committee met four times during the financial year ended December 31, 1995.

Human Resources Committee

The Human Resources Committee reviews and approves the compensation of senior management with a view to ensuring that the level of compensation reflects performance. The Committee also reviews the performance of the Chief Executive Officer on an annual basis. The Committee is responsible for monitoring the development of senior management.

The Human Resources Committee is also responsible for reviewing and recommending directors' compensation. It reviews external surveys to compare the compensation paid by the Corporation against compensation paid to directors in other organizations.

The Human Resources Committee is composed entirely of outside directors, all of whom are also unrelated directors. The Committee met three times during the financial year ended December 31, 1995.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee makes recommendations as to the size and composition of the Board; reviews qualifications of potential candidates for election to the Board; recommends the slate of nominees for presentation to the annual shareholders' meeting; makes recommendations with respect to the membership of committees; and assesses the performance of the Board and its members. It is this Committee which is responsible for planning succession to the position of Chief Executive Officer. This Committee also oversees issues of corporate governance as they apply to the Corporation and recommends amendments to the Corporation's corporate governance procedures where appropriate. Any director who wishes to engage outside advisors with respect to the affairs of the Corporation, at the expense of the Corporation, is required to review such matter with this Committee.

The Corporate Governance and Nominating Committee is composed entirely of directors who are not members of management, four of whom are also unrelated directors. The Committee met three times during the financial year ended December 31, 1995.

Other

The orientation of new directors takes place immediately following the annual meeting. A presentation is made regarding their general responsibilities as directors, and they are provided, by an executive of each of the main operation divisions, with an overview of current issues and business strategies. Board meetings held at regional locations in Canada and the United States are combined with tours of the Corporation's facilities, so that the directors can gain a greater insight into the Corporation's business operations.

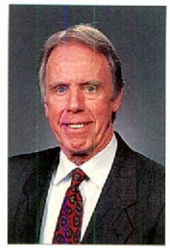
Over the past two years, the Corporation has held regular meetings with the investment community and has made its quarterly reporting to shareholders more informative. Shareholder questions and concerns are handled by the Corporate Secretary's department.

Directors

Extendicare Inc., 3000 Steeles Avenue East, Markham, Ontario, L3R 9W2
Tel: (905) 470-4000 Fax: (905) 470-5588

David J. Hennigar (N)
Chairman

Mr. Hennigar is Founder and Chairman of Acadian Securities Inc., Chairman of National Sea Products and is, as well, a director of Crown Life Insurance Company and Scotia Investments Limited. He has been on the Extendicare Board since 1980. Mr. Hennigar resides in Bedford, Nova Scotia. Age 56.

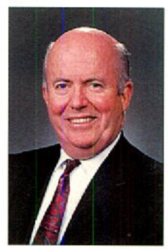


Frederick B. Ladly
CEO and Deputy Chairman

Mr. Ladly served as President and Chief Executive Officer of Extendicare Inc. from 1984 through 1995 and has been on the Board since 1986. He is also Vice-Chairman of Crown Life Insurance Company. Mr. Ladly resides in the Township of Bathurst, Ontario. Age 65.

H. Michael Burns (N)
Deputy Chairman

Mr. Burns is President of Kingfield Investments Limited and is, as well, a director of Crown Life Insurance Company. He has been on the Extendicare Board since 1978. Mr. Burns resides in Maple, Ontario. Age 58.



Derek H.L. Buntain (HR)

Mr. Buntain is President and Chief Executive Officer of Goodman & Company (Bermuda) Limited, an investment management company. He joined the Extendicare Board in 1995. Mr. Buntain currently resides in Mississauga, Ontario. Age 55.

Dr. Joy D. Calkin (N)

Dr. Calkin is Vice-President (Academic) and Provost of The University of Calgary. She is also a professor in the Faculty of Nursing, specializing in health systems management and design, as well as pediatric nursing. Dr. Calkin joined the Extendicare Board in 1995, and resides in Calgary, Alberta. Age 57.

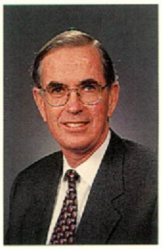
Sir J. Graham Day (HR, N)

Sir Graham is Counsel to the Atlantic Canada law firm Stewart McKelvey Stirling Scales. He has been on the Board since 1989. Sir Graham resides in Hantsport, Nova Scotia. Age 62.

George S. Dembroski (A)

Mr. Dembroski is a director and Vice-Chairman of RBC Dominion Securities Limited. He joined the Extendicare Board in 1995. Mr. Dembroski resides in Toronto, Ontario. Age 61.

Directors

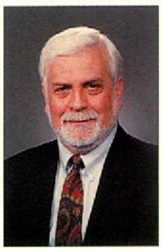


David M. Dunlap (A, HR)

Mr. Dunlap is Chairman of G.F. Thompson Company Limited, a manufacturing company. He has been on the Board since 1980. Mr. Dunlap resides in King City, Ontario. Age 57.

George A. Fierheller (A)

Mr. Fierheller is Vice-Chairman of Rogers Communications Inc. He has been on the Extendicare Board since 1981. Mr. Fierheller resides in North York, Ontario. Age 62.

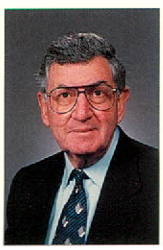


Dr. Seth B. Goldsmith (N)

Dr. Goldsmith is a Professor in the Graduate Program in Health Policy and Management at the University of Massachusetts, School of Public Health, in Amherst, Massachusetts. He has been on the Board since 1995. Dr. Goldsmith resides in Northampton, Massachusetts. Age 54.

Michael J.L. Kirby (HR, N)

Mr. Kirby is a member of The Senate of Canada. He has been on the Extendicare Board since 1987, and resides in Nepean, Ontario. Age 54.



Alvin G. Libin (A)

Mr. Libin is President of Balmon Holdings Ltd., an investment company. He has been on the Board since 1984. Mr. Libin is also a director of Crown Life Insurance Company, and resides in Calgary, Alberta. Age 64.

J. Thomas MacQuarrie (A, HR)

Mr. MacQuarrie is a partner in the law firm of Stewart McKelvey Stirling Scales. He has been on the Extendicare Board since 1980. Mr. MacQuarrie resides in Halifax, Nova Scotia. Age 58

Derril G. McLeod (A)

Mr. McLeod is Senior Counsel in the law firm of Pedersen, Norman, McLeod & Todd. He has been on the Board since 1973. Mr. McLeod resides in Regina, Saskatchewan. Age 71.

A Audit Committee
HR Human Resources Committee
N Corporate Governance and Nominating Committee

Officers

Extendicare Inc.
3000 Steeles Avenue East, Markham, Ontario L3R 9W2
Tel: (905) 470-4000 Fax: (905) 470-5588

David J. Hennigar
Chairman

Frederick B. Ladly
Chief Executive Officer and Deputy Chairman [1]

H. Michael Burns
Deputy Chairman

J. Wesley Carter
President and Chief Operating Officer [2]

Richard L. Bertrand
Vice-President

Elaine E. Everson
Controller

Len G. Koroneos
Vice-President and Treasurer

Melvin A. Rhinelander
Vice-President

M. Lynne Smith
Assistant Secretary

Barry L. Stephens
Vice-President, Finance,
Chief Financial Officer and Secretary

Frederick B. Ladly and Barry L. Stephens

Extendicare (Canada) Inc.
3000 Steeles Avenue East, Markham, Ontario L3R 9W2
Tel: (905) 470-4000 Fax: (905) 470-5588

Frederick B. Ladly
Chairman

J. Wesley Carter
President and Chief Executive Officer

John G. McLaughlin
President, Canadian Health Care Operations

Richard L. Bertrand
Senior Vice-President, Finance
and Chief Financial Officer

Elaine E. Everson
Vice-President and Controller

Stephen R. Haas
Vice-President, Para-Med Health Services

M. Jan Laughlin
Vice-President, Managed Facilities
and Consulting

D. Wayne McKendrick
Vice-President, Western Operations

John J. Penaligon [3]
Vice-President, Hospital Development

Melvin A. Rhinelander
Vice-President, Human Resources
and Secretary

R. Gordon Spear
Vice-President, Eastern Operations

[1] Effective January 1, 1996; formerly President and CEO
[2] Effective January 1, 1996; formerly Executive Vice-President and COO
[3] Effective February 1, 1996

Officers

United Health, Inc.
105 West Michigan Street
Milwaukee, Wisconsin, U.S.A. 53203
Tel: (414) 271-9696 Fax: (414) 347-4414

Frederick B. Ladly
Chairman

J. Wesley Carter
Chief Executive Officer

Guy W. Smith
President and Chief Operating Officer

Robert J. Abramowski
Vice-President, Finance
and Chief Financial Officer

Leland M. Austin
Executive Vice-President, Operations

Richard L. Bertrand
Senior Vice-President

Roch Carter
Assistant Secretary

Thomas A. Dinauer
Vice-President and Treasurer

Ronald P. Knox
Senior Vice-President, Operations

Hugh S. McManus
Vice-President, Administration and
Legal Services

Melvin A. Rhinelander
Secretary

L. William Wagner
Vice-President

John G. McLaughlin, J. Wesley Carter and Guy W. Smith

Extendicare (U.K.) Limited
Hardy House, Northbridge Road
Berkhamsted, Hertfordshire, England HP4 1EF
Tel: (44) 442-863 301 Fax: (44) 442-873 743

Frederick B. Ladly
Chairman

J. Wesley Carter
Deputy Chairman

Douglas J. Harris
Managing Director

David W. Ridgwell
Secretary

Shareholder Information

Stock Exchange Listings

The Toronto Stock Exchange
Montreal Exchange

Transfer Agent

Montreal Trust Company

Shareholder Inquiries

M. Lynne Smith, Assistant Secretary
Telephone: (905) 470-5515

Share and Warrant Information

Shares/Warrants	Stock Symbols	Shares/Warrants Outstanding[1]	Year End Closing Market Price 1995	1994	1993
Common	EXE	7,789,986	$28.250	$19.625	$13.00
Non-voting Class A	EXE.A	54,947,806	14.500	9.875	6.50
Class I Preferred					
Series I	EXE.PR.A	1,017,332	25.375	24.500	25.25
Series 2	EXE.PR.B	355,105	22.125	18.625	19.00
Series 3	EXE.PR.C	185,278	22.000	21.000	22.25
Series 4	EXE.PR.D	149,272	21.000	19.000	18.00
Class II Preferred					
Series 1	EXE.PR.E	357,739	22.750	19.000	20.00
1996 Warrants	EXE.WT.B	55,972	22.500	18.500	19.50

[1] Outstanding as at December 31, 1995.

Annual Meeting

Shareholders are invited to attend the Annual Meeting of Extendicare Inc.
at 11:00 a.m. on Thursday, April 25, 1996
at the Holiday Inn On King, King I Ballroom, 370 King Street West,
Toronto, Ontario, Canada.

What's a Dog Doing in a Nursing Home?

Working for a living, that's what. Dogs, cats, and birds have been welcome visitors at facilities such as nursing homes for years. For animal lovers — and there are a lot of us — nothing soothes like sharing a hug and a few endearments with a friendly pet. And care providers know it. Animals enrich lives by helping people to regain self-esteem, shake off depression, tap healing memories, and inspire conversation. That's why many Extendicare nursing homes have resident pets and visiting pet programs.

1995 Annual Report