

Financial Statements of

**HEALTHCARE EMPLOYEES
BENEFITS PLAN - MANITOBA -
DENTAL PLAN AND EXTENDED
HEALTH PLAN**

Year ended December 31, 2006



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AUDITORS' REPORT

To the Board of Trustees of Healthcare Employees Benefits Plan - Manitoba - Dental Plan and Extended Health Plan

We have audited the statement of net assets of Healthcare Employees Benefits Plan - Manitoba - Dental Plan and Extended Health Plan as at December 31, 2006 and the statement of changes in net assets for the year then ended. These financial statements are the responsibility of the Plans' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the net assets of the Plans as at December 31, 2006 and the changes in their net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Signed "**KPMG LLP**"

Chartered Accountants

Winnipeg, Canada

April 5, 2007

HEALTHCARE EMPLOYEES BENEFITS PLAN - MANITOBA - DENTAL PLAN AND EXTENDED HEALTH PLAN


Statement of Net Assets


December 31, 2006, with comparative figures for 2005

	2006	2005
Assets		
Cash	\$ 684,138	\$ 791,254
Premiums and other receivables	1,835,628	1,551,156
Prepaid expenses	269,928	189,281
Due from Manitoba Blue Cross - Dental Plan (note 3)	3,074,347	1,914,416
Due from Manitoba Blue Cross - Extended Health Plan (note 3)	1,727,580	2,036,258
Capital assets (note 4)	20,093	22,392
	\$ 7,611,714	\$ 6,504,757
Liabilities and Net Assets		
Premiums payable and accrued liabilities	\$ 2,575,709	\$ 2,365,263
Due to Healthcare Employees Pension Plan - Manitoba (note 8)	19,621	18,307
Obligations for IBNR (note 5):		
Dental Plan	420,454	409,468
Extended Health Plan	1,036,892	1,775,015
	1,457,346	2,184,483
	4,052,676	4,568,053
Net assets represented by:		
Capital fund	20,093	22,392
Internally restricted fund (note 6)	2,133,255	1,968,033
Unrestricted fund	1,405,690	(53,721)
	3,559,038	1,936,704
	\$ 7,611,714	\$ 6,504,757

See accompanying notes to financial statements.

On behalf of the Board of Trustees:


 _____ Chair


 _____ Vice-Chair

HEALTHCARE EMPLOYEES BENEFITS PLAN - MANITOBA - DENTAL PLAN AND EXTENDED HEALTH PLAN

Statement of Changes in Net Assets

Year ended December 31, 2006, with comparative figures for 2005

	Dental Plan	Extended Health Plan	2006 Total	2005 Total
Increases:				
Premiums	\$ 14,422,155	\$ 13,311,860	\$ 27,734,015	\$ 26,247,364
Investment income	103,385	134,265	237,650	135,028
	14,525,540	13,446,125	27,971,665	26,382,392
Decreases:				
Claims incurred	12,613,691	12,141,272	24,754,963	22,970,343
Interest - Blue Cross	–	44,331	44,331	38,420
Amortization of capital assets	5,325	4,722	10,047	–
Administrative - HEBP (note 8)	77,906	69,085	146,991	180,119
Administrative - Blue Cross	644,849	844,219	1,489,068	1,446,456
Travel health insurance premiums	–	631,068	631,068	558,396
	13,341,771	13,734,697	27,076,468	25,193,734
Net increase (decrease) prior to change in obligations	\$ 1,183,769	\$ (288,572)	\$ 895,197	\$ 1,188,658
Change in obligations for IBNR	(10,986)	738,123	727,137	(203,718)
Increase in net assets	\$ 1,172,783	\$ 449,551	\$ 1,622,334	\$ 984,940

	Unrestricted Fund			Capital fund	2006 Total	2005 Total
	Dental Plan	Extended Health Plan	Internally Restricted Fund			
Net assets, beginning of year	\$ 123,191	\$ (176,912)	\$1,968,033	\$ 22,392	\$ 1,936,704	\$ 951,764
Increase (decrease) in net assets	1,178,108	454,273	–	(10,047)	1,622,334	984,940
Transfer for capital assets (note 4)	(4,106)	(3,642)	–	7,748	–	–
Transfer for internally restricted (note 6)	(41,690)	(123,532)	165,222	–	–	–
Net assets, end of year	\$1,255,503	\$ 150,187	\$2,133,255	\$ 20,093	\$ 3,559,038	\$ 1,936,704

See accompanying notes to financial statements.

HEALTHCARE EMPLOYEES BENEFITS PLAN - MANITOBA - DENTAL PLAN AND EXTENDED HEALTH PLAN

Notes to Financial Statements

Year ended December 31, 2006

1. General:

The Healthcare Employees Benefits Plan - Manitoba (HEBP) is a jointly trusteeed, not-for-profit organization which includes the dental plan and extended health plan (the Plans) for healthcare employees in Manitoba.

The Plans are registered as health and welfare trusts under the *Income Tax Act* and is not subject to income taxes.

The dental plan and extended health plan are not-for-profit plans. They provide dental coverage and basic and enhanced health benefits to participating active employees. They also include a retiree plan with basic - ambulance/semi-private plan and an enhanced health plan. Claims administration and adjudication for these plans is provided by Manitoba Blue Cross. The Plans are on a self-insured budgeted administrative services only basis (BASO).

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared on a going concern basis and present the aggregate financial position of the Plans as separate financial reporting entities, independent of the participating employers and members. Only the assets and obligations to members eligible to participate in the Plans have been included in these financial statements. These financial statements do not portray the funding requirements of the Plans or the benefit security of the individual plan members.

(b) Fund accounting:

Assets, liabilities, revenues and expenses related to the Plans' capital assets are recorded in the Capital Fund. The Internally Restricted Fund represents amounts restricted by the Board of Trustees for claims fluctuation reserves (note 6). All other assets, liabilities, revenues and expenses are reported in the Unrestricted Fund.

(c) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Plans' ability to provide services, its carrying amount is written-down to its residual value. Capital assets, which include computer projects, will be amortized on a straight-line basis over three years as the projects are completed. Amortization expense is reported in the Capital Fund.

HEALTHCARE EMPLOYEES BENEFITS PLAN - MANITOBA - DENTAL PLAN AND EXTENDED HEALTH PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2006

2. Significant accounting policies (continued):

(d) Premiums:

Premiums recorded in the statement of changes in net assets include the employees' and employers' share of the premiums required for dental and extended health coverage.

(e) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets during the year. Actual results could differ from those estimates.

3. Due from Manitoba Blue Cross:

	2006	2005
Due from Manitoba Blue Cross - Dental Plan	\$ 3,074,347	\$ 1,914,416
Due from Manitoba Blue Cross - Extended Health Plan	1,727,580	2,036,258
	<u>\$ 4,801,927</u>	<u>\$ 3,950,674</u>

The amounts due from Manitoba Blue Cross are funds held by Manitoba Blue Cross to fund the Plan's obligations for IBNR, which are fully funded, and the claims fluctuation reserves, which are partially funded as disclosed in note 6.

Interest was earned on the amounts due from Manitoba Blue Cross ranging from 2.15 percent to 3.72 percent (2005 - 1.1 percent to 2.56 percent).

4. Capital assets:

	2006		2005	
	Cost	Accumulated amortization	Net book value	Net book value
Computer projects	\$ 30,140	\$ 10,047	\$ 20,093	\$ 22,392

In fiscal 2006, \$7,748 (2005 - \$1,083) was transferred from the Unrestricted Fund to the Capital Fund for the computer projects.

HEALTHCARE EMPLOYEES BENEFITS PLAN - MANITOBA - DENTAL PLAN AND EXTENDED HEALTH PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2006

5. Obligations for incurred but not reported (IBNR):

The obligations for IBNR are estimates of claims which have been incurred but not reported at the date of the financial statements. The obligations are based on a study of claims during the fiscal year and are specific to the type of benefits provided.

6. Internally restricted for claims fluctuation reserves (CFR):

The Board of Trustees has approved the establishment of claims fluctuation reserves. The reserve for the Dental Plan has been established at an amount equal to 10 percent of the current year's premiums for the Dental Plan and is fully funded.

The Extended Health Plan consists of the Basic plan, the Retiree plan and the Enhanced plan. The reserve for each of these plans has been established at an amount equal to 15 percent of the current year's premiums. The Basic and Retiree plans have fully funded reserves while the Enhanced plan is not fully funded. The Board of Trustees has established a funding plan that will fully fund the reserve for the Enhanced plan within 3 years.

Internally restricted for CFR is allocated as follows:

	2006	2005
Dental Plan	\$ 1,442,107	\$ 1,400,417
Extended Health Plan	691,148	567,616
	<u>\$ 2,133,255</u>	<u>\$ 1,968,033</u>

7. Underlying risks:

Claims and premiums risk:

The nature of the unpaid claims is such that the establishment of obligations is based on known facts and interpretation of circumstances, on a case by case basis, and is therefore a complex and dynamic process influenced by a variety of factors.

Consequently, the establishment of obligations and premium rates relies on the judgment and opinions of a number of professionals, on historical precedent and trends, on prevailing legal, economic, social and regulatory trends and on expectations as to future developments. The process of determining premium rates and reserves necessarily involves risks that the actual results will deviate, perhaps substantially, from the best estimates made.

HEALTHCARE EMPLOYEES BENEFITS PLAN - MANITOBA - DENTAL PLAN AND EXTENDED HEALTH PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2006

8. Related party transactions:

HEBP and the Healthcare Employee's Pension Plan - Manitoba (HEPP) have a certain number of common trustees and a cost sharing agreement to allocate certain costs based on factors such as square footage, number of employees and time usage. The balance due to HEPP is non-interest bearing, and has no fixed terms of repayment.

9. Comparative figures:

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