

Financial Statements of

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

Year ended December 31, 2002



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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, 2002 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, 2002 and the changes in net assets and their cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Signed "KPMG LLP"

Chartered Accountants

Winnipeg, Canada

May 16, 2003



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

Statement of Net Assets

December 31, 2002, with comparative figures for 2001

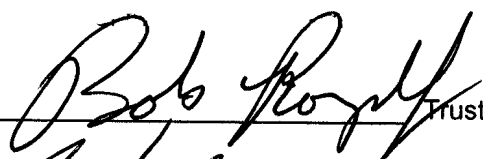
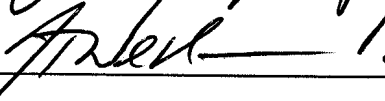
	2002	2001
Assets		
Cash and short-term deposits	\$ 276,797	\$ 379,509
Premiums and other receivables	1,247,380	1,052,874
Prepaid expenses	4,480	2,281
Due from Manitoba Blue Cross - Dental Plan	74,142	515,853
Due from Manitoba Blue Cross - Extended Health Plan	977,174	1,223,816
	\$ 2,579,973	\$ 3,174,333

Liabilities and Net Assets

Premiums payable and accrued liabilities	\$ 1,369,452	\$ 1,235,013
Due to Healthcare Employees Pension Plan - Manitoba (note 7)	11,117	69,474
Reserves for IBNR (note 4):		
Dental Plan	463,246	446,516
Extended Health Plan	1,931,295	1,917,752
	<u>2,394,541</u>	<u>2,364,268</u>
Net assets (note 3)	(1,195,137)	(494,422)
	\$ 2,579,973	\$ 3,174,333

See accompanying notes to financial statements.

On behalf of the Board of Trustees:


 _____ Trustee

 _____ Trustee

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

Statement of Changes in Net Assets

Year ended December 31, 2002, with comparative figures for 2001

	Dental Plan	Extended Health Plan	2002 Total	2001 Total
Increase in net assets:				
Premiums	\$ 10,496,477	\$ 8,974,582	\$ 19,471,059	\$17,029,641
Investment income	17,453	36,257	53,710	133,230
	10,513,930	9,010,839	19,524,769	17,162,871
Decrease in net assets:				
Claims incurred	10,294,712	8,499,407	18,794,119	16,909,456
Administrative - HEBP (note 7)	76,099	64,651	140,750	129,708
Administrative - Blue Cross	578,286	682,056	1,260,342	1,044,107
	10,949,097	9,246,114	20,195,211	18,083,271
Net decrease in assets prior to appropriations from reserves	(435,167)	(235,275)	(670,442)	(920,400)
Appropriations to reserves for IBNR	(16,730)	(13,543)	(30,273)	(66,745)
Net decrease in assets after appropriations from reserves	(451,897)	(248,818)	(700,715)	(987,145)
Net assets, beginning of year	81,789	(576,211)	(494,422)	492,723
Net assets, end of year	\$ (370,108)	\$ (825,029)	\$ (1,195,137)	\$ (494,422)

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, 2002

1. General:

The Healthcare Employees Benefits Plan - Manitoba ("HEBP") is a jointly trustee, 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*.

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 preparation:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Measurement uncertainty:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities and reserves at the date of the financial statements and the reported amounts of certain increases and decreases in net assets, and appropriations from (to) reserves during the year. Actual results could differ from those estimates.

3. Net assets:

The unrestricted net assets represents the excess of premiums over claims (claims over premiums) since inception of the Plans. Under the BASO arrangement, the Plans are self-insured.

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

Notes to Financial Statements (continued)

Year ended December 31, 2002

4. Reserves:

(a) Incurred but not reported ("IBNR"):

The Plans include IBNR reserves. These reserves are maintained to pay those claims which have been incurred but not reported at the date of the financial statements. The reserves are based on the average of the last two year's paid claims.

(b) Measurement uncertainty:

The reserves represent estimates for the full amount of all claims costs and the projected final settlements of claims incurred to the year end date. These reserves are calculated taking into account the time value of money plus explicit provisions for adverse deviations. These estimates of future loss activity are necessarily subject to uncertainty and are selected from a wide range of possible outcomes. These reserves are adjusted up or down as additional information affecting the estimated amounts becomes known during the course of claims settlement. All changes in estimates are recorded as changes to the provisions in the current year.

5. Assets earning investment income:

	2002	2001
Cash and short-term deposits	\$ 276,797	\$ 379,509
Due from Manitoba Blue Cross - Dental Plan	74,142	515,853
Due from Manitoba Blue Cross - Extended Health Plan	977,174	1,223,816
	<u>\$ 1,328,113</u>	<u>\$ 2,119,178</u>

Interest was earned on Manitoba Blue Cross cash flows at 3.9% and on reserves and surplus at 4.79%.

6. Underlying risks:

Claims and premiums risk:

The nature of the unpaid claims is such that the establishment of reserves 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.

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

Notes to Financial Statements (continued)

Year ended December 31, 2002

6. Underlying risks (continued):

Consequently, the establishment of reserves 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.

7. Related party transactions:

HEBP and the Healthcare Employee's Pension Plan - Manitoba ("HEPP") have a minority number of common trustees and have a cost sharing agreement to allocate certain costs based on factors such as square footage, number of employees and time usage.

8. Fair value:

The carrying amount of certain financial assets and liabilities are a reasonable estimate of the fair values because of the short maturity of those instruments. Those short-term financial assets are comprised of cash and short-term deposits, and premiums receivable. Short-term financial liabilities are comprised of premiums payable and accrued liabilities and due to Healthcare Employees Pension Plan - Manitoba.

Other financial assets and liabilities are comprised of due from Manitoba Blue Cross and the reserves for IBNR. Since there is no intention of extinguishing the obligations for benefit payments in the near term, the fair value is best approximated by using the same assumptions as for the establishment of these assets and reserves. As underlying conditions change over time, management's best estimate assumptions may also change, which could cause a material change in the fair values of these accrued benefits and related funding receivables.

9. Statement of cash flows:

A separate statement of cash flows is not presented since the cash flows are readily apparent from the statement of net assets and statement of changes in net assets.

10. Comparative figures:

Certain 2001 figures have been reclassified to conform with the financial statement presentation adopted in the current year.