

Financial Statements of

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

Year ended December 31, 2005



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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 financial position of Healthcare Employees Benefits Plan - Manitoba - Dental Plan and Extended Health Plan as at December 31, 2005 and the statement of changes in fund balances 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 financial position of the Plans as at December 31, 2005 and the changes in their fund balances and their cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

April 21, 2006

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

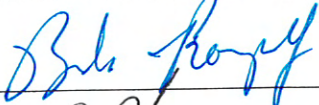
Statement of Financial Position

December 31, 2005, with comparative figures for 2004

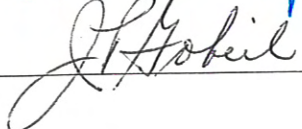
	2005	2004
Assets		
Cash and short-term deposits	\$ 791,254	\$ 206,004
Premiums and other receivables	1,571,156	1,344,163
Prepaid expenses	169,281	3,896
Due from Manitoba Blue Cross - Dental Plan	1,914,416	900,977
Due from Manitoba Blue Cross - Extended Health Plan	2,036,258	1,869,478
Capital assets (note 3)	22,392	21,309
	\$ 6,504,757	\$ 4,345,827
Liabilities and Fund Balances		
Premiums payable and accrued liabilities	\$ 2,365,263	\$ 1,375,124
Due to Healthcare Employees Pension Plan - Manitoba (note 8)	18,307	38,174
Reserves for IBNR [note 5(a)]:		
Dental Plan	409,468	384,332
Extended Health Plan	1,775,015	1,596,433
	2,184,483	1,980,765
Reserves for CFR [note 5(b)]:		
Dental Plan	1,400,417	-
Extended Health Plan	567,616	-
	1,968,033	-
	6,536,086	3,394,063
Fund balances:		
Capital fund	22,392	21,309
Unrestricted fund (note 4)	(53,721)	930,455
	(31,329)	951,764
	\$ 6,504,757	\$ 4,345,827

See accompanying notes to financial statements.

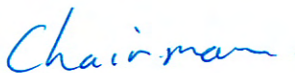
On behalf of the Board of Trustees:



Trustee



Trustee


Chairman


Vice-Chairman

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

Statement of Changes in Fund Balances

Year ended December 31, 2005, with comparative figures for 2004

	Dental Plan	Extended Health Plan	2005 Total	2004 Total	
Increases:					
Premiums	\$ 14,004,170	\$ 12,243,194	\$ 26,247,364	\$ 24,455,442	
Investment income	39,184	95,844	135,028	142,362	
	14,043,354	12,339,038	26,382,392	24,597,804	
Decreases:					
Claims incurred	12,283,076	10,687,267	22,970,343	21,092,351	
Interest - Blue Cross	–	38,420	38,420	89,170	
Administrative - HEBP (note 8)	97,264	82,855	180,119	218,848	
Administrative - Blue Cross	644,911	801,545	1,446,456	1,322,500	
Travel health insurance premiums	–	558,396	558,396	528,943	
	13,025,251	12,168,483	25,193,734	23,251,812	
Net increase prior to appropriations from reserves	1,018,103	170,555	1,188,658	1,345,992	
Appropriations from (to) reserves for:					
IBNR	(25,136)	(178,582)	(203,718)	398,209	
CFR	(1,400,417)	(567,616)	(1,968,033)	–	
	(1,425,553)	(746,198)	(2,171,751)	398,209	
Net increase (decrease) after appropriations from (to) reserves	\$ (407,450)	\$ (575,643)	\$ (983,093)	\$ 1,744,201	
Unrestricted Fund					
	Dental Plan	Extended Health Plan	Capital Fund	2005 Total	2004 Total
Fund balances, beginning of year	\$ 531,226	\$ 399,229	\$ 21,309	951,764	(792,437)
Net increase (decrease) after appropriations from (to) reserves	(407,450)	(575,643)	–	(983,093)	1,744,201
Transfer for capital assets (note 3)	(585)	(498)	1,083	–	–
Fund balances, end of year	\$ 123,191	\$ (176,912)	\$ 22,392	\$ (31,329)	\$ 951,764

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, 2005

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 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. 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 in progress, will be amortized on a straight-line basis over three years as the projects are completed. Amortization expense will be 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, 2005

2. Significant accounting policies (continued):

(d) Measurement uncertainty:

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 and reserves at the date of the financial statements and the reported amounts of increases and decreases in fund balances, and appropriations from (to) reserves during the year. Actual results could differ from those estimates.

3. Capital assets:

			2005	2004
	Cost	Accumulated amortization	Net book value	Net book value
Computer projects in progress	\$ 22,392	\$ -	\$ 22,392	\$ 21,309

In fiscal 2005, \$1,083 (2004 - \$14,147) was transferred from the Unrestricted Fund to the Capital Fund for the computer projects in progress.

4. Unrestricted fund:

The unrestricted fund balance represents the excess of claims and expenses over premiums and investment income since inception of the Plans. Under the BASO arrangement, the Plans are self-insured.

5. Reserves:

(a) Incurred but not reported (IBNR):

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

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

Notes to Financial Statements (continued)

Year ended December 31, 2005

5. Reserves (continued):

(b) Claims fluctuation reserve (CFR):

The Board of Trustees has approved claims fluctuation reserves to be established for the year ended December 31, 2005. 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.

The Extended Health Plan consists of the Basic plan, the Retiree plan and the Enhanced plan. A reserve for the Basic and the Retire plans has been established at an amount equal to 15 percent of the current year's premiums for these plans, and the plans are fully funded at December 31, 2005. The Enhanced plan is in a deficit position and is unfunded at December 31, 2005. As a result, no reserve on the current year's premiums has been established for this plan.

(c) Measurement uncertainty:

These 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 estimates of future loss activity are necessarily subject to uncertainty and are selected from a wide range of possible outcomes. All changes in estimates are recorded as changes to the provisions in the current year.

6. Assets earning investment income:

	2005	2004
Cash and short-term deposits	\$ 791,254	\$ 206,004
Due from Manitoba Blue Cross - Dental Plan	1,914,416	900,977
Due from Manitoba Blue Cross - Extended Health Plan	2,036,258	1,869,478
	<u>\$ 4,741,928</u>	<u>\$ 2,976,459</u>

Interest was earned on Manitoba Blue Cross cash flows at 1.1 percent (2004 - 1.05 percent) and on reserves at 2.56 percent and surplus at 2.56 percent (2004 - 2.52 percent on reserves and 3.52 percent on surplus).

7. 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, 2005

7. 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.

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.

9. Fair value:

The carrying amount of certain financial assets and liabilities is 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 and CFR. 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.

10. Statement of cash flows:

A separate statement of cash flows is not presented since the cash flows are readily apparent from the statement of financial position and statement of changes in fund balances.