

Audited Consolidated Financial Statements of

VANCOUVER ISLAND HEALTH AUTHORITY

Year ended March 31, 2006


Vancouver Island Health Authority Management Report

The consolidated financial statements of the Vancouver Island Health Authority (the "Authority") are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the consolidated financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available at May 12, 2006. The consolidated financial statements have also been reviewed by the Finance and Audit Committee.

Management maintains systems of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel and appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Finance and Audit Committee.

The financial statements have been examined by KPMG LLP, the Authority's independent external auditors. The external auditors' responsibility is to express their opinion on whether the financial statements, in all material respects, fairly presents the Authority's financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles. Their Auditors' Report, which follows, outlines the scope of their examination and their opinion.

The Board of Directors, through the Finance and Audit Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Committee, comprised of directors who are not employees, meets regularly with the external auditors, the internal auditors, and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Board of Directors. The internal and external auditors have full and open access to the Finance and Audit Committee, with and without the presence of management.



President and Chief Executive Officer

Victoria, BC
May 12, 2006



Vice President and Chief Financial Officer



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Chartered Accountants

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AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF VANCOUVER ISLAND HEALTH AUTHORITY

We have audited the consolidated balance sheet of the Vancouver Island Health Authority as at March 31, 2006 and the consolidated statements of operations, changes in net assets (deficiency) and cash flows for the year then ended. These financial statements are the responsibility of the Authority's 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 consolidated financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style.

Chartered Accountants

Victoria, Canada

May 12, 2006



KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.

VANCOUVER ISLAND HEALTH AUTHORITY

Consolidated Balance Sheet

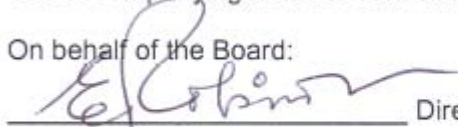
(Amounts expressed in thousands of dollars)

March 31, 2006, with comparative figures for 2005


	2006	2005
Assets		
Current assets:		
Cash	\$ 13,961	\$ 37,792
Marketable securities (note 2)	91,040	122,959
Accounts receivable (note 3)	104,957	54,403
Inventories of materials and supplies	11,351	9,540
Prepaid expenses	10,443	8,832
	<u>231,752</u>	<u>233,526</u>
Capital assets (note 4)	603,488	587,434
	<u>\$ 835,240</u>	<u>\$ 820,960</u>
Liabilities and Net Assets (Deficiency)		
Current liabilities:		
Cheques issued in excess of funds on hand	\$ -	\$ 7,053
Accounts payable and accrued liabilities (note 5)	160,718	124,392
Deferred operating revenue (note 6)	7,519	49,479
Current portion of accrued sick and severance	5,832	5,800
Current portion of accrued long-term disability	7,051	5,707
Current portion of long-term debt	5,004	2,599
Current portion of capital leases	48	44
	<u>186,172</u>	<u>195,074</u>
Accrued sick and severance (note 8(a))	64,883	62,370
Accrued long-term disability (note 8(b))	35,674	40,306
Long-term debt (note 9)	11,154	14,305
Capital leases (note 10)	31	79
Deferred capital contributions (note 11)	612,979	586,067
	<u>910,893</u>	<u>898,201</u>
Net assets (deficiency):		
Investment in capital assets (note 12)	28,129	27,798
Externally restricted	4,823	5,534
Internally restricted	4,778	3,809
Unrestricted	(113,383)	(114,382)
	<u>(75,653)</u>	<u>(77,241)</u>
Contingencies and commitments (note 15)		
	<u>\$ 835,240</u>	<u>\$ 820,960</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Director



Director

VANCOUVER ISLAND HEALTH AUTHORITY

Consolidated Statement of Operations
(Amounts expressed in thousands of dollars)

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

	2006	2005
Revenue:		
Ministry of Health	\$ 1,055,256	\$ 1,010,206
Other funding contributions (Schedule 1)	177,457	108,359
Patient and client revenue (Schedule 1)	95,661	89,910
Other revenue (Schedule 1)	48,013	40,938
Investment income	4,376	4,678
Amortization of deferred capital contributions	63,305	48,278
	<u>1,444,068</u>	<u>1,302,369</u>
Expenditures:		
Staff remuneration	861,162	793,219
Referred out and contracted services	298,506	254,950
Supplies	142,706	128,775
Equipment and building services	47,215	45,283
Sundry	26,663	21,657
Interest on long-term debt and obligations under capital leases	949	1,157
Depreciation of capital assets	65,532	52,716
	<u>1,442,733</u>	<u>1,297,757</u>
Excess of revenue over expenditures	<u>\$ 1,335</u>	<u>\$ 4,612</u>

See accompanying notes to consolidated financial statements.

VANCOUVER ISLAND HEALTH AUTHORITY

Consolidated Statement of Changes in Net Assets (Deficiency)
(Amounts expressed in thousands of dollars)

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

	Investment in capital assets (note 12)	Externally restricted	Internally restricted	Unrestricted	2006 Total	2005 Total
Balance, beginning of year	\$ 27,798	\$ 5,534	\$ 3,809	\$(114,382)	\$(77,241)	\$(87,339)
Excess (deficiency) of revenue over expenditures	(712)	(711)	969	1,789	1,335	4,612
Repayment of long-term debt and capital leases	790	-	-	(790)	-	-
Contribution of land	253	-	-	-	253	5,486
Balance, end of year	\$ 28,129	\$ 4,823	\$ 4,778	\$(113,383)	\$(75,653)	\$(77,241)

See accompanying notes to consolidated financial statements.

VANCOUVER ISLAND HEALTH AUTHORITY

Consolidated Statement of Cash Flows
(Amounts expressed in thousands of dollars)

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

	2006	2005
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures	\$ 1,335	\$ 4,612
Items not involving cash:		
Depreciation of capital assets	65,532	52,716
Amortization of deferred capital contributions	(63,305)	(48,278)
Gain on disposal of capital assets	-	(100)
Net change in non-cash operating working capital (note 7)	(60,353)	46,608
	(56,791)	55,558
Investing:		
Capital asset purchases and construction:		
Land improvements	(703)	(322)
Buildings	(35,883)	(7,618)
Equipment	(54,744)	(42,602)
Construction in progress	9,997	(24,746)
	(81,333)	(75,288)
Proceeds from disposal of capital assets	-	270
	(81,333)	(75,018)
Financing:		
Capital funding received	90,217	73,217
Repayment of long-term debt	(746)	(512)
Repayment of obligations under capital leases	(44)	(56)
	89,427	72,649
Increase (decrease) in cash	(48,697)	53,189
Cash and cash equivalents, beginning of year	153,698	100,509
Cash and cash equivalents, end of year	\$ 105,001	\$ 153,698
Cash and cash equivalents are comprised of:		
Cash	\$ 13,961	\$ 37,792
Marketable securities	91,040	122,959
Cheques issued in excess of funds on hand	-	(7,053)
	\$ 105,001	\$ 153,698

See accompanying notes to consolidated financial statements.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2006

The Vancouver Island Health Authority (the "Authority") was formed in December 2001 pursuant to a Ministerial Order under the Health Authorities Act and provides a full range of health services to over 700,000 residents of Vancouver Island, the Gulf Islands and Discovery Islands and to the residents of the mainland located adjacent to the Mount Waddington and Campbell River areas.

The Authority employs over 16,000 people and provides an extensive range of services including: emergency services, inpatient hospital care, outpatient diagnostics and treatments, rehabilitation care, specialized childrens' services and programs, community, home care and home support services (contracted through affiliated agencies), environmental and public health including promotion and protection, and communicable disease control, testing and research.

1. Significant accounting policies:

The consolidated financial statements include the operations of the Vancouver Island Health Authority, the Cumberland Regional Hospital Laundry Society and the OBL Continuing Care Society. All significant balances and transactions between the entities have been eliminated.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

(a) Marketable securities:

Marketable securities representing bonds, treasury bills and other short-term financial instruments are recorded at the lower of cost and market value.

(b) Inventories:

Inventories of materials and supplies are recorded at the lower of average cost and replacement cost.

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Betterments which extend the estimated life of an asset are capitalized.

Capital assets are depreciated on a straight-line basis using the following annual rates:

Land improvements	2% - 20%
Buildings	2% - 10%
Equipment	5% - 33%

Depreciation is not provided on projects in progress until the assets are in use.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2006

1. Significant accounting policies (continued):

(d) Revenue recognition:

The Authority follows the deferral method of accounting for contributions which include donations and government grants. Under the Health Insurance Act and Regulations thereto, the Authority is funded primarily by the Province of British Columbia in accordance with the budget arrangements established and approved by the Ministry of Health (the "Ministry") and the Authority. Approved operating grants are provided to the Authority by the Ministry and are recorded as revenue in the period to which they relate.

Grants approved but not received at the end of an accounting period are accrued. Where a portion of the grant relates to a future period, it is deferred and recognized in that subsequent period. These consolidated financial statements reflect agreed arrangements approved by the Ministry and the Authority's Board with respect to the year ended March 31, 2006.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably established and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis as the related assets are depreciated.

(e) Employee future benefits:

Liabilities, net of plan assets, are recorded for employee sick and severance benefits and multiple-employer defined benefit plans as employees render services to earn the benefits.

The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains and losses that exceed 10% of the benefit obligation are amortized over the average remaining service period of active covered employees.

The average remaining service period of the active covered employees entitled to sick and severance benefits is 10 years (2005 - 10 years). The average remaining service period of the active employees covered by the multiple-employer defined benefit plans is 10 years (2005 - 10 years). Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

Defined contribution plan accounting is applied to multiemployer defined benefit plans and, accordingly, contributions are expensed.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2006

1. Significant accounting policies (continued):

(f) Asset retirement obligations:

The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated retirement costs are capitalized as part of the carrying amount of the long-lived assets and depreciated over the life of the asset. At this time, the Authority has determined that there are no significant asset retirement obligations.

(g) Referred out and contracted services:

Referred out and contracted services are payments to affiliate organizations, other long-term care facilities, home support and other agencies.

(h) Contributed services:

A substantial number of volunteers contribute a significant amount of time each year. Because of the difficulty in determining fair value, contributed services are not recognized in the consolidated financial statements.

(i) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and the disclosure of contingent assets and liabilities. Significant areas requiring the use of management estimates include the determination of useful lives for depreciation and the estimation of amounts which may become payable to retiring employees. Actual results could differ from those estimates.

(j) Charitable registration:

The Authority is a registered charity under the Income Tax Act and is exempt from income taxes.

2. Marketable securities:

Marketable securities consist of provincial and corporate bonds whose book value approximate fair market value.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2006

3. Accounts receivable:

	2006	2005
Ministry of Finance	\$ 60,883	\$ -
Ministry of Health	4,707	10,720
Medical Services Plan - sessional	9,504	9,382
Patient and third party	8,003	8,030
Regional Hospital Districts	4,434	5,692
Medical Services Plan - fee for service	2,933	3,462
Hospital Foundations	4,078	6,160
Other	10,415	10,957
	<u>\$ 104,957</u>	<u>\$ 54,403</u>

4. Capital assets:

	2006		2005	
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 18,173	\$ -	\$ 18,173	\$ 17,920
Land improvements	10,700	5,638	5,062	4,861
Buildings	637,738	248,626	389,112	373,545
Equipment	480,995	357,222	123,773	113,695
Equipment under capital lease	416	264	152	199
Construction in progress	67,216	-	67,216	77,214
	<u>\$ 1,215,238</u>	<u>\$ 611,750</u>	<u>\$ 603,488</u>	<u>\$ 587,434</u>
Additional commitments at March 31:				
Asset purchases			\$ 191	\$ 1,250
Construction projects in progress			15,711	10,074
			<u>\$ 15,902</u>	<u>\$ 11,324</u>

5. Accounts payable and accrued liabilities:

	2006	2005
Accrued salaries and benefits	\$ 76,653	\$ 34,465
Accrued vacation and overtime pay	32,783	33,346
Accounts payable and accrued liabilities	51,282	56,581
	<u>\$ 160,718</u>	<u>\$ 124,392</u>

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2006

6. Deferred operating revenue:

Deferred operating revenue consists of funds received for a specific restricted purpose which are unspent at the end of the fiscal year. The balance at March 31, 2005 includes \$39.2 million received from the Ministry of Health as a funding advance of the Operating Allocation for the next fiscal year.

7. Supplemental cash flow information:

(a) Net change in non-cash operating working capital:

	2006	2005
Accounts receivable	\$ (50,554)	\$ (9,175)
Inventories of materials and supplies	(1,811)	(348)
Prepaid expenses	(1,611)	(2,391)
Accounts payable and accrued liabilities	36,326	11,173
Deferred operating revenue	(41,960)	43,591
Accrued sick and severance liability	2,545	2,068
Accrued long-term disability liability	(3,288)	1,690
	<u>\$ (60,353)</u>	<u>\$ 46,608</u>
(b) Cash paid for interest on long-term debt	\$ 928	\$ 1,184

8. Employee benefits:

(a) Employee sick and severance benefits:

Certain employees with ten years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by collective agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

The Authority's liabilities are based on an independent actuarial valuation as at December 31, 2003 updated to March 31, 2006. The next required valuation will be as of December 31, 2006.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2006

8. Employee benefits (continued):

(a) Employee sick and severance benefits (continued):

Information about employee sick and severance benefits is as follows:

	2006	2005
Accrued benefit obligation:		
Sick leave benefits	\$ 29,491	\$ 27,307
Severance benefits	42,197	39,875
Total unfunded obligation	71,688	67,182
Balance of unamortized amounts	(973)	988
Accrued sick and severance liabilities	70,715	68,170
Less current portion	5,832	5,800
	\$ 64,883	\$ 62,370
Sick and severance plan expense	\$ 8,208	\$ 7,953
Benefits paid	5,439	5,848

The significant actuarial assumptions adopted in measuring the Authority's accrued sick and severance liabilities are as follows:

	2006	2005
Accrued benefit obligation as at March 31:		
Discount rate	5.00%	5.50%
Rate of compensation increase	3.25%	3.25%
Benefit costs for years ended March 31:		
Discount rate	5.50%	5.75%
Rate of compensation increase	3.25%	3.25%

(b) Employee healthcare benefits:

The Healthcare Benefit Trust (the "Trust"), administers long-term disability, group life insurance, accidental death and dismemberment, extended health and dental claims for certain employee groups of the Authority and other provincially funded organizations.

Effective March 31, 2004, the Trust was restructured from a multiemployer to a multiple-employer plan only with respect to long-term disability benefits initiated after September 30, 1997. The Authority's assets and liabilities for these long-term disability benefits have been segregated. Accordingly, the Authority's net liabilities are reflected in these consolidated financial statements.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2006

8. Employee benefits (continued):

(b) Employee healthcare benefits (continued):

The Authority's liabilities are based on an actuarial valuation using an early measurement date of December 31, 2005. The next required valuation will be as of December 31, 2006.

Information about the employee long-term disability benefits is as follows:

	2006	2005
Accrued benefit obligation	\$ 86,707	\$ 77,439
Fair value of plan assets	19,274	19,837
Net unfunded obligation	67,433	57,602
Balance of unamortized amounts	(19,476)	(8,719)
Contributions to the plan during January to March 2006	(5,232)	(2,870)
Accrued long-term disability liabilities	42,725	46,013
Less current portion	7,051	5,707
	\$ 35,674	\$ 40,306
Long-term disability plan expense	\$ 17,273	\$ 17,044
Benefits paid	17,659	14,804

Plan assets consist of:

	2006	2005
Debt securities	51%	45%
Equity securities	23%	41%
Other	26%	14%
	100%	100%

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2006

8. Employee benefits (continued):

(b) Employee healthcare benefits (continued):

The significant actuarial assumptions adopted in measuring the Authority's accrued long-term disability liabilities are as follows:

	2006	2005
Accrued benefit obligation as at March 31:		
Discount rate	5.0%	6.0%
Rate of benefit increase	2.5%	1.5%
Benefit cost for years ended March 31:		
Discount rate	6.0%	7.5%
Expected long-term rate of return on plan assets	7.0%	7.5%
Rate of benefit increase	2.5%	1.5%

The group life insurance, accidental death and dismemberment, extended health, dental and pre-October 1, 1997 long-term disability claims administered by the Trust continue to be structured as a multiemployer plan. Contributions to the Trust of \$19.4 million (2005 - \$18.3 million) were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2005 indicated a surplus of \$4.8 million. The plan covers approximately 73,200 active employees of which approximately 8,400 are employees of the Authority. The next required valuation will be as of December 31, 2006.

While the Trust has been restructured, the Authority and all other participating employers continue to be responsible for the liabilities of the Trust should any participating employers be unable to meet their obligation to contribute to the Trust.

(c) Employee pension benefits:

The Authority and its employees contribute to the Municipal Pension Plan and the Public Service Pension Plan, multiemployer defined benefit pension plans governed by the *BC Public Sector Pension Plans Act*.

Employer contributions to the Municipal Pension Plan of \$34.7 million (2005 - \$30.8 million) were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2003 indicated an unfunded liability of \$789 million. The actuary does not attribute portions of the deficit to individual employers. The plan covers approximately 130,000 active employees of which approximately 11,300 are employees of the Authority. The next required evaluation will be as of December 31, 2006.

Employer contributions to the Public Service Pension Plan of \$1.4 million (2005 - \$1.6 million) were expensed during the year. The most recent actuarial valuation for the plan at March 31, 2005 indicated an unfunded liability of \$767 million. The plan covers approximately 51,000 active employees of which approximately 360 are employees of the Authority. The next required valuation will be as of March 31, 2008.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2006

9. Long term debt:

	2006	2005
Royal Bank loan, interest at 6.05% per annum, due November 20, 2011, repayable at \$55,507 per month, including interest.	\$ 7,844	\$ 8,031
CMHC mortgage, interest at 5.9% per annum, due August 1, 2006, repayable at \$20,647 per month, including interest. Secured by land and buildings with a net book value of \$516,216.	1,897	2,030
Royal Bank loan, interest at 4.55% per annum, due November 10, 2009, repayable at \$30,783 per month, including interest.	3,668	3,935
CMHC mortgage, interest at 6.08% per annum, due on demand, repayable at \$14,911 per month, including interest. Secured by land and buildings with a net book value of \$514,184.	1,461	1,549
CMHC mortgage, interest at 5.43% per annum, due on demand, repayable at \$3,042 per month, including interest. Secured by buildings with a net book value of \$470,943.	466	477
CMHC mortgage, interest at 4.97% per annum, due December 1, 2006, repayable at \$7,729 per month, including interest. Secured by buildings with a net book value of \$2,629,152.	773	826
Royal Bank loan, interest at prime, due July 1, 2014, repayable at \$785 per month, including interest. Secured by land and buildings with a net book value of \$106,319.	49	56
	16,158	16,904
Less current portion	5,004	2,599
	\$ 11,154	\$ 14,305

Principal payments due over the next five years:

2007	\$ 5,004
2008	429
2009	453
2010	427
2011	503

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2006

10. Capital leases:

Minimum capital lease payments for:

Year ending March 31, 2007	\$	57
2008		32
2009		3
Total future minimum lease payments		92
Less amount representing interest, at a rate of 11.52%		13
Present value of capital lease payments		79
Less current portion		48
	\$	31

11. Deferred capital contributions:

	2006	2005
Balance, beginning of year	\$ 586,067	\$ 556,936
Capital funding receipts:		
Ministry of Health	58,096	45,401
Regional Hospital Districts	14,770	16,808
Foundations (note 14)	11,525	9,388
Other	5,826	1,620
	676,284	630,153
Less amortization for the year	(63,305)	(48,278)
Add contribution of building	-	4,192
Balance, end of year	\$ 612,979	\$ 586,067

The balance of unamortized capital contributions related to capital assets consists of the following:

	2006	2005
Unamortized capital contributions used to purchase capital assets	\$ 560,736	\$ 544,340
Unspent contributions	52,243	41,727
Balance, end of year	\$ 612,979	\$ 586,067

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2006

12. Investment in capital assets:

Investment in capital assets is calculated as follows:

	2006	2005
Capital assets	\$ 603,488	\$ 587,434
Amounts financed by:		
Unamortized capital contributions	(560,736)	(544,340)
Capital leases	(79)	(123)
Long-term debt	(14,544)	(15,173)
	\$ 28,129	\$ 27,798

13. Financial instruments:

The Authority's financial instruments include accounts receivable, accounts payable and accrued liabilities, accrued sick and severance, accrued long-term disability, long-term debt and obligations under capital lease. It is management's opinion that the Authority is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these instruments approximates their carrying values, except for the fair value of accrued sick and severance and long-term disability liabilities which is disclosed in notes 8(a) and (b).

14. Related party transactions:

The Authority is supported by a number of foundations incorporated under the Society Act (British Columbia) and registered as charities under the Income Tax Act. The purpose of these foundations is to raise funds in the community for the purpose of furthering the interests and objectives of the facilities which they support. Although there is no common control of the organizations through Board appointments or other forms of control, these foundations are related to the Authority by virtue of holding resources which are to be used to produce revenue or provide services for the Authority.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2006

14. Related party transactions (continued):

The hospital foundations provided the following capital funding to the Authority during the year:

	2006	2005
Greater Victoria Hospital Foundation	\$ 5,745	\$ 3,126
Nanaimo and District General Hospital Foundation	2,119	3,887
Saanich Peninsula Hospital Foundation	1,452	519
Greater Victoria Eldercare Foundation	1,194	158
Lady Minto Hospital Foundation	361	738
Campbell River Hospital and Yucalta Lodge Foundation	277	196
West Coast General Hospital Foundation	155	254
Queen Alexandra Foundation for Children	120	118
Cowichan District Hospital Foundation	77	392
Chemainus Health Care Foundation	21	-
Tofino Hospital Foundation	4	-
	\$ 11,525	\$ 9,388

In addition, the hospital foundations have committed to provide capital funding to the Authority of \$3.7 million in future years.

15. Contingencies and commitments:

(a) Operating leases:

The following future minimum lease payments under operating leases are due for the years ending March 31:

2007	\$ 9,740
2008	7,598
2009	5,486
2010	3,233
2011 and thereafter	1,405
	\$ 27,462

(b) Litigation:

The nature of the Authority's activities is such that there is usually litigation pending or in process at any time. With respect to unsettled claims at March 31, 2006, management believes the Authority has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

VANCOUVER ISLAND HEALTH AUTHORITY

Revenue
(Amounts expressed in thousands of dollars)

Schedule 1

Year ended March 31, 2006 with comparative figures for 2005

	2006	2005
Other funding contributions:		
Contributions from the Province of B.C.:		
Contract signing bonuses and incentive payments	\$ 60,883	\$ -
Tertiary care funded by PHSA	50,440	44,750
Sessional recoveries	26,650	25,863
Medical on call program	19,802	19,169
Other	13,575	11,654
Physician recruitment and retention program	2,351	2,675
	173,701	104,111
Funding contributions from other sources	3,756	4,248
	\$ 177,457	\$ 108,359
Patient and client revenue:		
Medical Services Plan	\$ 48,077	\$ 44,259
Insured residents - self pay	28,277	27,193
Non-residents of B.C.	6,482	6,275
Workers' Compensation Board	4,773	4,833
Non-residents of Canada	4,744	4,563
Federal Government	2,606	2,332
Other	702	455
	\$ 95,661	\$ 89,910
Other revenue:		
Services and other external recoveries	\$ 22,668	\$ 19,145
Staff remuneration recoveries	12,124	10,965
Ancillary operations	3,475	3,389
Other	4,983	2,850
Hospice	2,387	2,092
Room differential	1,371	1,356
Fees and licenses	1,005	1,141
	\$ 48,013	\$ 40,938