

**Crown Corporations Council**  
*A Manitoba Crown Corporation*

**Third Quarter Report 2003**

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# **Crown Corporations Council**

*Third Quarter Report  
For the Three Months Ended September 30, 2003*

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November 25, 2003

The Honourable Gregory Selinger  
Minister responsible for  
Crown Corporations Council  
103 Legislative Building  
WINNIPEG, Manitoba  
R3C OV8

Dear Minister:

The Council is required under the Crown Corporations Public Review and Accountability Act to provide a quarterly report. Enclosed is the Report for the three months ended September 30, 2003.

Yours truly,

ORIGINAL SIGNED BY  
Arthur V. Mauro  
Chairman

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**Report on Activities of the Council**

During the quarter, Communities Economic Development Fund made a presentation to Council. The presentation focused on governance, strategic issues, and financial performance.

**Council Reports**

**Manitoba Lotteries Corporation**

As part of its mandate, Crown Corporations Council (Council) annually reviews the mandate and strategic initiatives of each of the Crowns under its purview. During the quarter a review of the Manitoba Lotteries Corporation (MLC) was completed.

We reviewed MLC's strategies and processes to mitigate risk (i.e., to reduce the uncertainty of achieving intended outcomes) and to influence and seize current opportunities. We sought citizen-focused outcomes that demonstrated client service satisfaction, capability to continue to improve and innovate, value for MLC's stakeholders, and efficiency and effectiveness in MLC's business practices. Effective performance in these areas is critical to MLC's on-going success.

MLC successfully concluded fiscal 2003, delivering strong financial performance that exceeded corporate and Government expectations. MLC continued intense building of best practice organizational capacity, capability and infrastructure to position for future opportunity and success.

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MLC's best practices approach to human resource management received national and local peer group recognition for leadership and organizational excellence. MLC's Minister responsible publicly commended MLC accomplishments. MLC is readying for the conduct of its first employee survey.

MLC effected a corporate reorganization that consolidated all gaming activities in one area. A new Corporate Services Division was created to provide leadership and consolidated responsibility for strategic policy and development, information technology, marketing, project services and First Nations Casinos. MLC assumed responsibility for food and beverage operations at the Casinos of Winnipeg and integrated over 200 new employees into the organization.

During the year MLC continued improvements and planned for the completion of its best practice governance framework to direct the affairs of the Corporation.

MLC enhanced its Responsible Gaming Policy with development of a 5-Year Strategy (2003-2008) that will maintain MLC's position as a leader in responsible gaming. MLC's three levels of ongoing Problem Gambling Awareness Training for staff, together with opening the first North American on-site Responsible Gaming Information Centre at McPhillips Street Station Casino in January 2003, evidence a strong focus on identifying and mitigating problem gaming.

MLC is in the process of acquiring replacement equipment for its Video Lottery Terminal network that incorporate responsible gaming features.

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Manitoba Lotteries mandate is to fulfill the purposes set out in The Manitoba Lotteries Corporation Act. MLC pursues its mandate with appropriate commercial objectives that balance social purpose with fiscal responsibility. In discharging their governance and accountability responsibilities, MLC's Directors demonstrate an appropriate standard of care and diligence.

MLC continues to improve strategic, business and budget planning and control processes. MLC's planning processes and assumptions are appropriate to the Corporation's business environment. MLC continues efforts to ensure intended outcomes are achieved and operations effectively safeguard public assets.

MLC's investments in gaming and gaming amenities provide an entertainment experience that includes state of the art gaming, live entertainment and dining facilities. MLC continues to introduce coinless gaming equipment, Ticket-In, Ticket-Out, in its casinos. These terminals mitigate customer inconvenience and the need for handling coin that contributes to risk of workplace injury.

MLC continues its Casinos of Winnipeg advertising campaign promoting its restaurant operations with the full understanding of stakeholders and business partners. Customer comments and surveys show MLC is well regarded and the Corporation uses such information to enhance the gaming experience.

MLC works diligently to implement Manitoba's First Nations Casino Project initiative. The Province signed Comprehensive Provincial Framework Agreements and MLC entered into Conduct and Management

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Agreements with two First Nations Casino proponents. The Aseneskak Casino on the Opaskwayak Cree Nation near The Pas opened February 15, 2002 and MLC has taken supportive actions to assist the Casino in advancing its operations.

MLC continues to implement measures that improve workforce culture and workplace quality and actions that strengthen communications with employees.

MLC uses a formal risk management model and has appropriate strategies and processes to identify and mitigate risk in its business operations. MLC engaged external assistance to provide assurance the risk management model is appropriate and is acting on opportunities to improve corporate wide implementation and integration into operations. Board and management understand and implement risk mitigation strategies effectively.

MLC's risk mitigation practices contribute significantly to overall corporate performance. Improved corporate-wide understanding of risk management and mitigation can contribute to improved corporate performance.

MLC delivers service and value in a manner that is consistent with broad Government policy. MLC manages its business operations with due regard for economy, efficiency and effectiveness.

While our business condition assessment of MLC's operations remains favourable, MLC's business risks are increasing.

MLC is a significant source of Government revenues, representing 5.4% of Manitoba's total taxation and other revenue. Sustaining this level of revenue

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contribution will be challenging as MLC manages within a dynamic and changing policy environment.

Since our November 2002 review, MLC took action to address areas where we believed mandate and policy clarification was warranted. Matters related to supporting development of an overall gaming strategy for Manitoba and development of high-level corporate performance indicators are not fully resolved. Work in these areas is ongoing.

**Submissions to Council**

There were no submissions made to Council during this reporting period concerning allegations or complaints against any Crown corporation under Council's purview.

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**Overview**

**Crown Corporations Council**

**Financial Statements**

**For the Nine Month Period Ended September 30,  
2003 (unaudited)**

Operating expenses are recovered from the Crown corporations through assessment of levies allocated on a pro rata basis determined by the revenues of each Crown corporation. The levies are recognized in these financial statements at the time the related costs are incurred.

Expenses for this six month period decreased by \$15 thousand compared to the same period last year. The decrease is primarily attributable to a revision in accounting for vacation accrual, and lower professional development expenses.

**Balance Sheet**  
(unaudited)

	September 30	
	2003	2002
	(thousands of dollars)	
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 455	\$ 218
Accounts receivable	1	-
	456	218
<b>Capital assets (note 2)</b>	6	8
	\$ 462	\$ 226
 <b>Liabilities and Reserve Reflecting Net Investment in Capital Assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 50	\$ 43
Levies received in advance	167	41
Due to Manitoba Crown corporations	186	102
	403	186
<b>Retirement allowances and other benefits payable</b>	53	32
	456	218
<b>Reserve reflecting net investment in capital assets</b>	6	8
	\$ 462	\$ 226

**Statement of Income and Reserve**  
**Reflecting Net Investment in Capital Assets**  
**(unaudited)**

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	Nine Months Ended September 30	
	2003	2002
	(thousands of dollars)	
<b>Income</b>		
Recoveries from corporations through levies	\$ 439	\$ 456
Interest	5	3
	<u>444</u>	<u>459</u>
<b>Expenses</b>	<u>445</u>	<u>460</u>
<b>Excess of expenses over income</b>	\$ (1)	\$ (1)
<b>Reserve reflecting net investment in capital assets, beginning of period</b>	<u>7</u>	<u>9</u>
<b>Reserve reflecting net investment in capital assets, end of period</b>	<u>\$ 6</u>	<u>\$ 8</u>

**Notes to Financial Statements**  
**September 30, 2003**

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**1. Recoveries of expenses from Crown corporations**

Operating expenses are recovered from the Crown corporations through the assessment of levies allocated on a pro rata basis determined by the revenues of each Crown corporation. The levies are recognized in these financial statements at the time the related costs are incurred. In addition, certain direct costs incurred on behalf of particular corporations are recovered directly from the respective Crown corporations.

**2. Capital assets and depreciation policy**

These are comprised of office furniture and equipment and computer equipment:

	September 30	
	2003	2002
	(in thousands of dollars)	
Cost		
Office furniture & equipment	\$58	\$58
Computer equipment	56	56
	<u>\$114</u>	<u>\$114</u>
Accumulated Depreciation		
Office furniture & equipment	53	51
Computer equipment	55	55
	<u>108</u>	<u>106</u>
Net Book Value	<u><u>\$6</u></u>	<u><u>\$8</u></u>

Capital assets are recorded at cost. Depreciation is provided on a straight line basis over five years on the office furniture and equipment and over three years on the computer equipment.

**3. Statement of cash flows**

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.