

Crown Corporations Council
A Manitoba Crown Corporation

Fourth Quarter Report 2003

Cette information existe également en français.
Composez le (204) 949-5270

Crown Corporations Council

*Fourth Quarter Report
For the Three Months Ended December 31, 2003*

Table of Contents	Page
Transmittal Letter	
Report on Activities of the Council	1
Council Reports	
Manitoba Hydro	1
Manitoba Liquor Control Commission	3
Venture Manitoba Tours Ltd.	5
Submissions to Council	6
Overview - Crown Corporations Council Financial Statements	7
Financial statements for the twelve month period ended December 31, 2003 (unaudited)	8

March 31, 2004

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 December 31, 2003.

Yours truly,

ORIGINAL SIGNED BY
Arthur V. Mauro
Chairman

Crown Corporations Council
Fourth Quarter Report 2003

Report on Activities of the Council

During the quarter, Manitoba Liquor Control Commission and Venture Manitoba Tours Ltd. made presentations to Council. The presentations focused on governance, strategic issues, and financial performance.

Council Reports

As part of its mandate, Crown Corporations Council (Council) annually reviews the mandate, performance and strategic initiatives of each of the Crowns under its purview.

Manitoba Hydro

Hydro has completed a period of outstanding achievements. It has successfully completed two major acquisitions, adapted to complex changes stemming from electric industry restructuring, capitalized on market opportunities to grow its export business, while achieving record financial results. Major opportunities are now being pursued within a policy framework of advancement of new generating capacity and increased expectations of environmental responsibilities.

The Corporate strategic plan, Hydro's adaptive approach and its demonstrated capability will contribute to continued progress in achieving its mandate and public policy objectives. As the Corporation moves forward it faces a number of challenges. The top four in the near term are:

- The current low water conditions will have negative implications on net income and delay achievement of Hydro's financial targets. Retained earnings of

Crown Corporations Council
Fourth Quarter Report 2003

\$1.2 billion will assist the Corporation to absorb losses caused by business risks such as drought.

- Hydro is currently in the process of obtaining the necessary environmental licences for Wuskwatim Generation and Transmission Projects. The Clean Environment Commission review and hearings on the environmental impacts and need for and alternatives to the Wuskwatim generating station and transmission are extensive in scope and process. Hydro expects to identify opportunities from its experience with the first process that may assist in improvements for potential future project reviews.
- There are several potential generation projects under consideration for development. Managing such sizeable development over the next ten years will be a challenge given continued industry restructuring, the lack of recent development experience combined with an aging workforce.
- Resolving and completing a new statutory mandate and related legislative changes which have been under development for the last few years remain a challenge. A need to modernize Hydro's legislated financial, administrative and regulatory framework stems from issues due to the Centra Gas acquisition and implications of U.S. industry changes respecting Hydro's power export business.

Based on our current review Hydro's risk profile remains unchanged. However, a materially higher than forecast loss in fiscal 2003/04 combined with a continuation in fiscal 2004/05 of low water conditions and/or inadequate rate increases would increase Hydro's risk profile.

Crown Corporations Council
Fourth Quarter Report 2003

Manitoba Liquor Control Commission

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

MLCC celebrated its 80th anniversary of operation on August 23, 2003. MLCC successfully concluded fiscal 2003 and is well positioned to deliver strong financial performance and advance realization of corporate strategic goals for a successful fiscal 2004.

An independent comparative customer survey rated MLCC highest against three other major retailers on 10 of 11 service measures; the exception was MLCC hours of service. Professional "mystery shoppers" regularly assessed MLCC's in-store service as well as compliance with social responsibility policies to mitigate service to minors. During the year MLCC achieved its best ever average "mystery shopping" scores. MLCC also used survey data to assist its private sector business partners in improving their customer service levels.

In March 2003 The Opimian Society of Canada selected MLCC as the Liquor Board of the Year and awarded MLCC the Society's Award of Excellence. MLCC was the first recipient of the Society's award six years ago.

Crown Corporations Council
Fourth Quarter Report 2003

MLCC enhanced its commitment to leadership and strengthened support of responsible alcohol education and awareness. The “With Child – Without Alcohol” awareness campaign continues to be well received. In early 2003 MLCC introduced the “Be Undrunk” campaign to enhance responsible drinking behaviours among 18 to 24 year olds. Preliminary responses to the campaign suggest positive opportunities for additional effort in this area.

MLCC’s Board governance activities focused on a broad range of policy matters (e.g., Contingency Planning, Sustainable Development, assistance to microbreweries and Code of Conduct) and improved performance measurement, monitoring and reporting.

MLCC continues to focus on implementing LINK (Linking Ideas and Networking Knowledge) projects and workplace quality initiatives that respond to matters identified in MLCC’s 2001 Workplace Quality Survey. These initiatives contribute to MLCC improvement, innovation and effectiveness.

MLCC’s mandate is to fulfill the purposes set out in The Liquor Control Act. MLCC pursues its mandate with appropriate commercial objectives that balance social purpose with fiscal responsibility. In discharging their governance and accountability responsibilities, MLCC’s Commissioners demonstrate an appropriate standard of care and diligence.

MLCC’s planning processes and assumptions are appropriate to its business and policy environment. MLCC is focusing efforts on ensuring that intended outcomes are achieved and that operations effectively safeguard public assets.

Crown Corporations Council
Fourth Quarter Report 2003

MLCC recently updated its risk assessment evaluation of business processes and has appropriate strategies and processes to identify and mitigate risk in its operations. Board and management understand and implement risk mitigation strategies effectively.

MLCC'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.

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

Organizationally and operationally, MLCC is mature and stable. Our business condition assessment of MLCC remains favourable.

Since our November 2002 review MLCC took appropriate action to address areas where we believed opportunities for policy clarity and improved accountability for performance measuring, monitoring and reporting existed. Not all matters are fully resolved and work in these areas is ongoing.

Venture Manitoba Tours Ltd.

Since Council's November 2002 Mandate and Strategy review, policy direction from the Province has evolved. A strategic course for the future of Hecla resort and golf course has been determined. The direction is to seek a long-term plan that will improve viability for the resort and golf course through possible redevelopment

Crown Corporations Council
Fourth Quarter Report 2003

opportunities. As part of recent strategic and policy discussions with Government, Venture's mandate over the next 18 months will be to continue to oversee the operations while the Province pursues potential redevelopment opportunities.

The risk profile of the Corporation has not changed since our previous review. Venture's long term challenges remain with its financial position continuing to weaken. The Province's decision to pursue redevelopment partnerships for the Resort is a positive action to address long term risk and viability of Hecla.

Council is satisfied that the Corporation and the Province have defined the primary expectations to guide short term operational activities.

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.

Crown Corporations Council
Fourth Quarter Report 2003

Overview
Crown Corporations Council
Financial Statements
For the Twelve Month Period Ended December 31,
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 twelve month period decreased by \$19 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)

	December 31	
	2003	2002
	(thousands of dollars)	
Assets		
Current		
Cash	\$ 465	\$ 346
Accounts receivable	7	7
	<u>472</u>	<u>353</u>
Capital assets (note 2)	5	7
	<u>\$ 477</u>	<u>\$ 360</u>
Liabilities and Reserve Reflecting Net Investment in Capital Assets		
Current		
Accounts payable and accrued liabilities	\$ 56	\$ 60
Levies received in advance	146	190
Due to Manitoba Crown corporations	195	50
	<u>397</u>	<u>300</u>
Retirement allowances and other benefits payable	<u>75</u>	<u>53</u>
	472	353
Reserve reflecting net investment in capital assets	5	7
	<u>\$ 477</u>	<u>\$ 360</u>

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

	Year Ended December 31	
	2003	2002
	(thousands of dollars)	
Income		
Recoveries from corporations through levies	\$ 623	\$ 645
Interest	7	4
	<u>630</u>	<u>649</u>
Expenses	<u>632</u>	<u>651</u>
Excess of expenses over income	\$ (2)	\$ (2)
Reserve reflecting net investment in capital assets, beginning of period	<u>7</u>	<u>9</u>
Reserve reflecting net investment in capital assets, end of period	<u><u>\$ 5</u></u>	<u><u>\$ 7</u></u>

Notes to Financial Statements
December 31, 2003

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:

	December 31	
	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	54	52
Computer equipment	55	55
	<u>109</u>	<u>107</u>
Net Book Value	<u><u>\$5</u></u>	<u><u>\$7</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.