



\* More than you thought



I didn't know that





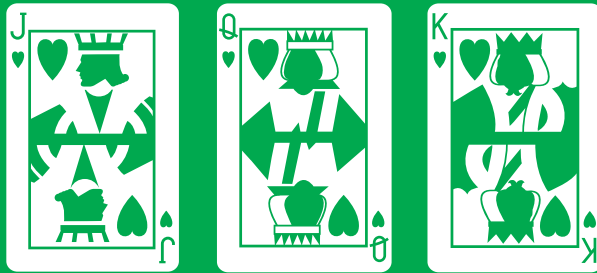
Creating a total entertainment experience

When it comes to taking care of our customers, we do not play games. After all, they inspire some of our best ideas. This past year, customer feedback helped enhance the “Total Entertainment Experience” we offer, sparking our introduction of new lottery, VLT and Casino games with the latest technology and trends; our development of Canada’s first points-based Club Card to incorporate Responsible Gaming player information tools; and our star entertainment schedule. Customers influence everything we do – from menus to performers and beyond.

Giving back to the community is a key priority, which is why every year we proudly invest in Manitoba and support opportunities that enrich the way we all live. Last year we reached out to communities with support, volunteerism and sponsorship of hundreds of worthwhile events with an investment of over \$7 million. In addition, we invited university and college students to learn more about responsible play, furthered our relationship with Manitoba's Francophone community, and provided ongoing support of sustainable education and awareness.



Community first



House advantage



We have been dealt a great hand when it comes to our dedicated and high spirited employees. That is why we work diligently to create an environment they are proud to be a part of. We understand that our business success is contingent upon their job satisfaction and that is why we continue to invest in our people by offering training and continuing education opportunities to encourage employee excellence and achievement. These initiatives earned us special recognition and a place on Manitoba's 2008 Top 15 Employers list. Not to mention the respect and loyalty of our employees.

It is great when things come together. Around here, our due diligence to Operational Excellence has paid off through principles and practices that ensure Manitoba Lotteries is operated in an efficient, secure and ethical manner. Over the past year, Canadian lottery jurisdictions experienced some challenges regarding the integrity and safety of consumer play at a retail level. Although MLC already had strong policies in effect, we took this opportunity to roll out a new program that reinforces our lottery ticket player security and retailer integrity. We also advanced a number of gaming and surveillance upgrades throughout the Corporation, furthering our commitment to strengthening security systems and providing a safe environment for our customers and employees.



Excellence pays off



Stacking opportunities

This past year, we raised the ante on marketing our products and services, introducing ourselves to new audiences, forging new partnerships and finding ways to improve and share our expertise within the industry. The Casinos of Winnipeg brand was affiliated with high profile promotions like the *Winnipeg Sun*'s, "Search for Gold" and the *Winnipeg Free Press*'s, "Our Community's Cookin'" contests. At the same time, we finessed our Tourism Strategy, designed to attract guests from outside the province and close to home, while fine tuning our knowledge of customer preferences through research, focus groups and data tracking.



*And now you know*

# Our environmental responsibility

We are committed to sustainable and responsible decisions that minimize our environmental footprint. Our annual report is no exception. Papers and inks were chosen based on their impact on the environment. We have completed an eco savings audit that explains what was saved because of our choices.

## Eco savings audit

### 2093 pounds of wood

A total of 8 trees that supply enough oxygen for 5 individuals annually

### 2647 gallons of water

Enough water to take 153 eight-minute showers

### 8 million BTUs of energy

Enough energy to power an average American household for 20 days

### 638 pounds of emissions

Carbon sequestered by less than 8 tree seedlings grown for 10 years

### 339 pounds of solid waste

A total of 12 thirty-two gallon garbage cans of waste

## Paper & ink

This report is printed on FSC certified paper containing post consumer recycled fiber.

All inks used are vegetable based.

Note: The audit estimates pertain to the use of post consumer recycled fiber content. For more information please visit [neenahpaper.com](http://neenahpaper.com).



# Letter of Transmittal

Honourable Andrew Swan  
Minister responsible for Lotteries  
Room 358, Legislative Building  
450 Broadway - Winnipeg, MB  
R3C 0V8

September 19, 2008

Dear Honourable Minister:

I have the honour to present you with the Annual Report of the  
Manitoba Lotteries Corporation for the fiscal year ended March 31, 2008.

Respectfully submitted,

(originally signed by)

**Tim Valgardson**

Chair, Board of Directors - Manitoba Lotteries Corporation



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# About Manitoba Lotteries

## Who we are

Manitoba Lotteries Corporation (MLC), with offices in Winnipeg, Morris and Brandon, is a Crown corporation of the Province of Manitoba responsible for the conduct and management of gaming in the province, with the exception of licensed charitable gaming. We report to the Minister responsible for the Manitoba Lotteries Corporation Act through our Board of Directors.

## What we do

Manitoba Lotteries owns and operates Club Regent Casino (CRC) and McPhillips Street Station Casino (MSSC) in Winnipeg, as well as Manitoba's Video Lottery Terminal (VLT) network from offices in Morris. We are the exclusive supplier of breakopen tickets and bingo paper in the province and distribute and sell tickets for lotteries operated by the Western Canada Lottery Corporation and the Interprovincial Lottery Corporation. To accomplish this, we have formed successful partnerships with the lottery retail industry, the hospitality industry, Veterans' organizations and First Nations communities throughout Manitoba.

## How Manitobans win

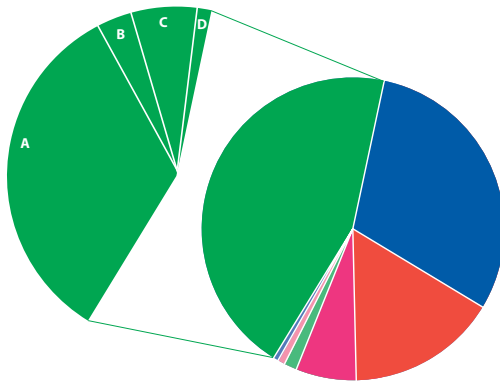
Manitoba Lotteries is about much more than great entertainment, dining and the chance to win prizes. In fact, the lottery and gaming revenues we collect help create a huge win for Manitoba communities and the economy. Today, this revenue is directed back to Manitobans through our support of a wide range of non-profit community projects and charitable organizations.

In fiscal year 2007/2008, Manitoba Lotteries' total gross revenue reached \$749.9 million. Our net income reached \$296.8 million, all of which was directed back to the Province of Manitoba to support government programs in health care, education, community and social services, as well as economic development.

# Where the money goes

## Public Benefits

- A. \$230.7 million was allocated to priority provincial government programs that provide health care, education, community and social services and economic development for Manitobans
- B. \$19.2 million was paid as unconditional grants to support Manitoba's municipalities
- C. \$41.2 million was provided to community economic development projects through the Rural Economic Development Initiative and the Urban Development Initiative
- D. \$5.7 million was allocated to the City of Winnipeg Police Service



### PUBLIC BENEFITS

- |   |                 |
|---|-----------------|
| <b>A.</b> Education, health and other government programs | \$230.7 million |
| <b>B.</b> Municipalities                                  | \$19.2 million  |
| <b>C.</b> Community Development                           | \$41.2 million  |
| <b>D.</b> Winnipeg Police Service                         | \$5.7 million   |

- |  |                 |
|--|-----------------|
| Public Benefits                        | \$296.8 million |
| Operating Costs                        | \$226.5 million |
| Contributions paid to siteholders      | \$119.0 million |
| Salaries and Benefits                  | \$80.3 million  |
| Payments to other levels of Government | \$16.9 million  |
| Supporting Our Communities             | \$7.0 million   |
| Responsible Gaming Initiatives         | \$3.4 million   |

# Message from our Chair

The theme of this Annual Report is, appropriately, “More Than You Thought” – a premise that reflects what we often now hear from customers, suppliers and partners, who say that the positive impact Manitoba Lotteries Corporation (MLC) has in our province is far more extensive than they previously knew.

We hope “More Than You Thought” captures the many facets of MLC, from our dedication to Corporate Social Responsibility to all of the reasons we remain one of Manitoba’s Top 15 Employers. We believe this year’s theme also speaks well to the way the Corporation has grown and continues to meet evolving customer and community expectations.

I am particularly proud that we have developed a long-term Corporate Social Responsibility (CSR) Strategy. A formal report that illustrates this approach, including our economic, social and environmental sustainability principles and practices, will be available next year. To ensure our transparency and accountability, this evolving document will state meaningful and measurable CSR goals and benchmarks for achieving these goals, in addition to showcasing the many province-wide community support initiatives we embrace. The first step in moving the CSR Strategy forward will be to assess MLC’s community presence and impact through stakeholder engagement and to understand how well our values align with those of the community. Ultimately, this will allow MLC to support the most meaningful social activities that reflect our community’s values.



As part of the strategic planning process, MLC's Board and Executive reviewed the vision, mission, core values and goals of the existing three-year plan that concluded this year. I am excited to report that the result is a strong, streamlined strategy for 2009-2012. Guided overall by newly invigorated vision and mission statements, the new plan provides clear direction to management through defined expectations, supported by performance measures and targets to monitor ongoing progress and ensure goal attainment. I am also pleased to announce that advances in the area of Board Governance were made this past fiscal which included amendments to the Indemnification By-law and Conflict of Interest Policy to reflect current governance policy and legislation.

Over the past year, we also enhanced our lottery redemption and security processes in order to better protect consumers and address issues related to the integrity of prize payout procedures. Today, all lottery retail locations are equipped with new lottery terminals that play "winner" audio messages to alert customers, as well as self-facing monitors and self-serve ticket checkers. The public was informed of these new measures through a multimedia awareness campaign and our retailers also helped tremendously in terms of communicating these new features to their customers.

As part of our conduct and management responsibilities, we were pleased to further our relationships with both Aseneskak Casino and South Beach Casino. In the past 12 months, MLC assisted Aseneskak Casino with the installation of Ticket-in Ticket-out (TITO) and Player Card systems on its slot floor, and worked with South Beach Casino on its slot room expansion and poker room development.

Lastly, I am honoured to announce that we have established the Lloyd LeVan Hall Memorial Scholarship to commemorate the life and work of our friend, colleague and Vice Chairperson of the MLC Board of Directors from 2000-2007. This scholarship honours his outstanding contributions, not only to our organization, but also to society as a whole, which included working with First Nations communities, teaching abroad and his involvement with many nonprofit organizations like the North-South Institute, Oxfam and Clinic Community Health Centre.

In closing and on behalf of my Board colleagues, I thank and congratulate every dedicated MLC employee for another successful year. Your boundless spirit and valued contributions make Manitoba Lotteries a multidimensional organization that demonstrates we are definitely "More Than You Thought."

(originally signed by)

**Tim Valgardson**

Board Chair

# Message from our President & CEO

Traditionally, annual reports give organizations the opportunity to reflect upon the past year and communicate their financial position and future direction. I would like to take this opportunity one step further by presenting the positive choices and contributions we have made to ensure both our valued employees and the communities we serve, continue to thrive and grow.

Many of our accomplishments this past year were the result of making choices based on the interests, preferences and feedback we receive from our customers. For instance, we implemented a points-based enhanced Club Card at the Casinos of Winnipeg, which not only allows for points to be redeemed for non-gaming products and services, but incorporates a responsible gaming tool which is the first of its kind in Canada. It is a Gaming Activity Report which offers players the opportunity to monitor their play and expenditures. We also enhanced the Casinos of Winnipeg's gaming environments: slots were refreshed with many new games, such as "Monopoly Big Event" and our table game areas were reconfigured to better suit customer play preferences. We also introduced Craps and Texas Hold'em Bonus, both extremely popular games with our guests. In addition, we further developed our Casinos' non-gaming areas, including new menu items and specials in our restaurants and better variety and higher calibre performers in our entertainment venues. All of these improvements have enabled us to take our promise of a "Total Entertainment Experience" to a whole new level.



In keeping with our “More Than You Thought” theme, we were pleased by the accolades and recognition our people and programs received from outside of the organization. This past year, MLC was the first Crown corporation in Canada to receive Gold Level Status for Progressive Aboriginal Relations (PAR), which recognizes commitment to sustainable Aboriginal employment and business development. Also, Marilyn Robinson, Vice-President, Corporate Marketing and People Services, accepted the Visionary Leader Award from the Human Resources Management Association of Manitoba for demonstrating that the linkage between human resources and organizational objectives can have an exceptional and profound impact on organizational results. Congratulations Marilyn.

Through the leadership of our Board of Directors and the collective efforts of our entire staff, MLC achieved yet another successful financial year. Our net income of \$296.8 million for 2007/2008 was provided to the Province of Manitoba to support health care, education, community and social services, as well as urban and rural economic

development programs. MLC is very proud of our partnership with Habitat for Humanity Winnipeg, in which we contributed financial support and people power to help construct a new single-family home. In 2007, our Employees Care by Helping Others (ECHO) in-house charitable giving program chose a new Charity of Choice, this time to raise \$100,000 for the Children’s Hospital Foundation of Manitoba Asthma, Allergy and Clinical Immunology Centre.

I wish to extend my personal thanks and appreciation to our enthusiastic employees, who represent the good work of MLC on a daily basis through their valuable contributions. I also would like to thank the Minister responsible for Lotteries and our Board of Directors for their sound guidance and advice. Much credit for our achievement this year is also deserved by our committed Executive Management group, who apply their energy and talent to ensure we achieve our goals.

In working together, our team is better, stronger and will continue to proudly show Manitobans that MLC is indeed, much “More than You Thought.”

(originally signed by)

**Winston Hodgins**

President & CEO

# Corporate Framework

## OUR VISION

To be recognized as an enterprising and progressive business inspired to be the best at understanding and exceeding your entertainment expectations.

## OUR MISSION

To create an exciting entertainment experience in a socially responsible manner to generate benefits for all Manitobans.

## OUR CORE VALUES

### **Integrity**

We are fair, honest, respectful, transparent and trustworthy.

### **Social Responsibility**

We are committed to business, social, responsible gaming and environmental practices which are sustainable and add lasting value to our communities.

### **Innovation**

We embrace change and encourage innovation. We seek out and pursue opportunities that contribute to personal and business growth.

### **Learning Focused**

We learn from our experiences, and acquire knowledge and talent to continually progress.

### **Leadership**

We are committed to excellence in everything we do and are dedicated to achieving results that exceed expectations.

### **Diversity**

We value the skills, strengths and perspectives of our team members, providing an environment where all individuals can develop and perform to their full potential.



# Corporate Governance



## BOARD OF DIRECTORS

### SITTING:

**Tim Valgardson**, Chair, Winnipeg

### STANDING (FROM LEFT TO RIGHT):

**Carolyn Wray**, Winnipeg

**Gerald Rosenby**, Winnipeg

**Bev Romanik**, Brandon

**Lisa Settee**, Winnipeg

**Karen Botting**, Winnipeg

**Gerald Kolesar**, Winnipeg

### ABSENT:

**Nicole Campbell**, Portage la Prairie

## WHAT IS CORPORATE GOVERNANCE?

Manitoba Lotteries Corporation (MLC) is delegated the authority to conduct and manage gaming in the province of Manitoba through the provisions of *The Manitoba Lotteries Corporation Act*. The Corporation has a major shareholder – the Government of Manitoba – and reports to the Minister responsible for *The Manitoba Lotteries Corporation Act* through its Board of Directors.

Corporate Governance is a system of policies and structures that guide the long-term goals and strategic plans of Manitoba Lotteries and set out the best practices and guiding principles to help us make corporate decisions to the best of our ability. It also

clearly outlines the authority and accountability among the different levels of MLC, particularly at the Government, Board and Executive Management levels.

The Board sets corporate policy for the Corporation and provides strategic direction to the CEO and senior executives, who are responsible for our business operations.

The function of the Board is assisted by the work of the following committees:

- Planning & Policy
- Finance & Operations
- Audit & Risk Management
- Human Resources & Compensation
- First Nations Gaming
- Governance
- Casino Redevelopment

## CORPORATE GOVERNANCE POLICIES

These policies articulate corporate roles and responsibilities, providing the framework for everything we do:

- Corporate Governance
- Board/Executive Management Relationship
- CEO Responsibility
- Corporate Strategic Planning
- Corporate Performance Management
- Internal Audit
- Conflict of Interest
- Board of Directors and CEO Expenses
- Risk Management
- Corporate Social Responsibility

## WHAT IS EXECUTIVE GOVERNANCE?

Executive Governance at MLC is a model designed to ensure accountability with an effective decision-making system for the management of the Corporation. The Executive Governance Standing Committees use the model as a framework to guide corporate planning and development as well as the implementation of key strategies, initiatives and projects.

## EXECUTIVE GOVERNANCE EXCELLENCE

A review of the Executive Governance Standing Committee model was conducted to identify strengths and weaknesses and to help establish the ongoing role of the Committees with the newly developed body of corporate strategies. More than 30 divisional and operational strategies were formalized for execution, examples include: Bingo, Community Support, Gaming Integrity, Enterprise Management, Entertainment, and Quality Service Initiatives. The extensive effort and development invested in MLC's Executive Governance model continues to support stronger leadership through decision making, strategic discussions and priority setting activities.

## EXECUTIVE GOVERNANCE STANDING COMMITTEES

- Planning and Performance
- Corporate Business Development
- Technology
- Enterprise Risk Management
- Quality Service and Employee Development
- Corporate Social Responsibility

## STRATEGIC PLANNING

Within the past year, the strategic planning process continued to evolve, as we introduced new exercises and tools to employees such as risk identification. We also increased management involvement and progress on the plan was communicated at staff meetings to ensure employee ownership.

## BUSINESS PLANNING

A multi-year business planning process was put in place to support long-term planning efforts. As part of this process, departments are now identifying Key Performance Indicators (KPIs), which set goals and measurable benchmarks as we move toward the future.

## WHISTLEBLOWER LEGISLATION REPORT

In September 2007, in response to the enactment of *The Public Interest Disclosure (Whistleblower Protection) Act*, a Policy and process was developed through which MLC employees can report serious and significant wrongdoings observed in the workplace. Employees were advised of the new Policy and Disclosure process by letter from the President and CEO, as well as through MLC's staff forum, Talk2Us. Since its implementation, no disclosures were made, no investigations have been started, and no general inquiries have been received.



## EXECUTIVE MANAGEMENT TEAM

### SITTING:

**Cheryl Eason**, Executive Vice President & Chief Financial Officer

**Winston Hodgins**, President & Chief Executive Officer

### STANDING (FROM LEFT TO RIGHT):

**Wayne Perfumo**, Executive General Manager, Club Regent Casino

**Larry Wandowich**, Executive General Manager, McPhillips Street Station Casino

**Marilyn Robinson**, Vice President, Corporate Marketing & People Services

**Peter Hak**, Vice President, Corporate Services

**Walter Nykolyszyn**, Executive Director, Internal Audit & Corporate Compliance

**Max Dressler**, Executive Vice President, Gaming Operations

**Susan Olynik**, Vice President, Communications & Public Affairs

### ABSENT:

**Gerald N. Boose**, Vice President, Corporate Security & Corporate Secretary

# Strategic Direction

2007/2008

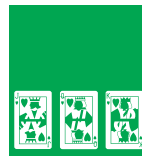
In 2007/2008, Manitoba Lotteries focused on advancing key strategies and initiatives in the following areas:



Customer Products  
and Services



Responsibility  
to Community



People and  
Services



Operational  
Excellence



Market  
Opportunities

The Corporation's annual goals and the highlights of our accomplishments are outlined in the following pages.



# Creating a total entertainment experience

CUSTOMER PRODUCTS AND SERVICES

Our customers are the focus of everything we do. We are continually driven to enhance and expand their experience with us by seeking out the most innovative products, providing exceptional service and creating a fun and exciting entertaining environment.





## GOALS

- Advance the renewal of our casino properties
- Continue to improve the quality of entertainment and explore new types of entertainment venues at the Casinos of Winnipeg
- Provide a quality food and beverage product that meets and exceeds customers' expectations
- Continue to build successful business partnerships through our product offerings
- Ensure that our directions are supported by comprehensive customer and gaming industry research
- Maintain our role in supporting gaming in First Nations communities

## HIGHLIGHTS OF THE PAST YEAR

### Enhanced Club Card

To the great delight of our customers, a points-based enhanced Club Card was successfully launched at the Casinos of Winnipeg in January 2008 and now boasts in excess of 120,000 members. This program offers play-based points accumulation for slot players to redeem towards valet, restaurant, retail and entertainment purchases. It is also the first casino player reward program in Canada to incorporate Responsible Gaming player information tools. This includes the option to receive a Gaming Activity Report, which offers players a way to monitor their card-based play on games included in the Club Card program. The report shows players how much they have spent on a quarterly and year-to-date basis. This helps them make decisions about their spending limits which is key to balancing gambling with other expenditures.

### Innovation leads to renewal

In response to evolving customer needs and the demands of our competitive industry, we continue to focus on re-inventing our casino entertainment venues. Among the exciting renewal projects is enhancing our performance venues, to attract higher calibre performers and bigger shows, which bring us closer to providing a "Total Entertainment Experience."

### Game refreshment, replacement and relocation

This past year, we aggressively replaced and converted over 20% of our slot machines at the Casinos of Winnipeg, bringing in new games like Ancient Chinese Secret, Monopoly Big Event and Red Hot Jackpots, to name a few. We introduced Craps to McPhillips Street Station Casino, and a progressive version of Texas Hold'em to Club Regent Casino, both were positive and popular additions to our table games offerings.

The widespread popularity of poker continues to grow and as a result, we increased our poker cash tables from six to nine, with plans to add another three and also added other new table games and reconfigured the table games floor at both Casinos.

For our Video Lotto business, Five Times Pay was released as a new game in January 2008 and has proven very popular with players.

To celebrate the 25th anniversary of one of Canada's most popular Lottery ticket - a special Lotto 6/49 Anniversary Scratch'N Win ticket was launched in August 2007. This special edition instant game was a huge hit with customers. Every ticket was a winner, with prizes ranging from a free play to \$1 Million and a lucky Winnipeg family took home one of those million dollar jackpots!

In addition, Payday Lottery, a new weekly on-line game with four prize categories on every play was introduced in the Prairies and Territories. The first draw took place on April 5, 2007. Payday offers a unique top prize - an annuity of \$1,000 a week for life or a cash option of \$675,000.

### **Appetite for growth**

The Casinos of Winnipeg's restaurants served up another outstanding year. Covers in the food and beverage area exceeded all expectations, thanks in part to Club Card member point redemptions on meals and other non-gaming amenities. Improvements also made a difference: our kitchen facilities were upgraded, more restaurant seating was added to The Royal Palms at Club Regent Casino and Dixie's at McPhillips Street Station Casino. A new seafood buffet, Manitoba plated specials featuring fresh pickerel and bison, as well as an expanded guest coffee program with more hot beverage choices such as hot chocolate and mochas, were some of the new offerings we launched last year with great success.

### **Ovation-worthy entertainment**

Giving customers a "Total Entertainment Experience," means filling their senses with all of the fun and excitement they expect from a casino. Live entertainment is key in creating good ambience. In the past 12 months, Casino customers enjoyed over 500 first-rate shows, with popular acts as diverse as David Cassidy, Emerson Drive, Brent Butt, Oak Ridge Boys, Air Supply and Richard Marx performing to capacity crowds. At Club Regent, Jaguars continued to achieve success as a fashionable dance club and a live entertainment venue that hosted over 200 energetic nights of Manitoba-grown talent including Caraballo, Free Ride, Hit Parade, Shoom and Clint Dutiaume.

### **Signs of the times**

Dynamic new digital signage inside both Casinos features captivating animated messaging to publicize in-house products and promotions, including the entertainment calendar and restaurant specials.

### **Research and development**

Our ongoing research helps us better understand our customers, gaming trends and public opinion. Tracking research monitors customer satisfaction, restaurant operations, corporate image and gaming market trends across the province, while focus groups with our guests investigate casino-related products and services. Manitoba Lotteries gained greater insight into the ever-changing preferences of our customers last year through self-evaluating initiatives such as a Mystery Shopper program, new game trials, focus groups with out-of-province visitors and Casino customer satisfaction tracking.

**Restaurant satisfaction levels remained consistently high in 2007/2008, as customers reported a 90% overall satisfaction rate and a 92% satisfaction rate for meal value.**





### **Customers login to e-news**

Reaching out to our guests remains as important as ever as we work to meet today's needs and anticipate future demand. That means using new technology to communicate with players who challenge us to provide the best in gaming entertainment and who want to know as soon as possible.

Customers told us they wanted the convenience of receiving casino news by e-mail. A timely, cost-effective and engaging way of reaching our customers, we continued to develop both our e-newsletters: the *Club Card Connection*, delivering gaming information to 16,000 subscribing members, and *The Fun File*, focusing on our entertainment offerings and restaurant features.

### **LOOKING TO THE FUTURE**

Our plans for the coming year in the area of Customer Products and Services include furthering the development of our Casinos as an entertainment destination. This includes: enhancing Jaguars Dance Club at Club Regent Casino and developing the second floor at McPhillips Street Station Casino for use as a sports/entertainment cabaret, or for hosting different types of events such as gaming tournaments and trade shows; the introduction of new games; the implementation of a new electronic bingo system, satellite poker tournaments and special poker tour events. MLC will also continue to put our ongoing industry and customer research into action, ensuring our operations meet the highest standards and customer expectations.



# Community first

RESPONSIBILITY TO COMMUNITY

Manitoba Lotteries carefully considers the impact of our business activities. We hold this responsibility well beyond mere obligation, as we strive to enrich the quality of life for our customers, employees, suppliers and stakeholders, as well as for our community, the environment and society at large.

appui de nos





## GOALS

- Define and advance an overall Corporate Social Responsibility (CSR) strategy
- Communicate the benefits of our Corporation
- Ensure a sustainable development approach to all our facilities, products and services
- Continue to be a leader in Responsible Gaming
- Maintain partnerships and respectful relationships with First Nations communities and organizations

## HIGHLIGHTS OF THE PAST YEAR

### **Corporate Social Responsibility (CSR) strategy**

Further to the CSR Policy approved in 2007, Manitoba Lotteries finalized a broad CSR Strategy last year to guide the Corporation's practices in terms of economic, social, community and environmental sustainability. To implement this strategy we will first assess how interwoven Manitoba Lotteries has become in the community and how well our values support our province's social fabric. This will be evaluated through a series of stakeholder consultations planned for later in 2008.

### **RESPONSIBLE GAMING**

Manitoba Lotteries is a recognized leader in the area of Responsible Gaming. We are committed to helping people enjoy our products responsibly and ensuring anyone adversely affected by gambling gets the help they need. 2% of our annual net income is designated to responsible gaming and problem gambling initiatives.

### **Player information**

#### *Video Lottery Terminal (VLT) information*

To improve access to accurate information in order to keep gambling fun and entertaining, last year MLC ensured that all VLT locations were provided with customer brochures on responsible gaming, problem gambling assistance and how gaming revenue supports Manitoba's communities.

### *Responsible Gaming Information Centres (RGIC)*

In Spring 2008, the RGICs at both Casinos were equipped with new interactive touch screen kiosks. This player tool utilizes quizzes and examples to help guests explore and understand gambling myths, the cost of play, tips for responsible play and problem gambling information & resources. Players can access this valuable tool any time to make informed choices and keep their gambling in perspective. Our research shows that participants found the kiosks interesting, understandable and informative.

### *Know the Score*

Hosted by MLC and the Addictions Foundation of Manitoba (AFM) and developed by the Responsible Gambling Council (Ontario), Know the Score is a young adult-oriented problem gambling awareness program that engages university and college students in a fun and informative way. The program returned to Manitoba in late 2007 to community colleges in Winnipeg, Brandon and The Pas. During this visit, it was offered for the first time in French at the Collège universitaire de Saint-Boniface. The program will return to university campuses in Winnipeg and Brandon in fall 2008.

### **Casino staff training**

Over the past year, we continued to share our expertise with other gaming jurisdictions, including the Saskatchewan Indian Gaming Authority (SIGA), to assist in the development of their Responsible Gaming Policy and their casino staff training program. Manitoba Lotteries, assisted by AFM, conducted training for SIGA's trainers and senior casino management. In addition, our Director of Responsible Gaming developed and delivered a three-day certificate program as part of the 2007 Canadian Gaming Summit, a national gaming industry conference. "Responsible Gaming: Putting the Pieces in Place" was offered through the Canadian Gaming Centre of Excellence in partnership with the University of Nevada, Reno.

## Pilot program development

In 2007, Manitoba Lotteries extended our financial commitment to Community Financial Counselling Services (CFCS), a non-profit agency which provides counselling and support to individuals and families experiencing financial difficulties due to problem gambling. Through MLC's support, CFCS now has a full-time counselling specialist specifically for individuals affected by gambling, and can further develop financial counselling services in the rural and northern regions to increase public education about financial management.

## Research

Manitoba Lotteries' commitment to research contributes to increased knowledge and understanding of Responsible Gaming. The Manitoba Longitudinal Study of Young Adults, launched in 2005, began data collection in the fall of 2007. This ground-breaking research, sponsored by Manitoba Lotteries, the AFM and the Manitoba Gaming Control Commission, will follow a sample of 18 to 20-year-old Manitobans over a five-year span to provide a picture of their changing gambling habits and the social and psychological links to those changes.

As well, Manitoba Lotteries and the AFM continued to deliver innovative training that provides all lottery retailers in Manitoba with practical information about responsible gaming. In the fall of 2007, an evaluation revealed this initiative exceeded expectations, helping retailers understand how lottery products work, the importance of responsible gaming and resources to get help.

## Supporting our communities

Manitoba Lotteries supports communities in ways far beyond economic measure. We do our best to strengthen vital connections with people and their neighbourhoods, promote diverse and vibrant community growth, as well as encourage our employees to participate in events they care about. By reaching out through volunteerism and sponsorship of hundreds of worthwhile events with an investment of \$7 million this past fiscal year, our ongoing commitment helps build winning communities throughout Manitoba.

## Province-wide support

Some of the many initiatives we proudly supported in the past 12 months:

- Habitat for Humanity
- Super Cities Walk for MS
- Manitoba Marathon
- Manitoba Society of Seniors 55-Plus Games
- 2007 IIHF World Women's Hockey Championship
- Canadian Cancer Society Relay for Life (Province wide)
- 2008 Tim Hortons Brier
- Buhler Recreation Park
- CNIB Manitoba
- Royal Manitoba Winter Fair (Brandon)
- Winnipeg Blue Bombers
- Winnipeg Goldeyes
- Brandon Wheat Kings
- Manitoba Moose
- Wolves of Winnipeg – Spirit Way (Thompson)
- 10th Annual Aurora Winterfest – (Churchill)
- Manitoba Stampede
- Festival du Voyageur
- Folklorama
- Winnipeg Folk Festival
- Winnipeg Comedy Festival
- Manito Ahbee Aboriginal Festival/Aboriginal Peoples' Choice Music Award
- Manitoba Theatre Centre
- Royal Winnipeg Ballet
- Dauphin's Countryfest/Canadian Country Music Awards
- Manitoba Museum – Louis Riel Day
- La Broquerie Community Parade
- St. Jean Baptiste Days Parade
- St. Pierre-Jolys Light and Life Celebration



### **Habitat for Humanity**

One of MLC's goals is to improve the quality of life of the people and the communities we serve. Habitat for Humanity Winnipeg has been doing just that for over 20 years by providing safe and affordable housing to low-income families in Winnipeg. The far-reaching impact of their goals has helped change many lives, generations and neighbourhoods for the better. It is that exact dedication to its people and community that Manitoba Lotteries decided to partner with Habitat in 2007. In addition to providing financial assistance, over 100 MLC employee volunteers strapped on their tool belts to lend a hand building a single family home in Winnipeg's north end.

**Since 2001, we have significantly reduced our greenhouse gas emissions by approximately 50%. Carbon dioxide emissions are down from 8,794 tonnes in 2001 to 3,660 tonnes in 2007.**

### **French language services**

Manitoba Lotteries furthered our relationship with Manitoba's Francophone community to identify partnership opportunities, such as hosting Festival du Voyageur's "Cajun Night," introducing the "Know the Score" program to Collège universitaire de Saint-Boniface and presenting a concert at the Casinos of Winnipeg by Acadian-Québécois singer/songwriter, Roch Voisine. We hosted hospitality and culinary students from Strasbourg, France for a four-month internship, a program made possible through an alliance between Manitoba and Bas-Rhin, a French territory located in the Alsace region.

### **Sustainable development**

From planting trees to diverting recyclable waste from the landfill, the Corporation continually demonstrated its commitment to sustainability in both words and deeds. MLC further enhanced its sustainability by reducing solid waste and greenhouse gas emissions, as well as selecting green products, procuring goods and services from Aboriginal businesses and through prudent fleet vehicle management. Last year, we provided Leadership in Energy and Environmental Design (LEED) awareness training to those employees responsible for the construction and operation of our buildings, so that they understand their role with respect to the Manitoba Green Building Policy.

### **LOOKING TO THE FUTURE**

Manitoba Lotteries plans to maintain the momentum of our Responsibility to Community efforts. An intensified focus on Responsible Gaming initiatives will include launching a multi-media awareness campaign to promote treatment availability through the AFM; the implementation of additional responsible gaming features associated with our enhanced Club Card program; and incorporating features such as an on-screen clock and cash shown in dollars for the new electronic bingo system at the Casinos of Winnipeg.

Research studies and community involvement will continue to expand through evaluating current sponsorships and new ways to support charitable organizations, which will include establishing a weekly Volunteer Charity Poker Tournament Program at Club Regent Casino. Similar to our Volunteer Bingo Program, these tournaments will offer non-profit organizations another means to raise funds in a fun and entertaining way.



# House advantage

PEOPLE AND SERVICES

We recognize the important role our employees play in developing good business practices and building lasting customer relationships. We deeply value our people and strive to create an innovative, supportive and engaging workplace to show our appreciation for their many contributions.



## GOALS

- Create and promote career and employment opportunities for Manitobans
- Continue to advance workforce planning and talent management programs, quality recruitment and retention initiatives, leadership development and succession planning and continuous learning
- Ensure our employees are empowered and celebrated for their achievements
- Ensure our employees continue to be aware and informed

## HIGHLIGHTS OF THE PAST YEAR

### **A great place to work**

For the second year in a row, Manitoba Lotteries was recognized as one of the Top 15 Employers in Manitoba by *Maclean's* magazine for 2008. This prestigious list recognizes employers who attract and retain employees and display best practices in: the physical workplace; health, financial and family benefits; vacation entitlements; employee communications; performance management; training and skills development; and community involvement. Helping us earn our top employer status was MLC's commitment to celebrate workplace diversity and benefits that support employee work-life balance.

**For the second year in a row, Manitoba Lotteries was recognized as one of the Top 15 Employers in Manitoba by *Maclean's* magazine.**

### **Employee Rewards & Recognition Program (ERRP) rewards and motivates**

ERRP was designed to reward, recognize and thank employees for exceptional workplace behaviour and performance, including exemplary customer service, teamwork, constructive suggestions, outstanding attendance, volunteering and years of dedicated service. ERRP not only distinguishes a job well done, it also encourages employees' continued excellence. To earn points redeemable towards goods or services, employees can be nominated by their peers and managers for going above or beyond in their day-to-day duties. Points can also be self-generated in areas such as long service, volunteerism, attendance and for contributing ideas and solutions.

### **Safety recognition**

ERRP also dovetailed into the launch of our new safety recognition program, which recognizes and reinforces the importance that we place on providing a safe working environment. This year, the program aimed to decrease the number of work injuries, increase safety awareness, decrease lost work time and Workers Compensation Board costs, while also improving morale and peer support for safe work practices.

### **Training for success**

#### *E-learning*

Face-to-face training is not always possible, so we developed and offered for the first time, a number of online courses for our Dimensions in Leadership program, covering areas such as Workplace Health and Safety Practices, Risk Management, Progressive Discipline, Performance and Development and Managing Under the Collective Agreement.

#### *In case of emergency*

An emergency preparedness education and training program for our Casino environment was also implemented this past year. The training outlined MLC's emergency response plan and defined the roles of both individuals and the crisis management team. Training also included real-time emergency scenario exercises for hands-on learning. Over four years ago, MLC introduced Automated External Defibrillators (AEDs) to the Casinos of Winnipeg. Since then, trained employees have used AEDs to save the lives of four Casino guests. With that success in mind, MLC expanded the program to have AEDs located at all MLC buildings, offering the same protection and peace of mind to our employees. Through the AED certification course, 20 employees in Winnipeg and Morris who are also trained in CPR, now make it possible for non-medical personnel to act quickly when every second counts.



## Scholarships

To commemorate the extraordinary life and contributions of Lloyd LeVan Hall, a dedicated person who served as Vice Chair on MLC's Board of Directors from 2000 to 2007, a scholarship was created in his honour. The Lloyd LeVan Hall Scholarship is dedicated to developing the next generation of Aboriginal leaders and has been established to assist Aboriginal students for continued education in management studies at the University of Manitoba Asper School of Business.

MLC continues to invest in the next generation through our scholarship programs, furthering the educational, personal and professional growth of students in our communities. This past year, we re-structured our current Employment Equity Awards to better support the strategic goals of the Corporation. The awards will now go to students in their second to last year of education in the fields of Management, Information Technology, Culinary Arts and Trades.

## Awards & recognition

In this industry, success is measured by world-class products and services; by the contributions we make to our communities; by the governance practices we follow; and, of course, by employee pride and professionalism. It is also measured by the recognition we receive from others. In addition to being one of the province's Top 15 Employers, Manitoba Lotteries is proud of the accolades we received for community involvement, financial reporting, human resources management and organizational effectiveness.

- **Human Resources Management Association of Manitoba Silver Excellence in Leadership Award:** For the sixth consecutive year, Manitoba Lotteries has been recognized for its workforce planning program and leadership in enhancing Human Resources practices within our organization.
- **Manitoba Workplace Compensation Board SAFE Work Division Award – Best New Entry:** In 2007, we received recognition for promoting safety and health activities in the workplace.
- **Most Innovative Corporate University Silver Award:** Our Canadian Gaming Education Forum, providing world-class training for employees and industry professionals, received a Silver Award at the 2007 Corporate University Best in Class Awards.

- **Progressive Aboriginal Relations:** After two years at the Silver level, Manitoba Lotteries was the first Crown corporation in Canada to reach Gold Level status in February 2008, reflecting our commitment to workplace diversity.
- **Tree Canada:** Also in February of this year, we received a Certificate of Appreciation from Tree Canada for our commitment to sustainable development through annual tree planting programs and our achievement as a carbon-neutral business.
- **Government Finance Officers Association:** MLC was recognized for the fourth consecutive year with the award for distinguished corporate budget presentation.



## LOOKING TO THE FUTURE

Our plans for the coming year include further development of the Employee Rewards and Recognition Program to set measurable benchmarks, ensure consistency between departments, improve quality service initiative training and create a tiered reward system. We will implement new strategies to attract and retain talent as well as carry out our first organizational communications assessment to better understand our employees' communication needs and expectations.

# What our people are saying:

“It is a good feeling when someone is willing to listen to what I might be able to contribute to such a massive corporation. Thank you!”

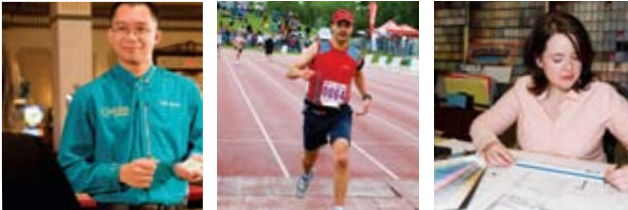
– Jo-Anne, Security; McPhillips Street Station Casino

“It gives me an extra little incentive to submit ideas and to take that extra step in the workplace every day.”

– Blair, Customer Service/Transportation; McPhillips Street Station Casino

“During a conversation around the campfire, I was asked where I work. I replied that I work for MLC. The person who asked knew of MLC and our employee-volunteers that help with community events. I was then congratulated and made very proud that MLC is recognized as a leader for providing volunteers when called upon.”

– Richard, Corporate Information Technology Office -  
Quality Assurance; Corporate Office





## Excellence pays off

### OPERATIONAL EXCELLENCE

For an organization to appear seamless from the customer's perspective, a great deal of effort goes into ensuring all technology, systems and internal processes work together efficiently. Operational Excellence is a high standard of performance by which we apply innovative processes and best practices to everything we do.





## GOALS:

- Advance long-term technology strategies
- Continue to improve security systems and a safe environment for customers and employees
- Continue to ensure regulatory compliance and gaming protection and integrity
- Focus on improving our internal processes
- Continue to advance corporate-wide risk management and disaster recovery models

## HIGHLIGHTS OF THE PAST YEAR

### **“It’s Your Ticket” consumer protection awareness campaign**

Over the past couple of years, the lottery industry in several provinces has come under public scrutiny regarding the integrity and safety of consumer play. Although MLC had strong policies and procedures in place to ensure the integrity of our lottery retailer network, this opportunity was used to review and strengthen existing processes.

On August 1, 2007, new mandatory procedures to enhance lottery systems, improve customer service and protect those who purchase and sell lottery tickets, was implemented in Manitoba. Consumers must now print their name on the back of their ticket prior to retailer validation. Without a signature, the retailer cannot validate or pay out a winning ticket. We also launched a multi-media awareness campaign to educate consumers on protecting their tickets. The messaging reinforced personal responsibility for ticket ownership.

To further protect lottery consumers, the following initiatives were also launched:

- New lottery terminals that make a distinctive sound when winning tickets are checked
- New consumer-facing monitors that display winning prize amounts
- Self-serve ticket checkers at all retail locations
- New procedures requiring retailers to return all winning and non-winning tickets to consumers
- A new retailer Code of Conduct

## **Safety first**

Over the past 12 months, a number of enhancements were made for the protection and safety of our customers and employees, for the security of our facilities and for the integrity of our games. We installed cameras in the Casino shuttle buses, implemented a Biometric Facial Recognition System at the Casinos of Winnipeg in order to identify and alert surveillance staff of the presence of excluded patrons and provided non-violent crisis intervention training to staff who work alone outside the facilities.

## LOOKING TO THE FUTURE

Customer courtesy stations will be installed at Club Regent Casino, the surveillance department will be relocated to Central Services for greater efficiency and the Corporate Fraud Control Strategy will be enhanced to ensure employees are aware of potential fraud risks within their areas of responsibility.

MLC’s current automated attendant phone system is scheduled to be replaced by a new product called Speech Attendant in the fall of 2008. This new program is a voice recognition product so callers simply state the name of the person or department they wish to contact and the call is routed appropriately.





# Stacking opportunities

## MARKET OPPORTUNITIES

By optimizing our marketing efforts, we can reach our current customers and attract tourists and new customers to the Casinos of Winnipeg, promoting our “Total Entertainment Experience” brand outside of the province, create strategic partnerships and increase public awareness of MLC’s community initiatives.



## GOALS:

- Ensure a responsible and integrated approach to marketing all of MLC's products and services, explore new market opportunities and retain and grow our existing markets
- Promote our facilities as a destination in partnership with Manitoba's tourism industry and develop other mutually-beneficial business and organization marketing and sponsorship partnerships
- Identify opportunities to provide services and expertise in the gaming industry

## HIGHLIGHTS OF THE PAST YEAR

### Partnerships

This year, we forged a number of successful partnerships, resulting in promotions that garnered positive responses from our customers and the public, including:

- **Winnipeg Sun "Search for Gold":** *The Winnipeg Sun* and the Casinos of Winnipeg partnered to bring the popular "Search for Gold" promotion to a new level. Thousands of in-person ballots were received at the Casinos, plus the online bonus clue on the Casinos of Winnipeg website helped increase site traffic by 82%.

Our new Tourism Strategy identifies six key areas of opportunity that will provide the framework for tourism development, such as: Research, New Products, Partnerships, Marketing, Sales and Services.

- **Winnipeg Free Press "Our Community's Cookin'":** Casinos of Winnipeg and *The Winnipeg Free Press* sponsored a promotion with two equally delicious segments. The "Winning Ingredient" Recipe Swap contest invited local cooks to share their best recipes for a chance to win a \$5,000 travel voucher, while the "Food for the Fun of It" concept awarded winners a combined \$10,000 in travel vouchers.

- **Global TV Volunteer Manitoba vignettes:** MLC and Global TV partnered to help celebrate volunteerism in Manitoba, as well as assist the Volunteer Manitoba organization increase its volunteer base for 2008. MLC sponsored the 60-second vignettes showing how the act of volunteering can enhance relationships and personal growth.

## Target customers and market segments

### Tourism Strategy

Manitoba Lotteries approved a new Tourism Strategy, which will provide a three-year framework to advance a more sustainable approach to tourism development, with the purpose of ensuring our position as a leading participant in the development of tourism in Manitoba.

### Midweek Bus Tour Events

During unique tour bus events that took place in February and March 2008, attendees were surveyed on their level of satisfaction with the quality and service at the Casinos of Winnipeg. The survey concluded that there is a positive impact on investment and customer relationships, with tallied results showing an increase in revenue during tour bus based events, and nearly all attendees indicated they would gladly return on a future bus tour and recommend such an excursion to family and friends.

## LOOKING TO THE FUTURE

In the coming year, we expect to see advancements that will refresh the infrastructure, products and services of the Casino properties. In addition to advancing our tourism strategy, we will continue to explore new promotional opportunities with our business partners and optimize research avenues through a variety of studies.

# Strategic Direction

As Manitoba Lotteries moves towards becoming a more all-inclusive destination for our guests, we recently updated our vision and mission statements to better reflect the entertainment factor of our business and in so doing, set the tone for our newly approved Corporate Strategic Plan for 2009-2012.

To support the new vision and mission, our goals and objectives have been streamlined to be more concise, easy to understand statements of what we want to achieve. An action plan which provides clear direction to management through defined expectations has been developed and key performance indicators are being identified.

**Vision:** To be recognized as an enterprising and progressive business inspired to be the best at understanding and exceeding your entertainment expectations.

**Mission:** To create an exciting entertainment experience in a socially responsible manner to generate benefits for all Manitobans.

## GOAL # 1

### A SATISFIED CUSTOMER

#### Objectives

- Increase overall customer satisfaction rating
- Increase revenues

#### Action Plan

- Develop and manage a quality service feedback framework to measure activities and program success
- Continue to explore and introduce new customer services through the food and beverage action plan
- Advance remaining phases of entertainment action plan

## GOAL # 2

### BE RECOGNIZED AS A VALUED MEMBER OF THE COMMUNITY

#### Objectives

- Increase public awareness of MLC's Corporate Social Responsibility
- Improve public perception of MLC as a responsible member of the community

#### Action Plan

- Implement the Corporate Social Responsibility Action Plan involving stakeholder identification and engagement
- Continue to be a leader in Responsible Gaming through offering innovative programs, products and partnerships inside and outside the province of Manitoba
- Continue to enhance Sustainable Development activities
- Create MLC as a Career Destination (Employer Branding)
- Continue to support Manitoba's communities through our Community Support program
- Communicate the benefits of the Corporation's role in the community through various marketing and communication initiatives

### **GOAL # 3**

## **TO BE EFFICIENT AND EFFECTIVE**

### **Objective**

- Contain Operating Expenses

### **Action Plan**

- Implement additional phases of Acres Advantage slot accounting system
- Identify and improve key workplace people practices and work processes
- Continue with Corporate Services initiatives such as MLC Landholding, Computerized Maintenance Management System Implementation and Facility Management Outsourcing
- Continue with Technology initiatives such as Enterprise Architecture, Infrastructure, Application Security and Information Systems Security

### **GOAL # 4**

## **RETAIN AND GROW OUR CUSTOMER BASE**

### **Objectives**

- Increase participation in MLC's products and services
- Increase attendance at the Casinos of Winnipeg

### **Action Plan**

- Continue to explore and introduce new customer services through initiatives such as E-marketing, Web-electronic Technology, Quality Service Initiative and Tourism partnerships
- Provide quality products such as the Bingo Renewal Program and Slot Replacement/Game Conversion Program
- Begin Phase One of Casino Redevelopment Program
- Market our products and services to target markets

### **GOAL # 5**

## **A KNOWLEDGEABLE WORKFORCE OF HIGHLY SATISFIED EMPLOYEES**

### **Objective**

- Increase Employee Engagement

### **Action Plan**

- Introduce programs to build a knowledge based workforce such as the Management Internship Program, Leadership Development, Executive Development and Corporate Coaching programs
- Continue enhancements to improve corporate workforce culture
- Modify recruitment and selection action plans to better meet current conditions
- Ensure talent and workforce planning meets current and future labour force needs

# Management Discussion & Analysis

## OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS AT MARCH 31, 2008

The Management Discussion and Analysis reviews the financial results of the operation of Manitoba Lotteries Corporation for the fiscal year ended March 31, 2008. This report should be read in conjunction with the Corporation's audited financial statements and accompanying notes.

Management is responsible for the reliability and timeliness of the information disclosed in the Management Discussion and Analysis and does so by ensuring the appropriate existence and effectiveness of systems, controls and procedures used by MLC.

### OVERVIEW AND COMPANY VISION

Manitoba Lotteries strives to provide its customers and guests with world-class products and services that meet or exceed expectations in a socially responsible way. Advances made toward achieving this goal within the past 12 months have resulted in an increase in financial performance for MLC as the Corporation's net income of \$296.8 million for the fiscal year 2007/2008 increased by \$14.1 million or 5.0% as compared to the prior year's net income of \$282.7 million.

Revenues of \$749.9 million grew by \$50.4 million or 7.2% from the previous year's level of \$699.5 million. This increase may be attributed to a number of factors, including increased revenues from all segments. As part of MLC's long-range strategic goal of creating full-service customer satisfaction, the Corporation continually reviews existing product offerings in order to enhance customers' overall experiences.

Revenue, net of cost of sales and operating expenditures was \$367.3 million in 2007/2008 compared to \$345.0 million in the previous year, an increase of \$22.3 million. Operating expenses of \$122.2 million were \$9.0 million higher than the previous year's \$113.2 million and include payroll and other costs directly related to the generation of gaming and lottery revenues. This is a result of increases in salaries and benefits related to collective bargaining, an intensified focus on promotions and the greater accumulation of maintenance expenses.

Amortization of \$37.2 million for 2007/2008 increased \$8.0 million from \$29.2 million in the previous year. The increase primarily resulted from the change in the estimated useful life of video lottery equipment from 7 to 5 years in 2007/2008.



## RESULTS OF OPERATIONS

The three operating segments of the Corporation are Video Lotto, the Casinos of Winnipeg and Lottery. For reporting purposes, the administrative costs associated with corporate support services, including human resources, finance and administration, marketing, facilities, technology, audit, security, communications and public affairs, have been allocated to each of the operating segments outlined below.

### VIDEO LOTTO

Located in Morris, Manitoba, the Video Lotto Division is responsible for the operation and maintenance of video lottery terminals (VLTs). VLTs are located at Manitoba Liquor Control Commission licensed beverage rooms, Veterans' organizations, First Nations communities, Assiniboia Downs and the MTS Centre. The operation of VLTs contributed over 64.2% of MLC's net income and provided annual commissions of \$107.4 million to all VLT siteholders who operate equipment on their premises.

Revenue (before cost of sales) of \$345.9 million in 2007/2008 increased by \$21.2 million from the gross revenue of \$324.7 million in the previous year. Net income of \$190.6 million decreased \$0.7 million from the net income of \$191.3 million in the previous year. During the 2007/2008 fiscal year, the Corporation activated two new games to give the customers more variety in their gaming choices, and these appear to be well accepted. In addition to this, more VLTs were introduced in several new First Nations locations providing those communities with new economic development opportunities.

## CASINOS OF WINNIPEG

Manitoba Lotteries owns and operates two Casinos in the city of Winnipeg – Club Regent Casino and McPhillips Street Station Casino. Casino operations generated gross revenues (before cost of sales) of \$194.4 million in 2007/2008, an increase of \$22.2 million or 12.9% more than the gross revenues of \$172.2 million of the previous year.

Casino net income of \$48.2 million increased from the previous year's net income of \$32.0 million by \$16.2 million or 50.6% as a result of increased visitor traffic in response to several new programs introduced during the year. These programs reflected an increased focus on the Casinos as a total entertainment destination, which was rewarded with a much higher participation in the non-gaming related amenities of the Casinos. MLC's new enhanced Club Card, which allows patrons to accumulate points redeemable for non-gaming goods and services, has been favourably received by customers.

### LOTTERY

The Province of Manitoba is a member of the Western Canada Lottery Corporation (WCLC), a non-profit organization authorized to manage, conduct and operate lottery and gaming-related activities in the Prairie provinces and the territories. WCLC gaming products are distributed in Manitoba by MLC. As the province's sole distributor of lottery products, Manitoba Lotteries is responsible for the development and maintenance of a retailer network of over 840 outlets across Manitoba and market a selection of breakopen tickets through lottery retail outlets, charitable organizations and casinos across the province. MLC also continues to be the exclusive supplier of bingo paper to Manitoba's charitable and non-profit licensed bingo operators.

In fiscal 2007/2008, lottery gross revenues (before cost of sales) of \$209.6 million increased from the previous fiscal year gross revenue of \$202.7 million by \$6.9 million or 3.4%. This increase can be attributed to bonus draws for Lotto 6/49 to celebrate the product's 25th anniversary,

improved sales of instant tickets and the introduction of the new Payday Lottery product. Net income of \$58.0 million was less than the previous year's net income of \$59.5 million by \$1.5 million or 2.5%.

### Payout Percentages based on Dollars Won and Played

	Casinos of Winnipeg		Video Lotto			
Dollars Deposited	\$	794	\$	1,386		
Dollars Played		\$	1,729	\$	4,835	
Dollars Won		\$	1,585	\$	4,494	
Dollars Cash Out	\$	650	\$	1,045		
Revenue	\$	144	\$	144		
Average Prize Payout = $\frac{\text{Dollars Won (Prizes)}}{\text{Dollars Played}}$	\$	1,585	91.7%	\$	4,494	92.9%
	\$	1,729		\$	4,835	

### FIRST NATIONS

The Government of Manitoba, in accordance with the requirements of the Criminal Code of Canada, is responsible for gaming in Manitoba. As such, MLC has been appointed to act as its agent in the Conduct and Management of all gaming activity within the province.

In 2007/2008 MLC continued to provide support and guidance to the First Nation Casino operators in Manitoba. During the fiscal year, Aseneskak Casino in The Pas embarked on a major upgrade project. This project involved replacing their casino management system with a state-of-the art system, allowing them to take advantage of Ticket-in Ticket-out technology, and to introduce a patron management program at their casino. These changes are expected to be fully operational in April of 2008. MLC is providing an estimated \$2.2 million in financial assistance to Aseneskak for this project, and will recover these funds over the five-year estimated life of the equipment, as authorized under the Conduct and Management Agreement.

In 2007/2008 South Beach Casino received approval to increase the number of slot machines in their facility to 600. MLC, under the Conduct and Management Agreement is providing the physical and financial resources to South Beach for the purchase and installation of these machines which are expected to be fully operational in May 2008. The estimated cost of \$5.0 million will be recovered over the life of the assets, as authorized under the existing agreement.

### MLC HOLDINGS INC.

MLC's consolidated financial statements include the results of MLC Holdings Inc., a controlled entity, established to purchase capital assets for lease to MLC at cost. The management and oversight of MLC Holdings Inc. is consolidated within MLC operations, and the Board reviews and approves capital purchases through the annual business planning and budget process. During the 2007/2008 fiscal year, MLC Holdings acquired \$28.1 million in capital assets for lease to MLC.



## LIQUIDITY AND CAPITAL RESOURCES

Operating activities during 2007/2008 provided MLC with \$348.5 million compared to \$312.9 million in the previous year, an increase of \$35.6 million or 11.4%. Increased operating results and amortization contributed \$22.3 million to this growth along with decreases in non-cash working capital items of \$13.2 million.

Cash expended on property and equipment for 2007/2008 totaled \$28.1 million, up from \$18.3 million in the previous year.

MLC continues to be progressive by providing proven, state-of-the-art products, services and facilities to all customers and employees through the ongoing process of replacing gaming and security equipment. Not only does this support MLC's corporate goals, it enhances service, reliability and gaming integrity.

Cash distributions to the Government of Manitoba resulted in a cash outflow of \$305.7 million compared to the previous year's \$278.1 million, representing an increase of 9.9%.

## RISK MANAGEMENT

MLC continues to use and enhance its integrated Enterprise Risk Management Framework for assessing and managing risks at all levels across the Corporation. This provides a consistent approach for addressing business risks at the strategic and business planning, project management and business process levels by:

- providing a common understanding of risks across business functions and units;

- providing management with an ongoing assessment of potential risks to facilitate improved priority setting and decision making; and
- raising employee awareness and responsibility for managing these risks.

In the normal course of business, MLC is exposed to a number of risks. These risks, and the actions taken to lessen and in some cases, alleviate them, are discussed below.

## OPERATING RISK

Operating risk, associated with processes, technology and people, addresses the risk of loss resulting from events such as system failures, breakdown in internal controls, human error and criminal activity. It has been proven that losses such as a measurable decline in client confidence, gaming integrity and corporate image can be as damaging for an organization as a direct financial loss.

MLC management remains committed to strengthening the existing system of internal controls and minimizing operational risk as much as possible. This has already been partially addressed by assessing the amount of risk presenting on operating units, large scale projects as well as specific business processes. Current areas of concentration are: emergency preparedness planning, business continuity planning and disaster recovery planning. Additional attention to these areas will provide the organization with the ability to more effectively respond to disasters as well as small and large scale business interruption events.

For the fourth consecutive year, MLC was awarded the Distinguished Budget Presentation Award from the North American Government Finance Officers Association. Recognizing the quality of the Corporation's business planning processes, the budget document was distinguished for its exemplary merits as a Policy Document, Financial Plan, Operations Guide and as a Communications Device.

## **TECHNOLOGICAL DEVELOPMENTS**

The adoption of new technologies within the gaming industry continues, including the acceptance of industry-wide standards leading to increased convergence and integration across many systems, product lines and related processes. This trend is helping MLC attain operational excellence through the careful investment in and implementation of gaming technologies. Business processes are being refined in order to fully optimize the efficiency and effectiveness of the new opportunities being presented.

Technological change is also helping MLC to improve its customer service and enhance the overall guest experience, and will eventually provide an increased level of personalization across MLC's many product lines. Finally, new technologies are providing MLC management with better information, which will allow for more informed decision making.

One example of MLC's commitment to improving its technology-based systems and processes is the Corporation's decision to embark on a project to replace its financial management system with a new integrated system. This system will enhance operational efficiency and assist in meeting the reporting requirements under International Financial Reporting Standards, to be adopted in the 2011/2012 fiscal year.

As MLC becomes more reliant on technology to support its business, the Corporation has developed various strategies to manage the risks associated with new technologies. These include the development of formal technology strategies, architectures and roadmaps to help guide MLC's future direction. MLC continues to invest significant resources in the area of information systems security and disaster recovery business continuity activities.

## **FINANCIAL RISKS**

The Corporation's exposure to interest-rate risk is substantially limited due to the use of fixed-rate, long-term debt. Credit risk due to the inability or unwillingness of a counter party to fulfill its payment obligations, while low, is mitigated through MLC's credit management and collection practices. The financial impact resulting from property losses or third-party liability claims are allayed through traditional risk management practices, such as ensuring adequate insurance coverage and coordinating loss mitigation strategies across the organization.

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

In the 2006-07 fiscal year, MLC proceeded with sub-certification to further strengthen Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification over their financial statements (MI 52-109 compliant). Sub-certification has become an ongoing process that builds on the previous submissions which assists in providing the CEO and CFO with reasonable assurance of the reliability and accuracy of financial information and that the Corporation's assets are properly safeguarded.

Upon evaluating the effectiveness of MLC disclosure controls and procedures as of March 31, 2008, the CEO and the CFO, together with management, concluded that the Corporation's disclosure controls and procedures were proven to be adequate and effective.

## OUTLOOK

To ensure the long-term sustainability of revenues and income streams, the Corporation will continue to reinvest in its facilities and in new gaming technology. MLC is focused on positioning the Casinos as a total entertainment experience, by improving its entertainment facilities and food and beverage operations, while continuing to introduce new and exciting gaming options. MLC has also developed a replacement strategy for its VLT network to ensure that these offerings remain current and to enhance responsible gaming features.

MLC's support for the community is outlined within a governing Corporate Social Responsibility (CSR) Policy. Financial processes are used to ensure all matters of CSR including Community Support, French Language, Responsible Gaming, Sustainable Development and People Services are considered and supported across the Corporation's operations. This approach augments the value of the business decisions MLC makes and ensures its decisions are consistent with the best interest of its stakeholders.

# Management Report

The accompanying consolidated financial statements are the responsibility of management and have been prepared in accordance with the accounting policies stated in the consolidated financial statements. These accounting policies have been applied on a basis consistent with the prior year. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available. The financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

Management is responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Corporation. Management designed such internal controls, or caused them to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of the Corporation are properly safeguarded. As part of the financial statement audit performed by Ernst & Young LLP, they reviewed the Corporation's internal controls to the extent that they considered necessary and reported their findings to management and the Board of Directors.

The responsibility of Ernst & Young LLP is to express an independent opinion on whether the consolidated financial statements are fairly stated in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

The Audit Committee of the Board meets with management and Ernst & Young LLP to satisfy itself that each group has properly discharged its respective responsibilities and to review the consolidated financial statements before approving them. The Board has reviewed and approved the consolidated financial statements for the fiscal year ended March 31, 2008.

(originally signed by)

**Winston Hodgins**

President & CEO

(originally signed by)

**Cheryl Eason**

Executive Vice-President & CFO

# Auditor's Report

To the Board of Directors

## **Manitoba Lotteries Corporation**

We have audited the consolidated balance sheet of **Manitoba Lotteries Corporation** as at March 31, 2008 and the consolidated statements of net income, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation'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 Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

(originally signed by)

**Ernst & Young LLP**

Chartered Accountants

Winnipeg, Canada

May 16, 2008

# Consolidated Balance Sheet

MARCH 31, 2008 (IN THOUSANDS)

	Notes	2008	2007
<b>Assets</b>			
<b>Current Assets</b>			
Cash		\$ 27,777	\$ 30,094
Accounts receivable	3	17,035	18,104
Inventories	4	2,451	2,127
Prepaid expenses	5	2,758	3,670
		<b>50,021</b>	53,995
<b>Property and Equipment</b>	6	<b>173,266</b>	183,938
<b>Other Assets</b>	7	<b>5,286</b>	5,532
		<b>\$ 228,573</b>	\$ 243,465

## Liabilities and Retained Earnings

<b>Current Liabilities</b>			
Accounts payable and accruals	8	\$ 40,564	\$ 29,570
Payable to the Province of Manitoba		1,782	10,720
Current portion of long-term debt	9	12,846	17,003
		<b>55,192</b>	57,293
<b>Long-Term Debt</b>	9	<b>168,002</b>	180,848
<b>Provision for Employee Pension Benefits</b>	10	<b>379</b>	324
<b>Total Liabilities</b>		<b>223,573</b>	238,465
Commitments and contingencies	14		
<b>Retained Earnings</b>		<b>5,000</b>	5,000
		<b>\$ 228,573</b>	\$ 243,465

(see accompanying notes to the consolidated financial statements)

On behalf of the Board,

(originally signed by)

**Tim Valgardson**

Director & Chair of the Board

(originally signed by)

**Gerald Rosenby**

Director & Chair of the Audit Committee

# Consolidated Statement of Net Income, Comprehensive Income & Retained Earnings

FOR THE YEAR ENDED MARCH 31, 2008 (IN THOUSANDS)

	Notes	2008	2007
<b>Revenue</b>			
Revenue		\$ 749,882	\$ 699,545
Cost of sales		260,329	241,288
		<b>489,553</b>	<b>458,257</b>
<b>Expenses</b>			
Operating expenditures		122,207	113,225
Amortization		37,152	29,236
Interest expense - long-term		11,778	13,013
Goods and services tax		5,520	4,622
		<b>176,657</b>	<b>160,096</b>
<b>Income before Allocations and Payments</b>		<b>312,896</b>	<b>298,161</b>
<b>Allocations and Payments</b>	12		
Provinces of Alberta and Saskatchewan		2,948	2,816
Government of Canada		2,327	2,292
Gaming Commission fees & Crown levy		2,209	2,366
Responsible gaming funding		2,894	2,781
Charitable and community organizations		5,736	5,186
		<b>16,114</b>	<b>15,441</b>
<b>Net Income and Comprehensive Income</b>		<b>296,782</b>	<b>282,720</b>
<b>Retained Earnings, beginning of the year</b>		<b>5,000</b>	<b>5,000</b>
Allocation to the Province of Manitoba		(296,782)	(282,720)
<b>Retained Earnings, end of the year</b>		<b>\$ 5,000</b>	<b>\$ 5,000</b>

(see accompanying notes to the consolidated financial statements)

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31, 2008 (IN THOUSANDS)

	Notes	2008	2007
<b>Operating activities</b>			
Net income and Comprehensive Income		\$ 296,782	\$ 282,720
Add (deduct) items not involving cash:			
Amortization related to property and equipment		36,906	28,990
Amortization on assets related to First Nations Casinos		1,827	1,568
Amortization related to other assets		246	246
Gain on disposal of property and equipment		-	(55)
Provision for employee pension benefits		55	46
		<b>335,816</b>	<b>313,515</b>
Net change in non-cash working capital items	16	<b>12,651</b>	(567)
<b>Cash provided by operating activities</b>		<b>348,467</b>	<b>312,948</b>
<b>Investing activities</b>			
Purchase of property and equipment		(28,061)	(18,267)
Proceeds from disposal of property and equipment		-	144
Proceeds from recovery of goods and services tax		-	22,112
<b>Cash provided by (used in) investing activities</b>		<b>(28,061)</b>	<b>3,989</b>
<b>Financing activities</b>			
Cash distributions to the Province of Manitoba:			
Current year		(295,000)	(272,000)
Prior year		(10,720)	(6,060)
Repayment of long-term debt		(17,003)	(39,719)
<b>Cash used in financing activities</b>		<b>(322,723)</b>	<b>(317,779)</b>
<b>Net decrease in cash during the year</b>		<b>(2,317)</b>	<b>(842)</b>
<b>Cash, beginning of year</b>		<b>30,094</b>	<b>30,936</b>
<b>Cash, end of year</b>		<b>\$ 27,777</b>	<b>\$ 30,094</b>
<b>Supplemental cash flow information</b>			
Interest paid		\$ 12,079	\$ 13,550

(see accompanying notes to the consolidated financial statements)



# Notes to Consolidated Financial Statements

FOR THE YEAR ENDED MARCH 31, 2008 (IN THOUSANDS)

## 1. Background

The Manitoba Lotteries Foundation was established by the Manitoba Lotteries Foundation Act. On July 27, 1993, the Act was amended and continued under the Manitoba Lotteries Corporation Act. By consent of the Legislative Assembly of Manitoba, the organization continues its operations as a Crown corporation under the name of the Manitoba Lotteries Corporation ("MLC") or the "Corporation."

## 2. Significant Accounting Policies

### (a) Basis of consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and combine the accounts of Manitoba Lotteries Corporation and MLC Holdings Inc. This controlled entity was established to purchase capital assets, which are leased to MLC at cost. All intercompany transactions and accounts have been eliminated on consolidation.

### (b) Western Canada Lottery Corporation

The Western Canada Lottery Corporation ("WCLC") was incorporated without share capital under Part II of the Canada Corporations Act on May 13, 1974. The Provincial Governments of Manitoba, Saskatchewan and Alberta are members in the Corporation, and the Yukon Territory, the Northwest Territories and Nunavut participate with the provinces as associate members in the sale of gaming products. Each province and territory has appointed a lottery organization to assist the WCLC with the distribution of gaming products in its jurisdiction (MLC for the province of Manitoba). The proportionate share of WCLC's sales and cost of sales is included in the financial statements based on relative sales levels by jurisdiction.

### (c) Revenue and expense recognition

Revenue and expenses are recorded on an accrual basis except for lottery revenue. Lottery revenue is recorded as of the date of the draw with the exception of instant game revenue which is recorded at the time the ticket is activated by the retailer via the on-line accounting system for sale to customers. Video lottery

and other gaming revenue is recorded net of prizes paid. Administration fees related to First Nations are taken into income as earned.

### (d) Property, equipment and amortization

Major capital expenditures with a future useful life beyond the current year are capitalized at cost and amortized on a straight-line basis according to their estimated useful lives. A half-year amortization is taken in the year of acquisition on assets under \$1 million. For assets over \$1 million amortization is taken at date of implementation.

Furniture and equipment	4-5 years
Gaming equipment	5 years
Casino stages	10 years
Buildings and parking lots	30 years
Leasehold improvements	Over term of lease
Capital lease – building	25 years
Assets related to First Nations Casinos	7 years
Other Assets – (see note 7)	26 years

Capital assets related to First Nations Casinos under the Conduct and Management Agreement consist primarily of the cost of the gaming equipment and related hardware and software. The cost of the assets and related financing costs are amortized and recovered over the seven-year term of the Conduct and Management Agreement.

During the year, the useful life for video lottery terminal (VLT) equipment was changed from a 7-year life to a 5-year life to be consistent with the planned VLT equipment replacement strategy. This change was adopted prospectively for the fiscal year ended March 31, 2008. The impact of this change for the current year was an \$8,622 decrease in net income.

# Notes to Consolidated Financial Statements

FOR THE YEAR ENDED MARCH 31, 2008 (IN THOUSANDS)

The net increases (decreases) in net income in future years as a result of this change are as follows:

2009	\$	(8,694)
2010		1,807
2011		9,555
2012		5,090
2013		344
Subsequent years		520
	\$	<b>8,622</b>

## **(e) Goods and Services Tax**

In lieu of Goods and Services Tax (GST) on lottery and gaming revenue, the Corporation foregoes claiming input tax credits and pays an additional 5% GST on gaming expenditures, including retailer commissions. This additional 5% is reported as GST expense.

An input tax credit is claimed for GST paid on non-gaming expenditures.

## **(f) Inventories**

Inventories are valued at the lower of cost and replacement value for replacement parts and the lower of cost and net realizable value for all other inventory.

## **(g) Pension plans**

In accordance with the provisions of the Civil Service Superannuation Act (Act), employees of the Corporation are eligible for pension benefits. Plan members are required to contribute to the Civil Service Superannuation Fund (Fund) at prescribed rates for defined benefits and will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The Corporation is required to match contributions contributed to the Fund by the employees at prescribed rates, which is recorded as an operating expense. Under this Act, the Corporation has no further pension liability.

For employees whose annual earnings exceed the limit under the Civil Service Superannuation Fund, a pension liability is established. This liability is determined actuarially every three years with the balances for the intervening years being determined by a formula provided by the actuary. Actuarial gains and losses are recognized in income immediately.

The Corporation also makes contributions for employees and officers to a money purchase pension plan at prescribed rates.

## **(h) Foreign currency translation**

Monetary assets and liabilities are translated at the year-end exchange rate while non-monetary assets and liabilities and revenues and expenses are translated at the exchange rate prevailing on the transaction date. All exchange gains and losses are reflected in earnings during the period they occurred.

## **(i) Use of estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

## **(j) Promotional allowances**

The retail value of food, beverages and other items provided on a complimentary basis to customers has been included in gross revenue and a corresponding amount has been deducted as promotional allowances. Costs of providing these promotional allowances have been included in operating expenses.

## **(k) Loyalty points program**

During the year, the Corporation commenced a program whereby patrons can earn points based upon their level of play on certain casino games. Points can

# Notes to Consolidated Financial Statements

FOR THE YEAR ENDED MARCH 31, 2008 (IN THOUSANDS)

be redeemed for certain goods and services provided by the casinos. The retail value of these complimentary items is included in gross revenues and then deducted as a promotional allowance to arrive at net revenues.

The future redemption liability is included in accounts payable and accruals and is based on an assessment of anticipated point redemptions and point value. The Corporation will adjust the estimated liability based on redemption experience and additional points earned and any adjustments will be recorded in the results of operations.

## *(l) Changes in accounting policies*

Effective April 1, 2007, the Corporation adopted the CICA Handbook Sections 1530 Comprehensive Income, 3855 Financial Instruments – Recognition and Measurement and 3861 Financial Instruments – Disclosure and Presentation. The principal changes in the accounting for financial instruments due to the adoption of these accounting standards are described below.

Section 1530 Comprehensive Income sets out the standards for the reporting and disclosure of comprehensive income. Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles. The Corporation has no items related to other comprehensive income under Section 1530, therefore, comprehensive income for the year is equivalent to net income.

Section 3855 Financial Instruments – Recognition and Measurement and Section 3861 Financial Instruments – Disclosure and Presentation set out the standards for the recognition and measurement of financial assets and financial liabilities. Under these standards, all financial instruments are classified into one of the following five categories: held for trading, held to

maturity investments, available for sale financial assets, loans and receivables and other financial liabilities. All financial instruments are included on the consolidated balance sheet and are measured at fair market value with the exception of loans and receivables, held to maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held for trading financial instruments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available for sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset or liability is removed from the consolidated balance sheet.

*The Corporation has made the following classifications:*

- Cash is classified as held for trading and measured at fair value.
- Accounts receivable are classified as loans and receivables and recorded at cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Accounts payable and accruals, payable to the Province of Manitoba and long term debt are classified as other financial liabilities and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

The adoption of these standards is done retroactively without restatement of the consolidated financial statements of prior periods. The adoption of these new standards did not have an impact on opening retained earnings or on the measurement of the Corporation's assets and liabilities as at April 1, 2007.

# Notes to Consolidated Financial Statements

FOR THE YEAR ENDED MARCH 31, 2008 (IN THOUSANDS)

## (m) Recent accounting pronouncements

Section 1535 Capital disclosures establishes standards for disclosing information about an entity's capital and how it is managed and is effective for fiscal years beginning on or after October 1, 2007. The Corporation does not expect this section to have an impact on the financial statements.

Section 3031 Inventories replaces the existing section 3030 Inventories, and is required to be implemented for fiscal years beginning on or after January 1, 2008. The Corporation does not expect this section to have an impact on the financial statements.

Section 3862 Financial Instruments – Disclosure and Section 3863 Financial Instruments – Presentation replace the existing Section 3861 Financial Instruments – Disclosure and Presentation and are required to be implemented for fiscal years beginning on or after October 1, 2007. The new standards enhance and expand disclosure standards to complement the changes in accounting policy adopted in accordance with Section 3855 Financial Instruments – Recognition and Measurement. These new standards relate to disclosure only and will not impact the financial results of the Corporation.

## 3. Accounts Receivable

	2008	2007
Western Canada Lottery Corporation	\$ 6,444	\$ 9,011
Trade	8,277	6,371
First Nations	1,422	2,001
Goods and services tax	576	412
Employee computer program	212	204
Lottery retailers	104	105
	<b>\$ 17,035</b>	<b>\$ 18,104</b>

## 4. Inventories

	2008	2007
Replacement parts	\$ 1,573	\$ 1,414
Bingo paper	415	306
Breakopen tickets	270	208
Restaurant	123	107
Store merchandise	70	92
	<b>\$ 2,451</b>	<b>\$ 2,127</b>

## 5. Prepaid Expenses

	2008	2007
Manitoba Gaming Control Commission fees	\$ 1,152	\$ 1,617
Maintenance contracts	844	1,119
Insurance	429	428
Entertainer & sponsorship deposits	122	338
Rent	77	86
Other	134	82
	<b>\$ 2,758</b>	<b>\$ 3,670</b>

# Notes to Consolidated Financial Statements

FOR THE YEAR ENDED MARCH 31, 2008 (IN THOUSANDS)

## 6. Property and Equipment

		2008	
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 5,798	\$ -	\$ 5,798
Furniture and equipment	93,392	70,625	22,767
Gaming equipment	136,136	92,554	43,582
Casino stages	5,972	5,972	-
Buildings and parking lots	153,486	61,892	91,594
Leasehold improvements	5,643	5,268	375
Capital lease – building	688	250	438
Assets related to First Nations Casinos [see note 13]	15,173	6,461	8,712
	<b>\$ 416,288</b>	<b>\$ 243,022</b>	<b>\$ 173,266</b>

		2007	
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 5,798	\$ -	\$ 5,798
Furniture and equipment	86,069	61,808	24,261
Gaming equipment	121,187	68,660	52,527
Casino stages	5,972	5,972	-
Buildings and parking lots	151,210	56,514	94,696
Leasehold improvements	5,643	5,229	414
Capital lease – building	688	223	465
Assets related to First Nations Casinos [see note 13]	10,869	5,092	5,777
	<b>\$ 387,436</b>	<b>\$ 203,498</b>	<b>\$ 183,938</b>

## 7. Other Assets

The Corporation has entered into an agreement for the right to use 22.28 acres of land for 200 years. The land is being used for parking facilities at the McPhillips Street Station Casino. The facilities became available

for use during the 2004 fiscal year, at which time the Corporation began amortizing the asset over the life of the adjacent Casino. The asset is presented net of accumulated amortization of \$1,095 (2007 - \$849) [see note 2 (d)].

## 8. Accounts Payable and Accruals

Trade	\$ 31,795	\$ 21,935
Vacation	6,481	5,391
Interest	881	939
Jackpot provision	911	680
Province of Manitoba taxes	496	625
	<b>\$ 40,564</b>	<b>\$ 29,570</b>

# Notes to Consolidated Financial Statements

FOR THE YEAR ENDED MARCH 31, 2008 (IN THOUSANDS)

9. Long-Term Debt	2008	2007
Province of Manitoba, bearing interest at 6.95%, interest only payable semi-annually, with all principal due at maturity on August 30, 2010.	<b>\$ 135,000</b>	\$ 135,000
Province of Manitoba, bearing interest at the prevailing Bankers Acceptance rate plus ¼ of 1%, repayable in quarterly principal installments of \$1,500 plus interest until October 17, 2007.	-	4,159
Province of Manitoba, bearing interest at 5.25%, repayable in quarterly principal installments of \$1,071 plus interest until June 30, 2011.	<b>13,929</b>	18,214
Province of Manitoba, bearing interest at 4.625%, repayable in quarterly principal installments of \$1,071 plus interest until September 30, 2011.	<b>15,000</b>	19,286
Province of Manitoba, bearing interest at the prevailing Bankers Acceptance rate plus ¼ of 1%, repayable in quarterly principal payments of \$679 plus interest, until May 10, 2012. The interest rate on the debt at March 31, 2008 was 3.80%.	<b>11,536</b>	14,250
Province of Manitoba, bearing interest at 4.875%, repayable in monthly principal installments of \$43 plus interest until March 31, 2009.	<b>514</b>	1,029
Province of Manitoba, bearing interest at 4.050%, repayable in monthly principal installments of \$84 plus interest until August 31, 2012.	<b>4,467</b>	5,478
Capital lease obligation to the Province of Manitoba, with a 7.63% implicit interest rate and annual minimum lease payments of \$64 until July 13, 2017.	<b>402</b>	435
	<b>\$ 180,848</b>	\$ 197,851
Less current portion of long term debt and capital lease obligation	<b>12,846</b>	17,003
	<b>\$ 168,002</b>	\$ 180,848

# Notes to Consolidated Financial Statements

FOR THE YEAR ENDED MARCH 31, 2008 (IN THOUSANDS)

*Annual payments in future years are as follows:*

		Capital Lease	
	Loans	Principal	Interest
2009	\$ 12,811	\$ 35	\$ 29
2010	12,297	37	27
2011	147,297	40	24
2012	6,940	43	21
2013	1,101	46	18
Subsequent years	-	201	34
	<hr/> \$ 180,446	<hr/> \$ 402	<hr/> \$ 153

The fair market value of long-term debt at March 31, 2008 is \$192,225.

## 10. Provision for Employee Pension Benefits

The pension expense related to the Corporation's contributions to the Civil Service Superannuation Fund is \$2,707 (2007 - \$2,426).

A pension liability of \$379 (2007 - \$324) has been established for employees whose annual earnings exceed the limit under the Civil Service

Superannuation Fund plan. A loss of \$22 was experienced in the current year based on the triennial actuarial report of pension obligations as at December 31, 2004, and is included in the above pension expense.

The pension expense related to the Corporation's contributions to the money purchase plan is \$252 (2007 - \$353).

# Notes to Consolidated Financial Statements

FOR THE YEAR ENDED MARCH 31, 2008 (IN THOUSANDS)

## 11. Segmented Information

The Corporation's management has designated the areas of Video Lotto, Casinos and Lottery as its operating

segments. All indirect costs have been allocated to the operating segments. A summary of these operating segments is as follows:

2008	Video Lotto	Casinos	Lottery	Total
<b>Revenue</b>				
Revenue	\$ 345,908	\$ 194,388	\$ 209,586	\$ 749,882
Cost of sales	107,357	12,455	140,517	260,329
	<b>238,551</b>	<b>181,933</b>	<b>69,069</b>	<b>489,553</b>
<b>Expenses</b>				
Operating expenses	10,299	106,744	5,164	122,207
Amortization	23,741	13,411	-	37,152
Interest expense - long-term	4,306	7,231	241	11,778
Goods and services tax	4,864	584	72	5,520
	<b>43,210</b>	<b>127,970</b>	<b>5,477</b>	<b>176,657</b>
<b>Income before Allocations and Payments</b>				
	<b>195,341</b>	<b>53,963</b>	<b>63,592</b>	<b>312,896</b>
<b>Allocations and Payments</b>				
	<b>4,749</b>	<b>5,813</b>	<b>5,552</b>	<b>16,114</b>
<b>Net Income and Comprehensive Income</b>				
	<b>\$ 190,592</b>	<b>\$ 48,150</b>	<b>\$ 58,040</b>	<b>\$ 296,782</b>
<b>2007</b>				
<b>Revenue</b>				
Revenue	\$ 324,675	\$ 172,178	\$ 202,692	\$ 699,545
Cost of sales	97,662	10,650	132,976	241,288
	<b>227,013</b>	<b>161,528</b>	<b>69,716</b>	<b>458,257</b>
<b>Expenses</b>				
Operating expenses	9,840	98,884	4,501	113,225
Amortization	12,767	16,469	-	29,236
Interest expense - long-term	4,816	7,956	241	13,013
Goods and services tax	4,062	452	108	4,622
	<b>31,485</b>	<b>123,761</b>	<b>4,850</b>	<b>160,096</b>
<b>Income before Allocations and Payments</b>				
	<b>195,528</b>	<b>37,767</b>	<b>64,866</b>	<b>298,161</b>
<b>Allocations and Payments</b>				
	<b>4,265</b>	<b>5,800</b>	<b>5,376</b>	<b>15,441</b>
<b>Net Income and Comprehensive Income</b>				
	<b>\$ 191,263</b>	<b>\$ 31,967</b>	<b>\$ 59,490</b>	<b>\$ 282,720</b>



# Notes to Consolidated Financial Statements

FOR THE YEAR ENDED MARCH 31, 2008 (IN THOUSANDS)

## 12. Allocations and Payments

### (a) *Provinces of Alberta and Saskatchewan*

The Province of Manitoba is a member of the Western Canada Lottery Corporation (WCLC). An agreement is in place with the other members to provide economic benefit equalization. The cost to the Corporation for this allocation for the 2008 fiscal year is \$2,948 (2007 - \$2,816).

### (b) *Payment to Government of Canada*

Effective January 1, 1980 the Government of Canada terminated its involvement in lotteries. In return, the ten provinces are to contribute an annual sum of \$24,000, adjusted for inflation, to the Federal Government. The Province of Manitoba's share for the 2008 fiscal year is \$2,327 (2007 - \$2,292).

### (c) *Gaming Commissions Fees & Crown Levy*

The Corporation provides funding to the Manitoba Gaming Control Commission (MGCC) through payment of annual registration fees for electronic gaming machines and employees. The Corporation also provides funding to the Crown Corporations Council through the payment of an annual levy. Funding provided to MGCC and Crown Corporations Council in the 2008 fiscal year is \$2,209 (2007 - \$2,366).

### (d) *Responsible Gaming Funding*

Funding to the Addictions Foundation of Manitoba (AFM) and other organizations for their responsible gaming research and programming for the 2008 fiscal year is \$2,894 (2007 - \$2,781).

### (e) *Charitable and Community Organizations*

The Corporation provides over four hundred charitable and community organizations the opportunity to raise funds for their organizations by assisting the Corporation in the bingo events held at its casinos and providing funding to various community groups throughout Manitoba. Payments made to these organizations for the 2008 fiscal year amount to \$5,736 (2007 - \$5,186).

## 13. First Nations Casinos

The Government of Manitoba has overall control over gaming in Manitoba in accordance with the requirements of the Criminal Code of Canada, and has appointed MLC to act as its agent in the Conduct and Management of the gaming regime. Through a selection process, the Government has provided certain First Nations the opportunity to operate casinos, with MLC maintaining the Conduct and Management authority over these casinos. Effective December 1, 2005, the Corporation received approval from MLC's Board of Directors to discontinue the recovery of general administrative and compliance costs from First Nations Casinos and to provide these services only upon request on a fee for service basis. The Corporation will continue to recover all direct and/or gaming related expenses.

## 14. Future Commitments and Contingencies

### (a) *Lease Obligations*

The future minimum rental payments relating to operating leases are as follows:

2009	\$	1,247
2010		807
2011		392
2012		335
2013		268
Subsequent years		1,457
	\$	<b>4,506</b>

(b) Incident to the nature of its business, the Corporation is defending various legal actions and claims that are pending. While the outcome of these claims cannot be determined, management is of the opinion that the appropriate provisions have been made in the accounts, and the ultimate outcome will not have a material adverse effect on the Corporation's financial position.

(c) The Corporation entered into a VLT revenue sharing agreement with the Manitoba Jockey Club Inc., in the amount of \$14,750 that covered the period of January 1, 2004 to December 31, 2006. This agreement was amended in April 2005 to extend MLC's commitment by another two years to December 31,

# Notes to Consolidated Financial Statements

FOR THE YEAR ENDED MARCH 31, 2208 (IN THOUSANDS)

2008. Manitoba Jockey Club Inc. will receive \$5,000 annually plus an additional 20% commission on net VLT revenues over \$5,000.

(d) During the year the Corporation maintains its commitment to spend 2% of its net income over five years for responsible gaming research and programming. It is anticipated that the continuation of expenditures will occur in the 2009 fiscal year.

(e) The Corporation has committed to replacing the aging Video King gaming system at the Casinos of Winnipeg. The estimated cost of this replacement is \$19,700.

## 15. Financial instruments

The Corporation's financial instruments consist of cash, accounts receivable, accounts payable and accruals, payable to the Province of Manitoba, and long term debt. It is management's opinion that the Corporation is not exposed to significant interest, credit or currency risks.

### Fair value

Unless otherwise stated, the fair value of the Corporation's financial instruments approximates their carrying values.

### Interest rate risk

Interest rate risk is the risk to the Corporation's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Corporation does not use derivative instruments to reduce its exposure to interest, though risks associated with interest rate fluctuations are mitigated through the use of fixed-rate long term debt.

### Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Corporation mitigates this risk through its credit management and collection practices.

### Currency risk

Currency risk is the risk to the Corporation's earnings that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Corporation mitigates this risk through its contract and purchasing practices.

## 16. Supplementary Cash Flow Information

	2008	2007
<b>Net decrease (increase) in current assets</b>		
Accounts receivable	\$ 1,069	\$ (5,284)
Inventories	(324)	794
Prepaid expenses	912	(583)
	<b>1,657</b>	<b>(5,073)</b>
<b>Net increase (decrease) in current liabilities</b>		
Accounts payable and accruals	<b>10,994</b>	4,506
<b>Net change in non-cash working capital items</b>	<b>\$ 12,651</b>	<b>\$ (567)</b>

## 17. Comparative Figures

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year financial statements.

# Consolidated Schedule of Net Income & Comprehensive Income

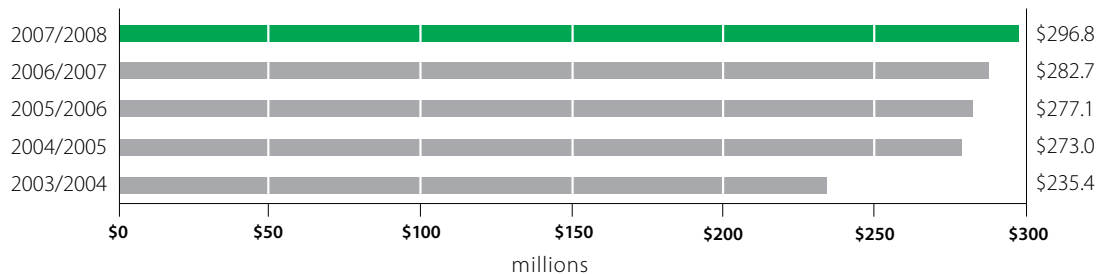
FOR THE YEAR ENDED MARCH 31, 2008 (IN THOUSANDS)

	2008	2007
<b>Revenue</b>		
Revenue	\$ 749,882	\$ 699,545
Cost of sales	260,329	241,288
	<b>489,553</b>	458,257
<b>Expenses</b>		
Operating expenditures		
Salaries and benefits	80,274	75,687
Maintenance equipment	13,837	11,507
Tourism marketing	8,428	6,603
Property taxes	4,042	3,982
Utilities	2,476	2,314
Postage, printing and supplies	4,392	4,053
Consulting and legal fees	2,149	1,740
Telecommunications	1,586	1,786
Transportation and vehicles	1,572	1,575
Community support	1,257	1,388
Sundry	2,194	2,590
	<b>122,207</b>	113,225
Amortization	37,152	29,236
Interest expense - long-term	11,778	13,013
Goods and services tax	5,520	4,622
	<b>176,657</b>	160,096
<b>Income before Allocations and Payments</b>	<b>312,896</b>	298,161
<b>Allocations and Payments</b>	<b>16,114</b>	15,441
<b>Net Income and Comprehensive Income</b>	<b>\$ 296,782</b>	\$ 282,720

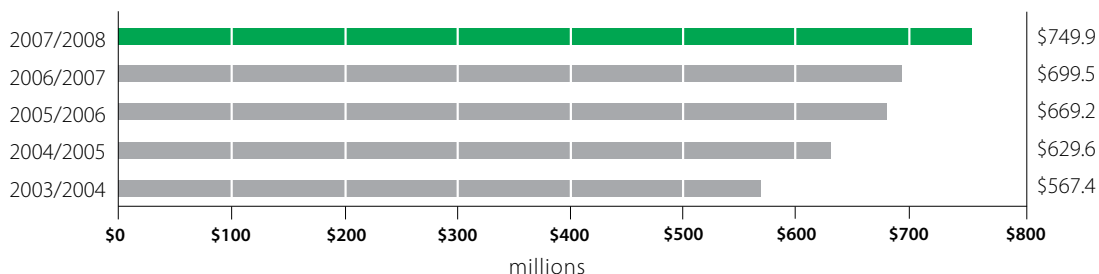
(see accompanying notes to the consolidated financial statements)

# Highlights

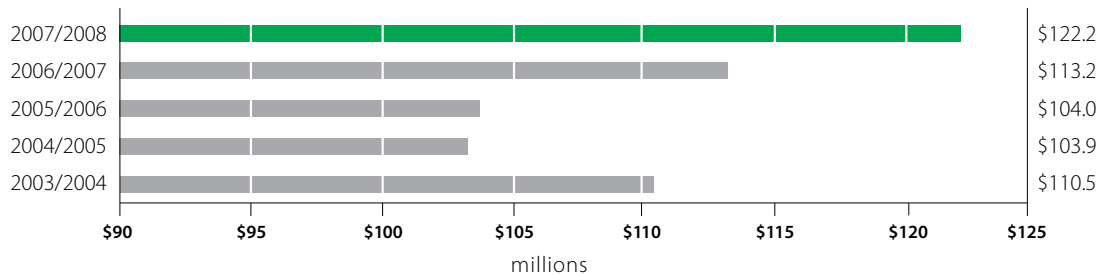
## Net Income



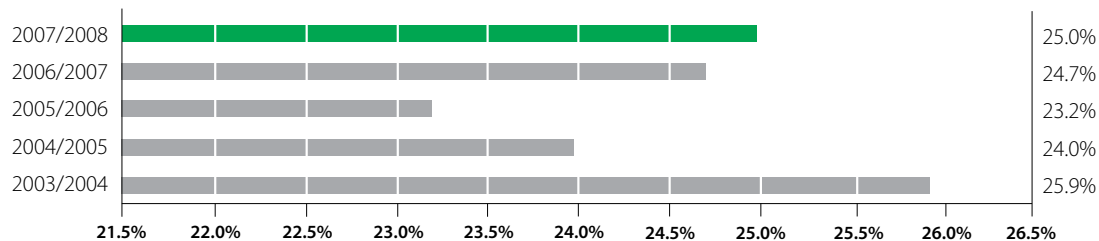
## Revenue



## Operating Expenses

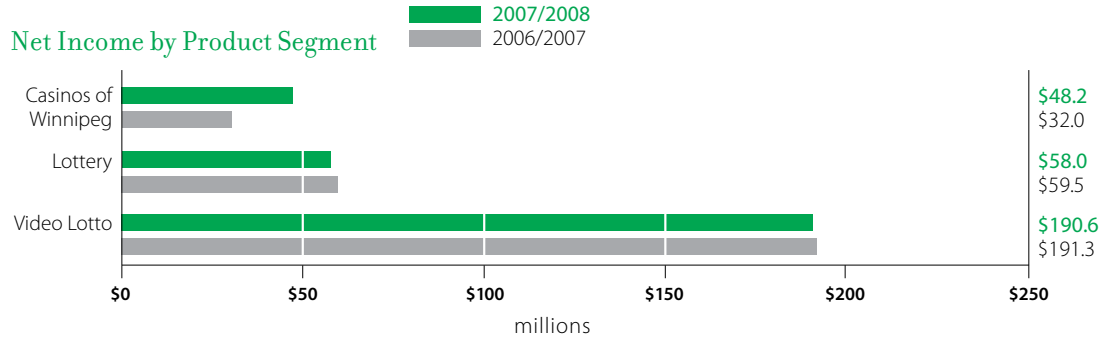


## Operating Expense as a % of Net Revenue\*

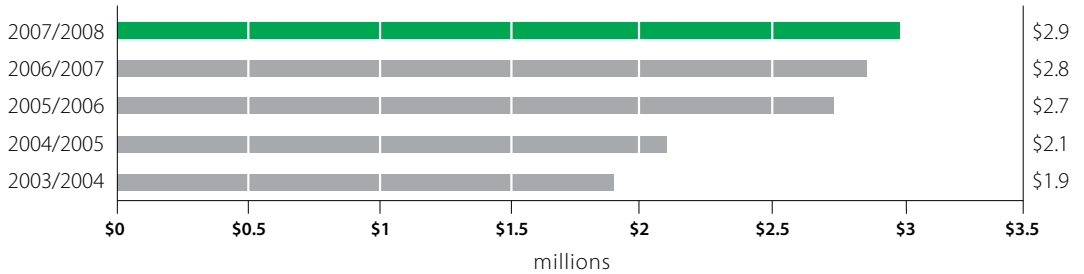


\* Revenue net of cost of sales

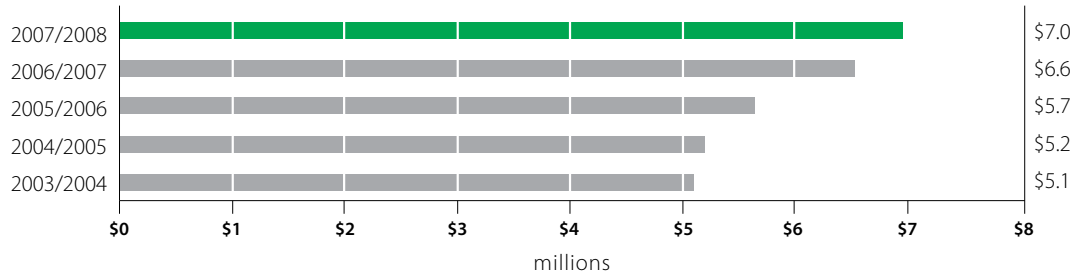
# Highlights



### Responsible Gaming Support to the Addictions Foundation of Manitoba

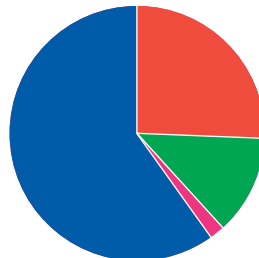


### Community Support Corporate Sponsorship and Charitable/Community Organization Funding



### Equity Participation Rates

- Other: 60.3%
- Visible Minority: 26.2%
- Aboriginal: 11.2%
- Disabled: 2.3%



### Gender Comparison

- Females: 52.9%
- Males: 47.1%

