



IS MY
MLC PARTNER



IS MY
MLC
GTM

ASSOCIATE

Lenn Samborski has turned commercial composting into a viable business, thanks in part to MLC's green initiatives including diverting food waste from the landfill.

READ MORE ON
PAGE 30



IS MY
MLC

TEAMMATE

When Canadian country star Johnny Reid wanted to help Red River flood victims, he entrusted MLC to host his sold out fundraising concert.

READ MORE ON

PAGE 27



IS MY
MLC **NEIGHBOUR**

As a Habitat for Humanity homeowner, Eilyn's family now has a home to meet their unique needs and truly call their own.

READ MORE ON
PAGE 22



IS MY
MLC **HOST**

After 35 years of marriage, Winnipeg's casinos set the perfect stage for Keith and his wife Lori to rejuvenate their romance.

READ MORE ON
PAGE 19

Manitoba Lotteries is an organization built on partnerships.

They have all been created to help reach goals, realize dreams and impact lives in a positive way. As we continually search for new ways to build strong connections with our community, our employees, our suppliers and our customers, we become even stronger ourselves.



READ MORE
ABOUT OUR
PARTNER
(FEATURED
ON THE COVER)

PAGE 32

Manitoba Lotteries' Aboriginal Artisan Showcase gave Manitoba artist Jackie Traverse a venue to exhibit her art to an even broader audience.

OUR ENVIRONMENTAL RESPONSIBILITY

As part of our pledge to sustainable development, we are constantly working to reduce our environmental footprint in all aspects of our business. This includes making responsible paper and ink choices when we produce our Annual Report. The following environmental savings were achieved based on these choices. ■

ECO SAVINGS AUDIT

5,888

KILOGRAMS OF WOOD

A total of 41 trees that supply enough oxygen for 21 people annually.

71,756

LITRES OF WATER

Enough water to take 1,102 eight minute showers.

13

MIN BTUs OF ENERGY

Enough energy to power an average household for 53 days.

1,785

KILOGRAMS OF EMISSIONS

Carbon sequestered by 46 tree seedlings grown for 10 years.

522

KILOGRAMS OF SOLID WASTE

Trash thrown away by 250 people in a single day.

PAPER & INK

This report is printed on Rolland Enviro100 Print, which contains 100% post-consumer waste, is Environmental Choice, Processed Chlorine Free as well as FSC Recycled certified and manufactured using biogas energy.

All inks used are vegetable based.



NOTE: The Eco Savings Audit was calculated based on information from the Environmental Defense Fund Calculator. Original estimates were in Imperial units and have been converted to Metric units. The estimates pertain to the use of post consumer recycled fiber content. For more information please visit edf.org/papercalculator

LETTER OF TRANSMITTAL

Honourable Andrew Swan

MINISTER RESPONSIBLE FOR LOTTERIES
ROOM 358, LEGISLATIVE BUILDING
450 BROADWAY – WINNIPEG, MB R3C 0V8

September 7, 2009

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, 2009.

Respectfully submitted,

(originally signed by)

Tim Valgardson

CHAIR, BOARD OF DIRECTORS – MANITOBA LOTTERIES

CONTENTS

6	About Manitoba Lotteries
7	Message from our Chair
9	Message from our President & CEO
11	Corporate Framework
12	Corporate Governance
15	Key Performance Indicators
17	Strategic Direction for 2008/2009
18	Quality Products
21	Responsibility to Community
25	People & Services
28	Operational Excellence
31	New Business Development
33	Strategic Direction for 2009/2010
35	Management Discussion & Analysis
43	Management Report
44	Auditors' Report
45	Consolidated Financial Statements
48	Notes to Consolidated Financial Statements
59	Highlights

ABOUT MANITOBA LOTTERIES

WHO WE ARE

The 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

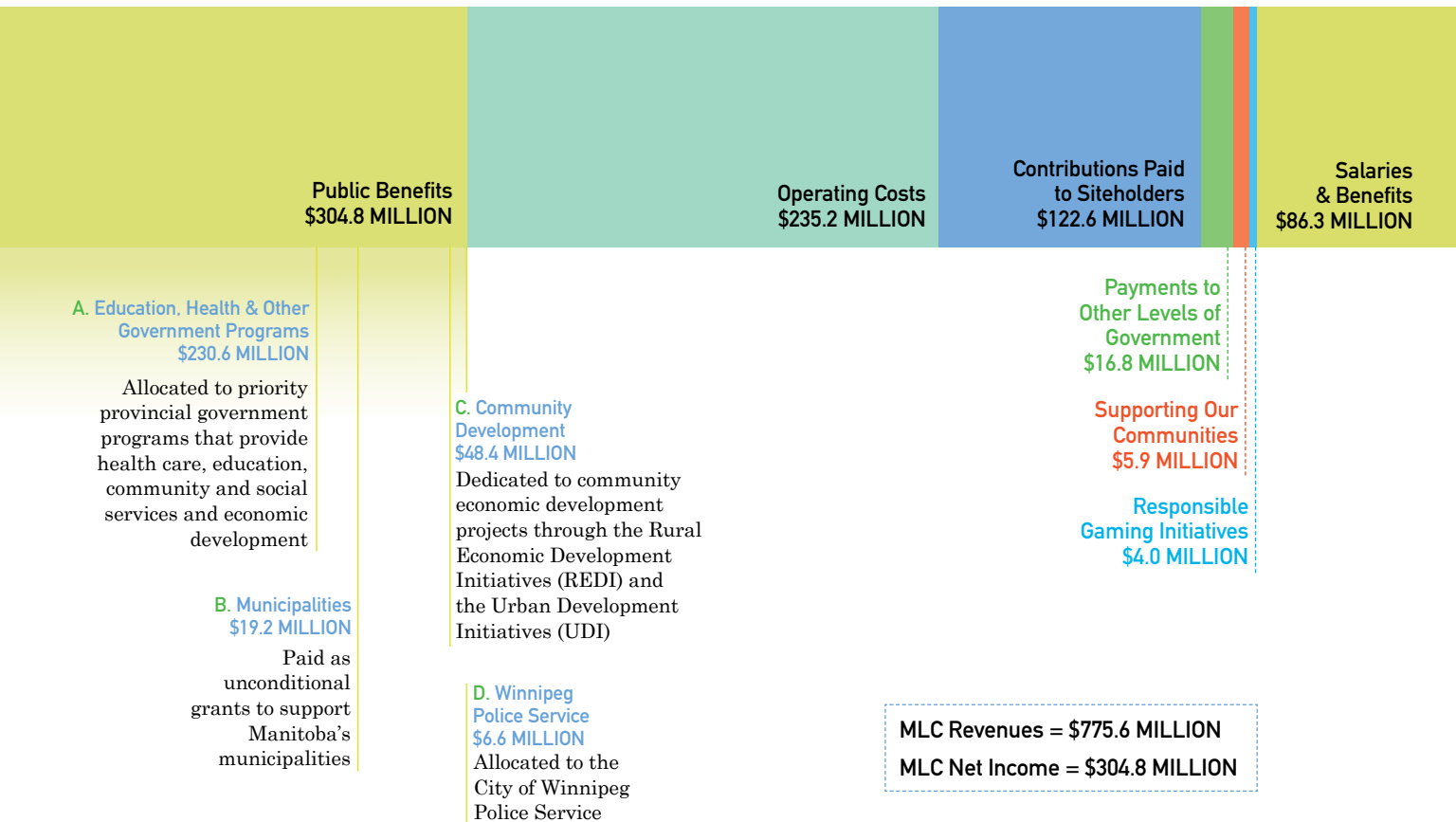
Manitoba Lotteries owns and operates Club Regent Casino (CRC) and McPhillips Station Casino (MSC) in Winnipeg, as well as Manitoba's Video Lottery Terminal (VLT) network from offices in Morris. We are the exclusive supplier of breakopen tickets and bingo paper in the province and distribute and sell 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.

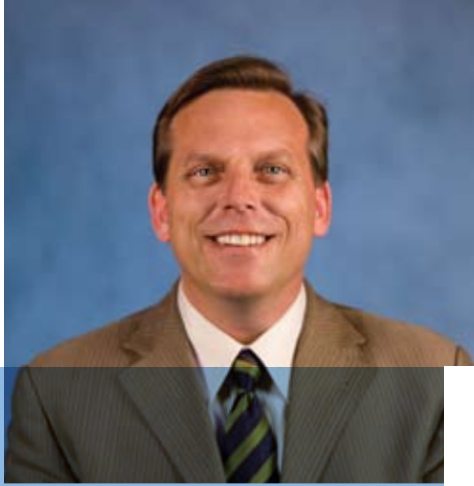
HOW MANITOBANS BENEFIT

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 2008/2009, Manitoba Lotteries' total gross revenue reached \$775.6 million. Our net income reached \$304.8 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





MESSAGE FROM OUR CHAIR

As we look back on the past year's accomplishments, it is evident Manitoba Lotteries is built on a strong foundation of business and community partnerships.

Every day we work with a wide variety of individuals and organizations, in every facet of our business. These mutually beneficial partnerships are vital to the success of our organization.

To help us continue to build these relationships, we require clear direction in our strategic priorities, our goals and our plans to achieve them. In the past year, a significant accomplishment for MLC was the establishment of ten corporate Key Performance Indicators and their accompanying targets. These measures will focus our direction, let us know how we are progressing and demonstrate stronger links throughout all levels of the organization.

Firmly embedded in everything we do, is our awareness of the importance and impact our business activities have on our community and the environment. Aligning our goals with action, we proudly released our first Corporate Social Responsibility (CSR) Report. It highlights our CSR commitment and provides an overview of our priority areas, which include Responsible Gaming, Community Support, Sustainable Development, our Employees and our Business Relationships. We have taken proactive steps as part of our CSR strategy to engage in open dialogue with our stakeholders to help us understand how well our values align with those of our local communities. Valuable insights from these groups will be critical in guiding the ongoing development of our CSR strategy.

As a recognized leader in Responsible Gaming (RG), we sustain a best practices approach in our commitment to social responsibility. This year, we enhanced our RG Policy based on extensive research and stakeholder consultation, with more detailed standards such as updated employee training requirements, enhanced casino voluntary exclusion processes and formalized Responsible Gaming Information Centre practices.

MLC has also continued to ensure integrity with our retail industry partners by providing clear expectations in terms of conduct for lottery transactions and prize payout procedures. To support our retailers in these expectations, we presented them each with a Lottery Retailer Code of Conduct and a Lottery Retailer Manual, an easy-to-read reference guide that includes all agreements, directives, rules and regulations.

Our commitment to community support includes contributing to First Nations economic development initiatives through partnerships with Manitoba First Nations communities.

New gaming agreements were signed last year for both Aseneskak Casino and South Beach Casino. These casino developments have enhanced the quality of life for First Nations communities through employment opportunities and economic benefits.

This year I was pleased to welcome three new Board members to our team, representing a wide range of individual expertise. I am confident the new additions will further strengthen our diverse representation of skill-sets.

On behalf of the Board, I would like to close by thanking and congratulating MLC employees for another successful year. We take great satisfaction in knowing that the strong relationships we have all worked to develop provide direct benefits to our community. These accomplishments continually remind us how we contribute to the advancement of strong Manitoba communities, and keep us focused on reaching our goals. ■

(originally signed by)

Tim Valgardson
CHAIR, BOARD OF DIRECTORS



MESSAGE FROM OUR PRESIDENT & CEO

MLC is truly connected to our community. We have many relationships, including those with employees, customers, vendors, community organizations and business partners, some of which you will read about in this year's Annual Report.

We recognize the importance of supporting our community and province, and we are especially proud of the partnerships we have established and nurture every day.

Contributing to the development of our communities is truly one of our greatest sources of pride. I am extremely proud to share the news that MLC's partnership with Habitat for Humanity (HFH) was strengthened even further last year with the announcement of the Manitoba Lotteries Habitat for Humanity Legacy Build Fund. Over the next five years, we will provide \$2.5 million in support to the fund. This amount will be matched by other community organizations to support HFH chapters and affiliates in Manitoba and will be a vital source of funding in building safe, decent and affordable housing for low income working families.

In recognition of our dedication to corporate citizenship, I am honoured to share that MLC was bestowed with the Caring Company designation from Imagine Canada. This respected designation recognizes contributions and commitment to community investment. We embrace the challenge of maintaining our level of corporate stewardship in order to keep this highly sought after designation. I am confident we will rise to the challenge every year.

Providing the best entertainment experience for customers is key to our business operations, which is why we continuously strive to enhance our gaming environments. Through our replacement program, we installed new Pick'N Play Bingo & Slot machines as well as numerous other exciting games on our casino floors.

We also released new games on all VLTs across the province. We rely on our valued industry vendors to deliver the latest and most innovative products to our customers.

In keeping with a desire to enhance our food and entertainment offerings, we added new menu items and implemented new restaurant buffet hours at the casinos. The mezzanine level at McPhillips Station Casino was redeveloped for use as an exciting new sports and entertainment cabaret. The Upperdeck is scheduled to open in early fiscal 2009/2010.

When customers visit the Club Regent Casino and McPhillips Station Casino we do our best to make sure there is always something special for them. Guests visiting Club Regent Casino last fall enjoyed an extra special treat as they watched filming of the six-part Canwest/APTN TV series Cashing In. Club Regent served as the perfect backdrop for this dramatic comedy about casino life, which began airing the spring of 2009.

Equally important as our industry and community partnerships is our relationship with employees. Encouraging two-way dialogue, maintaining and enhancing existing channels of employee communication, providing relevant

and meaningful training and professional development opportunities and celebrating the accomplishments of individuals and teams as often as possible, are all ways the MLC is committed to nurturing a healthy and highly engaged workforce.

And it is impossible to be successful without talented and dedicated employees, who work every day to find better ways to operate our business. As a result of their efforts to constantly reach higher and further, I am pleased to report on another successful financial year, with net income of \$304.8 million for 2008/2009. These earnings will directly support vital provincial government programs.

I would like to take this opportunity to say thank you to each and every MLC employee. Your tireless dedication is integral to our success as a customer service leader. And thank you to the Board of Directors for your commitment to guiding our strategic direction so we can focus on our day-to-day operations. As we continue to nurture our partnerships we are able to achieve more as an organization, better satisfy our customers and most importantly, contribute even more to our community. ■

(originally signed by)

Winston Hodgins

PRESIDENT & CEO

CORPORATE FRAMEWORK

OUR VISION

We are 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

WHAT IS CORPORATE GOVERNANCE?

Manitoba Lotteries 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 direction 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 the 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

Corporate governance policies

These policies articulate corporate roles and responsibilities:

- 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

Strategic and Business Planning

Having strong and detailed plans ensures we can measure progress towards our organizational goals. This was the final year for the 2005-2008 Corporate Strategic Plan, during which time we collectively reached several long term goals and completed many new business initiatives. Since then, we have focused on the improved integration of strategic planning and business/capital planning, including prioritization and resource allocation models to better support project implementation and execution.

Earlier this past fiscal year, we launched a new three-year corporate strategic plan for 2009-2012 and embarked on a journey to move from a 12 month to a 15 month strategic planning framework. Both the new plan and the new model integrate planning for the entire organization at all levels, from objectives and action plans for our divisions through to initiatives that will be carried out at a department level. Moving forward with a more streamlined framework with clearly defined objectives will allow us to better express MLC's direction and goals to employees and the public.

The plan itself brings an increased clarity and the potential for better understanding amongst all employees, who are the key drivers towards achieving the new goals and objectives.

Whistleblower Legislation Report

In response to the enactment of **The Public Interest Disclosure (Whistleblower Protection) Act**, MLC developed a Whistleblower Protection Policy. This policy is supported by a process, which allows MLC employees to report serious and significant wrongdoings observed in the workplace. Over the last year, there have been no disclosures received from MLC employees, no investigations started, and no general inquiries received. ■

BOARD OF DIRECTORS



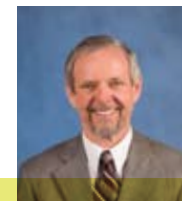
Tim Valgardson
Chair, Winnipeg



Karen Botting
Vice Chair, Winnipeg



Lisa Settee
Winnipeg



Gerald Kolesar
Winnipeg

EXECUTIVE MANAGEMENT TEAM



Winston Hodgins
President & CEO



Cheryl Eason
Executive Vice President
& Chief Financial Officer



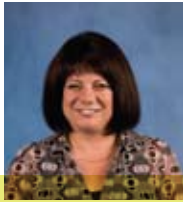
Max Dressler
Executive Vice President,
Gaming Operations



Peter Hak
Executive Vice President,
Corporate Services



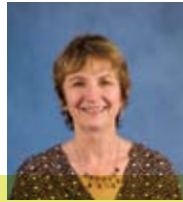
Gerald Rosenby
Winnipeg



Nicole Campbell
Portage la Prairie



Bev Romanik
Brandon



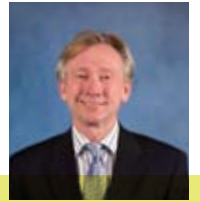
Carolyn Wray
Winnipeg



Jean-Paul Gobeil
Winnipeg



Walter Kolisnyk
Minitonas



William Crawford
Winnipeg



Marilyn Robinson
Vice President,
Corporate Marketing
& People Services



Susan Olynik
Vice President,
Communications &
Public Affairs



Wayne Perfumo
Associate Vice President,
Entertainment Venues



Dan Sanscartier
Associate Vice President,
Corporate Security
& Surveillance



Larry Wandowich
Executive General
Manager



Walter Nykolyszyn
Executive Director,
Internal Audit &
Corporate Compliance

KEY PERFORMANCE INDICATORS

CORPORATE MEASURES AND TARGETS

Corporate Goal	Performance Measure	Explanation	Target 2009/2010
A Satisfied Customer	Overall Customer Satisfaction – Casinos	<p>Measure: Overall customer satisfaction.</p> <p>Purpose: To increase the percentage of satisfied customers.</p> <p>Tool Used: Casinos Customer Satisfaction Study.</p>	85%
	Total Revenue (millions)	<p>Measure: Total revenues from all segments.</p> <p>Purpose: To monitor MLC's commitment to providing revenue to the province.</p> <p>Tool Used: Financial Statement Reporting.</p>	\$805 million
Be Recognized as a Valued Member of the Community	Public Awareness of MLC Sponsored Events, Programs and Charities	<p>Measure: Public awareness of MLC sponsored events, programs and charities.</p> <p>Purpose: To increase MLC's recognition as a valued member of the community and a responsible corporate citizen.</p> <p>Tool Used: Corporate Image Study.</p>	To be determined
	Percent of Public Who Report a Favourable Impression of the Way MLC Manages Gambling in the Province	<p>Measure: Public perception of how gambling is managed in the province and MLC's ability to conduct its operations.</p> <p>Purpose: To ensure operations are efficient and sustainable, while protecting the community.</p> <p>Tool Used: Corporate Image Study.</p>	56%

Corporate Goal	Performance Measure	Explanation	Target 2009/2010
Be Efficient and Effective	Operating Expenses as a Percent of Revenues	<p>Measure: Operational efficiency by comparing operating expenses to gross revenues.</p> <p>Purpose: To encourage the delivery of quality service responsibly while managing costs.</p> <p>Tool Used: Financial Statement Reporting.</p>	18.5% – 19.5%
	Net Income (millions)	<p>Measure: Gross revenue less cost of sales and all expenses (operating, non-operating and funding).</p> <p>Purpose: To monitor the income to be directed to provincial government programs.</p> <p>Tool Used: Financial Statement Reporting.</p>	\$312 million
Retain and Grow Our Customer Base	Number of Casino Club Card Members	<p>Measure: Customer loyalty and new customer acquisition.</p> <p>Purpose: To drive the direction of promotional plans focusing on membership growth.</p> <p>Tool Used: Patron Management System.</p>	130,000 active club members
	Percent of Public Who are MLC Customers	<p>Measure: Customer base growth.</p> <p>Purpose: To enhance the ability to develop promotions and activities targeted to customer interests.</p> <p>Tool Used: Gaming Market Tracking Study.</p>	59%
	Percent of Out of Town Visitors	<p>Measure: The percentage of out of town visitors that attend Winnipeg's casinos.</p> <p>Purpose: To help determine potential growth in this market segment and support increased participation in MLC products.</p> <p>Tool Used: Customer Satisfaction Study and Attendance Tracking System.</p>	22%
A Knowledgeable Workforce of Highly Satisfied Employees	Employee Engagement	<p>Measure: Employee engagement across a number of categories such as overall impression of the company, policies and procedures, recognition and rewards and more.</p> <p>Purpose: To increase engagement levels that will result in improved business results.</p> <p>Tool Used: Employee Excellence Survey.</p>	75%

STRATEGIC DIRECTION FOR 2008/2009

STRATEGIC AREAS

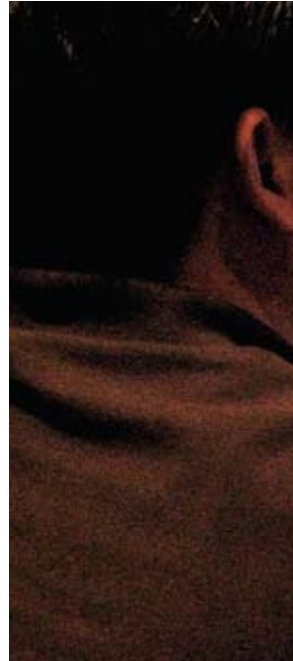
Quality Products

Responsibility to Community

People & Services

Operational Excellence

New Business Development





Pick N Play Bingo & Slot machines at Winnipeg's casinos

QUALITY PRODUCTS

A total entertainment experience comes from a balanced combination of innovative games, exciting shows, quality restaurants, an inviting atmosphere and friendly staff. Motivated to go beyond our customers' expectations, we work to research the latest offerings, build strong partnerships with our suppliers and support the gaming industry in other communities.

OUR GOALS

- Continue to improve the quality of entertainment and explore new types of entertainment venues at Winnipeg's casinos
- Provide a quality food and beverage product that meets and exceeds customer expectations
- Continue to build 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

OUR ACHIEVEMENTS

Acquiring the most innovative games

It goes without saying that offering state-of-the-art products and services for our customers to enjoy is a key ingredient for success. Last year we replaced our aging bingo system with new electronic gaming devices, which offers both slot games and traditional bingo. The Pick N Play Bingo & Slot gaming machine, designed jointly by GTECH/Spielo and Video King, was selected by **Casino Journal** as one of the Top 20 Most Innovative Gaming Technology Products for 2008. Winnipeg's casinos are the first in North America to feature this system, which includes Responsible Gaming features such as player awareness information, displayed on

built-in screens. As part of the Club Card system available on all our electronic gaming devices, customers can request a Gaming Activity Report to help monitor their play. Our casinos replace various slot machines on a regular basis in response to customer demand and improvements in technology. Customers may have noticed one particular update that saw 140 machines at each casino replaced in a main area, creating an exciting new layout and feel. Club Regent Casino added three poker tables for a total offering of twelve. We also released two new games on our VLTs across the province.

Showing the best in food and entertainment

To further enhance our food and entertainment offerings, the mezzanine level at McPhillips Station Casino was redeveloped for use as an exciting new sports and entertainment cabaret. The Upperdeck Sports Bar, which is scheduled to open in fiscal 2009/2010, features multiple big screen TVs, daily sports programming, off-track betting, live entertainment and special events as well as billiards, foosball and shuffleboard.

To create full-service customer satisfaction in the Food and Beverage area, Winnipeg's casinos introduced new buffet hours, increased soup/salad/dessert bar options, and enhanced service protocols for our green rooms and the concert bowl, as well as Club Card member privileges.

Casino customers enjoyed another year of the best in affordable live entertainment.

In the past 12 months, our customers enjoyed over 550 performances, with popular acts like Johnny Reid, Chrystal Shawanda, Rita McNeil, Cirque Sublime and Whose Live Anyway?. Jaguars Dance Club at Club Regent Casino continues to draw night-clubbers of all ages as one of Winnipeg's premiere dance spots, hosting approximately 200 nights of Manitoba talent with 37,000 customers per year.

Providing special event experiences

Special events bring a little something extra for our customers and give us the opportunity to partner with a variety of organizations. Winnipeg's casinos showcased high-caliber country music artists during one of the biggest music events in Canada – Country Music Week. We were the presenting sponsor of the four-day Canadian Country Music Association annual conference and celebration, featuring some of the finest country music artists from Manitoba and across Canada. Featured artists included Jason Blaine, Jessie Farrell and The Higgins.

Creating operational efficiencies

Taking an opportunity to streamline our operations, the Video Lotto and Lottery Divisions were merged to provide service and support for lottery and VLT siteholders across the province. This amalgamation allows for operational efficiencies through fleet vehicle reduction and fuel savings. It also allows the assignment of representatives to duty of care programs including the Mystery Shopper Program.

Protecting our lottery customers

As part of the Mystery Shopper Program, a tool to measure retail service and collect information about the purchase and redemption of lottery products, 300 retail locations were reviewed last year for procedure compliance and a full sweep of all retailers will be conducted next year. Detection of sales to minors forms an integral part of these visits. Steps are now in place requiring retailers to return all winning as well as non-winning tickets to customers, a Retailer Code of Conduct has been implemented and all new Scratch 'N Win ticket releases have been modified for self-serve checking.



HOST



Keith and Lori fell in love with Winnipeg's casinos on their first visit, Valentine's Day 2007. They frequently enjoy the dancing, dining and entertainment, and these experiences have brought new romance to their relationship. Keith says they are enjoying the best years of their marriage and hope to renew their 40th anniversary wedding vows at one of Winnipeg's casinos.

Nurturing our supplier partnerships

Our partnerships with suppliers have given us the opportunity to offer the latest products and services to customers. Winnipeg's casinos continue to act as test sites for two major gaming equipment suppliers, which allows customers to test new slot machine themes. Additionally, our vendor relationships give MLC the ability to offer "first in Canada" products and we are finalizing an agreement with a major system supplier to test downloadable game technology.

Building industry alliances

We pride ourselves on being an industry leader and we partner with other gaming organizations to build our knowledge and standards. A Canadian inter-jurisdictional gaming group was formed last fiscal year to discuss areas of common interest including vendor management, technology convergence and technology standards with respect to systems electronic gaming and technical infrastructure. This cross-jurisdictional group is striving to increase efficiencies and product quality through the application of common standards on how gaming organizations work with vendors, the technology purchased and communication network protocols.

MLC also became a member of the Gaming Standards Association, an international trade association that creates benefits for gaming manufacturers, suppliers, operators and regulators. The Association facilitates the implementation of open standards to enable responsible gaming technologies, innovation, education, and communication for the benefit of the entire industry.

BACKING IT UP WITH RESEARCH

Through regular market research, we gather and analyze pertinent information necessary to understand gaming trends and customer preferences. Ongoing tracking studies monitor casino customer satisfaction, including our food and beverage operations, gaming market trends across the province and MLC's corporate image. We talk to our customers through focus groups to gain even greater understanding about their preferences and impressions of gaming related products and services and we use this information to make regular improvements.

OUR NEXT STEPS

Club Regent Casino and McPhillips Station Casino continue to evolve as top Winnipeg entertainment destinations. Next year's plans include increasing concert bowl seating, reconfiguring the slot floor for better traffic flow, introducing a table games point program for Club Card members as well as the continuous refreshment of our electronic games selection. To create a more efficient food and beverage experience for our customers, we plan to review our buffet and à la carte lounge menus and introduce a pager system for the buffet line. Ongoing customer research will be conducted to ensure our decisions are based on accurate information that reflects the customer's point of view. ■



MLC representatives and commercial siteholder



MLC employees – Manitoba Marathon

RESPONSIBILITY TO COMMUNITY

MLC is passionate about enhancing the quality of life for Manitobans. We are dedicated to partnering with other like-minded organizations to build strong and vibrant communities. Beyond financial support, we balance our contributions through volunteerism, working to reduce our environmental footprint, conducting our business with integrity and leading the way in responsible gaming practices.

OUR GOALS

- Advance Corporate Social Responsibility (CSR) strategy
- Communicate the benefits of our Corporation
- Ensure a sustainable development approach to all of our facilities, products and services
- Continue to be a leader in Responsible Gaming

OUR ACHIEVEMENTS

Following through on CSR

We proudly released our first Corporate Social Responsibility Report last year, highlighting our ongoing commitment to the community.

Our CSR philosophy is embedded into all of our operations and focuses on Responsible Gaming, Community Support, Sustainable Development, Employees and Business Relationships.

At the strategic level, CSR is also about engaging with members of the community to determine if an organization is perceived to be authentic and provides true social value, as defined by the community. This was the catalyst



for the commencement of discussions last year with our key stakeholders, including customers and non-customers, advocacy groups and beneficiaries. The feedback received from those groups will help to lay the groundwork to refine our CSR strategy to ensure that MLC is well respected for its role in the province.

Supporting our community

We consider ourselves fortunate to be in the position to reach out to Manitoba's communities through support, volunteerism and sponsorship of hundreds of worthwhile causes. More than 600 MLC employees volunteered over 5,600 hours for community events and activities last year.

Our partnership with Habitat for Humanity (HFH) was strengthened by the announcement of the Manitoba Lotteries Habitat for Humanity Legacy Build Fund. MLC will provide \$2.5 million over five years, matched by other community organizations for a total of \$5 million, to aid in the building of HFH homes in Manitoba. The Legacy Build Fund is the largest monetary donation ever provided to HFH in Manitoba. We were also thrilled to complete our 2008 Habitat for Humanity Winnipeg Home build, the first fully accessible home for a qualifying family with a disabled child.

MLC entered into an exciting new partnership with Canadian Sport Centre Manitoba (CSCM) for a four-year agreement. The funding will support Manitoba athletes and their clinics, programs and fundraising events, and in particular, those who are vying to participate in the 2010 and 2012 Olympics. Initiatives include a province-wide high performance coaching clinic tour, an athlete employment program providing valuable work experience and flexible hours

for two Olympic hopefuls, and "welcome home" receptions for CSCM athletes returning from the 2010 and 2012 Olympic games.

Another source of great pride is our employees' charitable giving program, Employees Care by Helping Others (ECHO) which completed its second successful fundraising cycle, raising \$100,000 for the Children's Hospital Asthma, Allergy and Clinical Immunology Renovation Project.

The Community Support Festival Program was developed to build stronger ties with our rural communities by focusing on volunteerism for numerous festivals, fairs and rodeos held province-wide. A Volunteer Charitable Poker Tournament Program was also developed at Winnipeg's casinos as another opportunity to expand our community support and offer great fundraising opportunities for not-for-profit groups.

Valuing our cultural connections

MLC continues to reach out to the francophone community with support and sponsorship. MLC's involvement last year included the official sponsorship of the 2009 Festival du Voyageur and the Manipogo Festival in St. Laurent, as well as hosting the Cercle Molière's charitable poker tournament at Club Regent Casino. We also participated in a French Language Services (FLS) pilot project with the Francophone Affairs Secretariat, under which we developed MLC's five-year FLS strategy. Highlights of the strategy include increasing our corporate presence in Manitoba's francophone communities, exploring opportunities to host arts and cultural events to be held at Club Regent Casino and developing relationships with francophone businesses.



NEIGHBOUR



Phil and Eilyn face many challenges caring for son Matthew, who suffers from severe cerebral palsy. Now they are building equity in their very own home thanks to the support of MLC and Habitat for Humanity. Their new fully accessible house was constructed to meet Matthew's needs and is only a short distance from his school.

Reducing our footprint

As part of our ongoing commitment to sustainable development, we advanced a number of our environmental focus areas this fiscal year.

We began collecting and diverting food wastes from our casino restaurants to a local commercial composting facility. This program supports one of our sustainable goals, which is to minimize our solid waste by removing all commodities from the landfill waste stream. A waste audit is planned for fiscal 2010/2011 to determine the effectiveness of all our waste minimization programs.

We also completed a water audit at Club Regent Casino. Establishing 2009 as the base year for water use, we measured water consumption and will review opportunities to reduce water demand through capital expenditures and improved maintenance programs. Minimizing water consumption is a vital step in MLC's development as a sustainable organization.

Environmentally responsible purchasing is also a key sustainable focus area. A sustainable Procurement Handbook was created to support employee purchasing decisions. It contains important environmental and social criteria, including the environmental and social issues associated with a number of goods and services, the environmental laws that shape our purchasing decisions, and the environmental certifications we endorse.

Building on our Responsible Gaming commitment

Manitoba Lotteries recently updated its RG policy and developed Standards to reflect how our programs have evolved to better serve customers. These documents serve as important guidelines as we create and implement new RG programs for our casinos, VLT and lottery retailers.

The RG policy and standards touch on activities related to communicating and promoting our wide range of initiatives, including our voluntary exclusion program, the Responsible Gaming Information Centres at Winnipeg's casinos, employee, VLT siteholder and lottery retailer training, as well as operational guidelines such as age restrictions. We will continue to review and revise our RG standards as new initiatives are developed and existing programs are enhanced. We also implemented a large-scale refresh of Responsible Gaming training for more than 1,100 front-line casino staff to ensure they have the most relevant and up to date information when interacting with our guests and evaluated the training to guide future changes.

To share the Responsible Gaming message with the broader public, we launched Phase 3 of our Responsible Gaming Awareness Campaign in spring 2008. The multi-media campaign communicated the importance of getting information about gambling before playing and where that information is available, as well as providing information on the availability of gambling treatment and support.

OUR SPONSORSHIP CONNECTIONS

Some of the events and organizations we sponsor include:

- Bike to Work Day
- Special Olympics Program of Excellence
- Manitoba Marathon
- Super Cities Walk for MS
- Festival du Voyageur
- Manipogo Festival
- Dominion City Summer Fest Days
- Folklorama
- Habitat for Humanity
- Canadian Sport Centre Manitoba
- Dauphin's Countryfest
- Brandon Wheat Kings
- Manitoba Moose
- Winnipeg Goldeyes
- Winnipeg Blue Bombers
- Operation Red Nose
- Canadian Country Music Week & Awards
- National Aboriginal Achievement Awards
- Royal Winnipeg Ballet – Ballet in the Park
- Manitoba Arts Stabilization Program
- Manitoba Chambers of Commerce
- Morris & District Chamber of Commerce
- Manito Ahbee Aboriginal Festival/Aboriginal Peoples Choice Music Awards
- Manitoba Museum – Louis Riel Day
- MTC Regional Tour
- Prairie Theatre Exchange
- Manitoba Society for Seniors
- Scotties Tournament of Hearts
- Royal Manitoba Winter Fair



BACKING IT UP WITH RESEARCH

We are committed to conducting research to increase our knowledge and understanding of Responsible Gaming, and program evaluations to guide us in delivering the most effective and practical Responsible Gaming programs.

We continue to work on the Manitoba Longitudinal Study of Young Adults with the Manitoba Gaming Control Commission (MGCC) and the Addictions Foundation of Manitoba (AFM), having completed recruitment and the first phase of the project set for completion in 2011. Work also continues on a multi-year study to assess the impact and effectiveness of the VLT Responsible Gaming features, after initiating state of the art Responsible Gaming technology in our new VLTs in 2004.

Many initiatives were undertaken this past year with our partners. As part of our ongoing support to the AFM in their delivery of problem gambling services in Manitoba, we have spent the past year working with the AFM to evaluate the Problem Gambling Helpline. Results of the study will be available next year.

OUR NEXT STEPS

Strengthening our partnerships within the community, enhancing our corporate social responsibility approach, and working towards sustainable development initiatives remain a strong focus for the coming year. Vital data from our stakeholder sessions will be collected and analyzed to further the ongoing development of our CSR strategy and those partnerships.

In the Responsible Gaming area, we will continue to develop player information materials and work towards obtaining World Lottery Association (WLA) Responsible Gaming Accreditation. WLA accreditation provides an objective framework for assessing MLC's Responsible Gaming approach.

A number of new programs will increase our involvement and investment within our communities. We will be launching a Community Development Legacy Program aimed at empowering individuals and groups of people. By providing resources to non-profit groups and charitable organizations they are affiliated with, they can affect sustainable change in their communities and lives are changed for the better. A new charitable benefit concert series at our casinos will showcase quality entertainment while raising funds. To aid in our community partnerships we plan to implement vital tools and programs next year, such as an online sponsorship tool, a volunteer database and an MLC retiree volunteer program that will allow former MLC employees to continue to contribute their time through our programs after retirement. ■



Proud supporter of Canadian Sport Centre Manitoba – MLC Staff with Olympic medalist Jennifer Botterill



PEOPLE & SERVICES

Our business success is based on strong employee-employer relationships. To retain the best talent and provide our customers with the best customer service, we empower and celebrate our employees and provide them with a safe, healthy and positive workplace. We take the time to listen so we can create a work environment that allows our employees to thrive and grow in their careers.

OUR 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 that our employees are empowered and celebrated for their achievements
- Continue to provide exceptional customer service
- Ensure that our employees continue to be informed

OUR ACHIEVEMENTS

Listening to our employees

Equally important as keeping our employees informed, is ensuring we listen to their feedback. This provides insight into areas where we can improve as an organization. With an impressive 79% of employees taking part, we completed our third Employee Excellence Survey, which measured employee engagement and provided us with invaluable observations on leadership and our work environment. We also completed our first Organizational Communications Assessment, looking at the corporation's formal internal communications channels and programs based on feedback from over 600 employees.

OUR PROUD HONOURS

Some of the awards and recognition we have received for a job well done:

- Imagine Canada Caring Company designation – recognition for dedication to community support and corporate citizenship
- Top 20 Employer in Manitoba since 2005
- Canadian Gaming Industry – Exemplary volunteerism & community service award
- Special Performance Measures Recognition in the Government Finance Officers Association - Distinguished Budget Presentation Awards Program for the inclusion of department level performance measures in business planning
- Winnipeg in Bloom winner – McPhillips Station Casino grounds
- Canadian Blood Services Award for contributions to the Partners for Life Program
- Human Resources Management Association of Manitoba Organizational Award for the Classification Bidding Process
- Institute of Public Administration of Canada Top 4 finalist for "Innovation in managing a green workplace"
- Honourable mention for North American Safety and Health (NAOSH) Week 2008 activities

Sharing our knowledge

Mutually beneficial partnerships that advance workplace recruitment and training strategies lead to the successful placement of new employees. We have been developing a Trades Employment Initiative Apprenticeship Program to help meet our operational needs, support the provincial trades industry and increase the Aboriginal component of our workforce to better reflect Manitoba's general population. We also partnered with the Manitoba Liquor Control Commission on a two-year Joint Aboriginal Internship Program, which provides young interns with one-year opportunities at each Crown corporation in areas such as Purchasing, Finance and Human Resources. The program provides participants with valuable work experience and skills development for their future careers.

With a focus on business skills the Management Internship Program rotates MBA students through different business areas at MLC to acquire business expertise within a corporate setting and develop potential future employees who already have direct experience in the gaming business. We benefited from two interns last year, a Workforce Culture Officer and a rotating position covering areas including Finance and Corporate Business Development.

Rewarding good work

When we take the time to recognize employees who provide excellence in customer service, it is a win-win for the customer and the employee. The Encore recognition program was launched in September 2008 as an on-the-spot recognition tool to reward employees who meet or exceed the delivery of established Casino Customer Service Standards.

Providing the right tools

By equipping our employees with the tools they need, as well as offering career planning and training programs, we can cultivate leaders at every level. That is why we continue to establish new training programs in a multitude

of subjects. We developed and delivered the Dimensions in Leadership Human Resources Refresher Program, a two-day course for supervisors and management focusing on recruitment and selection process, performance-based interviewing, performance management, and coaching for customer service. We also launched a new Customer Service for the Gaming Industry Training Program, designed specifically for gaming employees to help meet and exceed customer expectations and provide a positive and memorable experience when they visit our facilities.

In order to keep the best talent, training programs are offered and held continuously, including courses on facility management, event coordination, gaming protection training and security (including crisis-negotiation, de-escalation and conflict resolution) and media technology, to name just a few.

Expanding training opportunities

Increased cost efficiencies and the ability to train virtually anywhere have made e-learning the primary way to optimize staff training at a corporate level. With the potential to be combined with instructor-led training, e-learning is an effective, timely, convenient and cost-efficient way to deliver professional development to our employees. Through SkillPort we currently offer about 400 third party e-learning courses for a broad range of business topics. This is in addition to the programs we develop for our unique needs.

Helping employees build their careers

In our 2008 Employee Excellence Survey, participants felt strongly that MLC provides them with opportunities for learning and development, ranking as the corporation's number one overall strength.

To that end, we know that it benefits both MLC and our employees to nurture their career paths and provide them with advancement opportunities. Our innovative recruiting process (Classification Bidding Process launched

in 2006/2007) provides front-line staff an opportunity to develop their careers with MLC and was recognized last year by the Human Resources Management Association of Manitoba. Since the introduction of this process, the average time to fill vacancies has been reduced by 20% and assisted MLC in successfully filling 88 positions in the last year.

Maintaining a safe and healthy workplace

Through education, training and wellness programs, MLC reinforces the importance of providing a safe and healthy work environment. Our proactive approach in promoting workplace health and safety has enabled employees to better spot health risks and take the necessary steps for corrective action. As a result, employees have reduced injury frequency by 25% in the past fiscal year.

Last year we introduced an Ergonomic Specialist certification for our safety and health advisors so they can complete internal ergonomic assessments, raise awareness, and help minimize the risk of repetitive injuries. Ongoing safety and health training is provided to all employees based on departments and positions as needed.

OUR NEXT STEPS

Looking forward, we will research new programs for our employees to constantly improve their skills and knowledge base. A Blended Apprenticeship Program will be launched, as will the Certified Coaches and Service Coaching Program. An electronic communication medium will continue to be used to promote safety and health information to all employees. ■



TEAMMATE



The Red River floodwaters were cresting when Johnny Reid was performing at Club Regent Casino. Struck by the flood devastation, he was inspired to lend a hand. Reid organized an additional show in partnership with his band, the production crew and MLC staff – all of whom donated their time. Along with MLC's matched revenues, Reid's sold out show raised over \$32,000 for the Canadian Red Cross, Manitoba Region.



MLC employees donated 116 pints of blood in 2008 – MLC employee and MLC President & CEO



MLC employees – Electrical thermal scan testing

OPERATIONAL EXCELLENCE

For our operations to run smoothly and efficiently, we must implement effective processes with long-term strategies for growth and changing technologies. This philosophy of leadership, teamwork and problem solving results in continuous improvement throughout our organization so we can focus on providing our customers with the best service possible.

OUR GOALS

- Advance long-term technology strategies
- Continue to improve security systems and a safe environment for our 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

OUR ACHIEVEMENTS

Drawing a technology roadmap for the future

As corporations grow, so does their technology infrastructure, often resulting in multiple systems that may or may not integrate well, and require diverse skill sets to operate and maintain. The need for an improved technology foundation to support MLC's ever-growing and diverse business needs has been mapped out in an architecture framework. This industry best practice ensures business needs drive technology investments, and not the reverse. Because MLC also understands its dependencies within the North American gaming industry, we are creating our technology roadmap in consultation

with other Canadian gaming jurisdictions so that our future hardware, software and information technology needs reflect the most up-to-date and operationally efficient tools available.

Implementing technology upgrades

When MLC updated its aging gaming technology to manage the province's VLTs, it introduced sizeable efficiency improvements for monitoring, reporting and improving VLT security in the field. This year, we successfully completed the conversion of all VLT sites to operate within the upgraded Central Monitoring System and equipped each site with bar code readers, which provide a quick, secure and more efficient pay slip validation and printing process.

At our casinos we updated the electronic system that supports ticketing, machine accounting and aspects of the Club Card program. Adopting the new software version allows us to maintain service at industry standards and lays the foundation for the introduction of future phases of the Club Card program, including the Responsible Gaming pre-commitment features and a table games accounting module.

The installation of a high-speed communication fibre (also known as "dark fibre") has created a singular and highly secure network connecting the casinos, our corporate offices and MLC's Central Services building. This allows voice, data, and video to be exchanged efficiently, enhancing our network speed and the capacity to run our business through reduced operating costs. It is also a prudent risk management measure, providing disaster recovery in case of a network breakdown.

Staying on the cutting edge

Media technology is the base infrastructure behind today's infotainment industry. Audio, video, lighting, digital signage, computer generated graphics and props all provide the tools necessary to communicate a unique and entertaining message to today's technologically savvy customers. To remain operationally efficient, MLC is staying on the edge of technology by constantly providing quality products that reflect innovation and exceed customer expectations. We also partnered with external organizations through media technology consultation by providing technical media support services for the Manitoba Centennial Centre, the Department of Education studio, the Human Resources Management Association of Manitoba, Canad Inns and the Alberta Gaming Corporation.

Taking security to a higher level

We take every step to ensure that our customers feel comfortable and secure while enjoying our facilities. Last year, customer courtesy stations were installed in high pedestrian traffic areas of both casino parking lots. These units provide immediate contact with our staff for both customers and employees, which will improve the personal safety of patrons and staff, through a direct voice link for information or assistance.

Multiple surveillance upgrades were executed at both casinos last year. To enhance our Voluntary Exclusion Program, large plasma screens were installed for surveillance personnel to help quickly and correctly identify patrons in this program. Additionally, critical surveillance equipment was relocated to enable new Internet protocol technology, another contribution to operational excellence and efficiency.

Making our facilities even better

More than 37 improvements were made in our facilities last year, ranging from the replacement of furniture and fixtures, space reallocations and retrofitting public washrooms, to food and beverage kitchen renovations. We implemented best practices for our operations including hiring an electrician to reduce outsourcing costs and expanding the Electrical Apprentice Program to two apprentices.

OUR NEXT STEPS

Operational efficiencies are one of the best ways to control costs and we are constantly evaluating new ways to stay lean. We will be introducing and rolling out a corporate-wide performance measurement system in the next year. Centralization of our surveillance departments is in progress, as well as enhancements to facial recognition technology and processes with future plans to implement a license plate recognition tool.

A new radio frequency infrastructure implementation will enable efficient “key and asset” tracking at both casinos. Corporate production will continue to strengthen and build business relationships and community support through consulting services. A new direct marketing strategy will be developed and new advantage gaming system tools introduced. ■



ASSOCIATE



Samborski Environmental collects all the food waste generated from the restaurants at Winnipeg's casinos. They incorporate it with other material to make compost, and then sell it directly to homeowners and landscapers. This win-win relationship helps MLC work toward sustainable development goals, while helping Lenn's business grow.



Customer Courtesy Station at the casinos



Chantal Cano sings "A Moment Like This".
IMAGE COURTESY PILIPINO EXPRESS NEWS MAGAZINE

NEW BUSINESS DEVELOPMENT

We are able to progress as an organization because we take great care in securing new partnerships and maintaining our current ones. By supporting and developing these relationships, we all share in the benefits. These include attracting customers to our facilities, improving tourism opportunities in the province and continuing to increase our role in enhancing lives and communities throughout Manitoba.

OUR GOALS

- Ensure a responsible and integrated approach to the marketing 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

OUR ACHIEVEMENTS

Making exciting multicultural alliances

A number of exciting new initiatives were created over the last year, to grow our markets, offer new and interesting experiences for our customers and increase economic development in the province. We teamed up with the local **Pilipino Express News Magazine** to create karaoke events at McPhillips Station Casino. The Pinoy Pop Star events surpassed all expectations for the Pilipino community in Manitoba, with contest finals drawing over 2,000 attendees.

Fostering our Aboriginal ties, we continue to participate as a Gold Level Status member in the Progressive Aboriginal Relations (PAR) Program from the Canadian Council for Aboriginal Business.

We also entered into a partnership with Eastside Aboriginal Sustainable Tourism to assist with an Aboriginal Artisan Showcase,

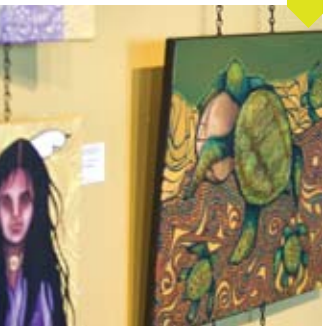
Market and Fashion Show. A total of 25 artisans participated in a marketing workshop and craft show.

Summer was a great time to get grooving and the 2008 summer season saw a successful title sponsorship for The Forks Move and Groove Festival, the Casinos of Winnipeg Dancing Under the Canopy and the Casinos of Winnipeg Salsa Sundays at The Forks.

We were also pleased to join forces with Conseil de développement économique des municipalités bilingues du Manitoba for the Manitoba Artisan Showcase as part of the overall Festival du Voyageur event at Club Regent Casino. Some 26 Franco-Manitoban artisans participated by displaying and selling their works at the casinos. The program proved to be highly successful for the artisans and planning is already underway for 2010.



PARTNER



Eastside Aboriginal Sustainable Tourism Inc. and MLC have joined resources to create the Aboriginal Artisan Showcase. Artists like Jackie Traverse, originally from St. Martin First Nation, are given the opportunity to showcase their art to a wider audience beyond their communities. Artists also receive business skills training while casino customers get to view and purchase unique artisan products at McPhillips Station Casino.

Building key business partnerships

To build and maintain strong connections with other businesses, we became involved in additional year-round activities with the Winnipeg Chamber of Commerce and the Manitoba Chambers of Commerce. These partnerships enhance the Corporation's initiatives with Winnipeg and Manitoba's local business communities.

Offering great events seven days a week

Midweek tourism events at the casinos have enjoyed high popularity amongst our customers, generating increased visitation and excitement during off-peak hours. They have been implemented based on the success of last year's pilot project and regularly scheduled tour events are planned for the coming year.

Working on media promotions

We have amazing opportunities to partner with local media and align ourselves with interesting events that our customers can truly enjoy. New this year, McPhillips Station Casino partnered with Corus Entertainment and their designated charity, Hunger for Hope, to create a first time event – **The CJOB Hunger for Hope Bingo Special**. With the help of Winnipeg Harvest, Hunger for Hope is a fundraising initiative dedicated to ending child hunger in Manitoba. The six-week promotion was very successful in raising the profile of this cause and contributing \$26,324.

BACKING IT UP WITH RESEARCH

Research provides us with insight into potential new markets and highlights opportunities for new partnerships. A two-phased research project was executed last year, conducting focus groups with past customers and one-on-one interviews with bus tour operators to gauge their satisfaction levels and preferences. Results showed that Winnipeg's casinos were generally favoured among rural visitors due to its proximity.

OUR NEXT STEPS

A new MLC branding strategy will be launched in the coming year. Developed to refresh our major brands with a new look and create an identity for all the organization's brands, the strategy integrates each element within an overarching corporate brand.

We will continue to explore new promotional opportunities with our business partners and seek out mutually beneficial new associations, particularly in the area of multicultural and neighborhood partnerships. A variety of studies will help us optimize our research to determine the best ways to provide better customer satisfaction. ■

STRATEGIC DIRECTION FOR 2009/2010

Each year provides a new opportunity to refocus and realign, looking for new and innovative ways to reach our goals and serve our communities. One thing that remains constant is the overall strength in MLC's partnerships that helps us to achieve those goals. As we look forward to 2009/2010, MLC will concentrate on increasing overall customer satisfaction and delivering a strong financial performance.

GOALS, OBJECTIVES AND ACTION PLANS

QUALITY PRODUCTS

Goal # 1: A satisfied customer

Objective # 1: Increase overall customer satisfaction service rating

Objective # 2: Increase revenues

Action Plans:

- Implement the Gaming Action Plan to enhance electronic gaming to provide a fun and enjoyable entertainment option for Manitobans.
- Design service delivery models across all business units to improve customer satisfaction.
- Continuously maintain and improve Winnipeg's casino facilities and amenities in a cost effective manner.

RESPONSIBILITY TO COMMUNITY

Goal # 2: Be recognized as a valued member of the community

Objective # 1: Increase public awareness of MLC's Corporate Social Responsibility

Objective # 2: Improve public perception of MLC as a responsible member of the community

Action Plans:

- Model innovative and progressive approaches in all CSR activities.
- Build and grow solid, professional relationships with all stakeholders including First Nations, commercial and other gaming siteholders, vendors, and community organizations.
- Continue to improve & implement the Responsible Gaming Strategy.

OPERATIONAL EXCELLENCE

Goal # 3: Be efficient and effective

Objective # 1: Contain operating expenses

Action Plans:

- Establish and implement a process improvement model to be used across the organization to increase overall efficiency and effectiveness for internal processes.
- Develop a comprehensive technology plan to coordinate, automate and streamline key systems and enable new business functionality both inside and outside the organization.
- Provide an environment that improves the timely delivery of projects completed within budget and fulfilling end users' business requirements.

NEW BUSINESS DEVELOPMENT

Goal # 4: Retain and grow our customer base

Objective # 1: Increase participation in MLC's products and services

Objective # 2: Increase attendance at Winnipeg's casinos

Action Plans:

- Strive to introduce new gaming and non-gaming products and services to retain and grow existing markets.
- Create community and organization partnerships to increase mutually beneficial long and short-term opportunities and community awareness.
- Execute projects and initiatives as outlined in an integrated marketing strategy to meet organizational and divisional objectives.

PEOPLE AND SERVICES

Goal # 5: A knowledgeable workforce of highly satisfied employees

Objective # 1: Increase in employee engagement

Action Plans:

- Communicate MLC as a career destination to attract and retain high performing employees in a competitive labour market.
- Provide active training and self-directed learning programs to keep employees up-to-date with new industry trends, technologies and skills.
- Develop programs to support the diverse needs of a multi-generational employee population.

MANAGEMENT DISCUSSION & ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS OF MARCH 31, 2009

The Management Discussion and Analysis reviews the financial results of the operation of Manitoba Lotteries Corporation (MLC) for the fiscal year ended March 31, 2009. 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 \$304.8 million for the fiscal year 2008/2009 increased by \$8.0 million or 2.7% as compared to the prior year's net income of \$296.8 million.

Revenues of \$775.6 million grew by \$25.7 million or 3.4% from the previous year's level of \$749.9 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 \$377.9 million in 2008/2009 compared to \$367.3 million in the previous year, an increase of \$10.6 million. Operating expenses of \$133.6 million were \$11.4 million higher than the previous year's \$122.2 million, and include payroll and other costs directly related to the generation of gaming and lottery revenues. This is primarily a result of increases in salaries and benefits related to collective bargaining, and promotions resulting from the Club Card programs.

Amortization of \$39.0 million for 2008/2009 increased \$1.8 million from \$37.2 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 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 63.8% of MLC's net income and provided annual commissions of \$110.7 million to all VLT siteholders who operate equipment on their premises.

Revenue (before cost of sales) of \$354.2 million in 2008/2009 increased by \$8.3 million from the gross revenue of \$345.9 million in the previous year. Net income of \$194.5 million increased \$3.9 million from the net income of \$190.6 million in the previous year. During the 2008/2009 fiscal year, the Corporation redistributed VLTs from low performing sites to higher performing sites, which contributed to the increase in gross revenues and net income.

Payout Percentages based on Dollars Won and Played Video Lotto

Dollars Deposited	\$ 1,493	
Dollars Played		\$ 4,967
Dollars Won		\$ 4,616
Dollars Cashed Out	\$ 1,142	
Revenue	\$ 351	\$ 351
Dollars Won (Prizes)	\$ 4,616	92.9%
Dollars Played	\$ 4,967	

Casinos

Manitoba Lotteries owns and operates two Casinos in the City of Winnipeg – Club Regent Casino and McPhillips Station Casino. Casino operations generated gross revenues (before cost of sales) of \$210.8 million in 2008/2009, an increase of \$16.4 million or 8.4% more than the gross revenues of \$194.4 million of the previous year.

Casino net income of \$50.6 million increased from the previous year's net income of \$48.2 million by \$2.4 million or 5.0%. In 2008/2009 the casinos replaced the Video King gaming system with a new Bingo Gaming System, which has proven to be very popular with casino patrons and contributed to the increase in net income. There was also a continued focus on the casinos as a total entertainment destination, resulting in increased visitor traffic for non-gaming related amenities. The Enhanced Club Card program which allows patrons to accumulate points redeemable for non-gaming goods and services continues to be favourably received by customers and has contributed to the successful operations of the casinos during the 2008/2009 year.

Payout Percentages based on Dollars Won and Played Casinos

Dollars Deposited	\$ 951	
Dollars Played		\$ 2,105
Dollars Won		\$ 1,935
Dollars Cashed Out	\$ 781	
Revenue	\$ 170	\$ 170
Dollars Won (Prizes)	\$ 1,935	91.9%
Dollars Played	\$ 2,105	

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. Manitoba Lotteries distributes and sells tickets for national lotteries operated by the Interprovincial Lottery Corporation (ILC) and lottery gaming products operated by the Western Canada Lottery Corporation (WCLC). As the province's sole distributor of lottery products, Manitoba Lotteries is responsible for the development and maintenance of a retailer network of over 850 outlets across Manitoba and to market a selection of breakopen tickets through lottery retail outlets, charitable organizations and casinos. MLC also continues to be the exclusive supplier of bingo paper to Manitoba's charitable and non-profit licensed bingo operators.

In fiscal 2008/2009, lottery gross revenues (before cost of sales) of \$210.6 million increased from the previous year gross revenue of \$209.6 million by \$1.0 million or 0.5%. This increase can be attributed to improved sales of instant tickets, Sports Select products and Super 7. Net income of \$59.7 million increased from the previous year's net income of \$58.0 million by \$1.7 million or 2.9%.

Over the past few years, a number of enhancements, including the installation of new lottery terminals and self-serve ticket checkers have been implemented to further protect consumers. We continued to strengthen our processes over this past fiscal by implementing new steps that now require retailers to return all tickets to customers; by conducting over 300 Mystery Shops; by modifying all new Scratch 'N Win tickets so they can be checked on self-serve checking terminals; and by providing lottery retailers with tools such as a Lottery Retailer Code of Conduct and Manual, an easy-to-read reference guide that includes all agreements, directives, rules and regulations.

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 2008/2009 MLC continued to provide support and guidance to the First Nations casino operators in Manitoba. During the fiscal year, Aseneskak Casino in The Pas completed a major gaming system upgrade project that resulted in the replacement of their casino management system with a state-of-the art system, that allowed them to take advantage

of ticket-in/ticket-out technology and introduce a patron management program at their casino. These changes were fully operational in April of 2008 and MLC provided \$2.2 million in capital financing for this project. These funds will be recovered over the five year life of the equipment as authorized under the Gaming Agreement.

In 2007/2008 South Beach Casino received approval to increase the number of slot machines in their facility from 300 to 600. MLC, under the Gaming Agreement provided the physical and financial resources to South Beach for the purchase and installation of these machines which were fully operational in May 2008. The final cost of \$5.9 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 2008/2009 fiscal year, MLC Holdings acquired \$31.2 million in capital assets for lease to MLC.

Liquidity and Capital Resources

Operating activities during 2008/2009 provided MLC with \$338.9 million compared to \$348.5 million in the previous year, a decrease of \$9.6 million or 2.8%. Non-cash working capital items increased by \$20.6 million. This was offset by increases in operating results and amortization of \$11.0 million.

Cash expended on property and equipment for 2008/2009 totaled \$31.2 million, up from \$28.1 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 \$303.0 million compared to the previous year's \$305.7 million, representing a decrease of 0.9%.

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 on-going 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 present in operating units, large scale projects as well as specific business processes. Current areas of concentration continue to be towards: emergency preparedness planning, business continuity plans 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.

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. MLC continues to develop plans to perform a pilot using downloadable game systems, which will allow MLC to download game themes from a secure server to electronic gaming devices over the network. In addition, MLC is implementing their long-range VLT Product Refresh Strategy to keep our product offering current and support our customers and site holders' suggestions. MLC also continues to refine its business processes to 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.

MLC has completed the system selection process for its new Integrated Financial Management System and is now proceeding through its implementation plan. The Corporation expects to be fully operational with the new integrated system by April 1, 2010 which will enable them to meet the reporting requirements under International Financial Reporting Standards by 2011/2012 fiscal year. This system is expected to enhance not only financial reporting but also in the Corporation's ability to integrate best practices into most areas of its operations.

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.

For the fifth 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.

Internal Controls over Financial Reporting

The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), together with management, after evaluating the effectiveness of MLC disclosure controls and procedures as of March 31, 2009, have concluded that the Corporation's disclosure controls and procedures were proven to be adequate and effective.

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board confirmed that it will require all publicly accountable enterprises to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Corporation's first financial statements under IFRS will be for the fiscal year 2011/2012. The Corporation will also be required to provide comparative information for the previous fiscal period.

As a result of this announcement, the Corporation is planning and preparing for the changes in financial reporting requirements. Based on its initial assessments, the Corporation currently believes that the transition to IFRS will not materially impact the manner in which it recognizes and measures revenues and net income.

The Corporation has developed an IFRS implementation plan that addresses project management, accounting policy changes, reporting and disclosure changes, training and communication and business impacts. The following progress has been made in these areas:

a) Project management

The Corporation has created an IFRS Steering Committee to provide guidance during the IFRS implementation project and has developed a timeline for key project milestones and deliverables to ensure IFRS readiness for the fiscal year 2011/2012.

b) Accounting policy changes

The Corporation has completed its research and documentation of expected differences between its current accounting policies that are in accordance with Canadian generally accepted accounting principles and those to be adopted under IFRS. The Corporation has begun to develop its future accounting policies that will be required under the current IFRS standards. Currently, the area with the greatest potential for future impact on the Corporation's financial statements is measurement and disclosure of property, plant and equipment.

The International Accounting Standards Board, which is responsible for developing IFRS, has activities currently underway which are expected to change certain IFRS. These changes may impact the Corporation. Therefore, the Corporation will continue to assess any changes made to IFRS standards as part of its implementation plan.

c) Reporting and disclosure changes

The Corporation is currently considering the financial statement presentation and disclosure options available to it upon initial changeover to IFRS and is developing ongoing reporting mechanisms to capture future IFRS disclosure information. The transition to IFRS will affect presentation and measurement of balances and transactions included in the Corporation's interim and annual consolidated financial statements and related notes. The Corporation will provide quantifications of those effects closer to the implementation date.

d) Training and communication

The Corporation intends to ensure that its key stakeholders are informed about the anticipated effects of the IFRS transition. IFRS training for relevant finance staff is ongoing, while targeted programs for operational staff are to be developed and implemented.

e) Business impacts

The Company is considering what effects the IFRS transition will have on its business policies and activities. The following areas are likely to be impacted:

- Internal controls over financial reporting;
- Financial reporting for fiscal 2011/2012 will require restatement of prior year results in order to provide comparative information.

This disclosure reflects expectations based on information available at the time of reporting. Changes in circumstances may cause the Corporation to revise its IFRS project plans and policy choices prior to the changeover date.

OUTLOOK

To ensure the long-term sustainability of revenues and income streams, the Corporation will continue to reinvest in its facilities, non-gaming amenities 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 Services, 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, 2009. ■

(originally signed by)

Winston Hodgins
PRESIDENT & CEO

(originally signed by)

Myra Cherewyk
ACTING EXECUTIVE VICE-PRESIDENT & CFO

AUDITORS' REPORT

To the Board of Directors of

MANITOBA LOTTERIES CORPORATION

We have audited the consolidated balance sheet of **Manitoba Lotteries Corporation** as at March 31, 2009 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, 2009 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 19, 2009

Consolidated Balance Sheet

MARCH 31, 2009 (IN THOUSANDS)

Assets	Notes	2009	2008
CURRENT ASSETS			
Cash		\$ 24,629	\$ 27,777
Accounts receivable	3	15,506	17,035
Inventories	4	2,907	2,451
Prepaid expenses	5	2,411	2,758
		45,453	50,021
PROPERTY AND EQUIPMENT	6	162,759	173,266
OTHER ASSETS	7	5,040	5,286
		\$ 213,252	\$ 228,573

Liabilities and Retained Earnings	Notes	2009	2008
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	8	\$ 31,153	\$ 40,564
Payable to the Province of Manitoba		3,580	1,782
Current portion of long-term debt	9	13,482	12,846
		48,215	55,192
LONG-TERM DEBT	9	159,494	168,002
PROVISION FOR EMPLOYEE PENSION BENEFITS	10	543	379
TOTAL LIABILITIES		208,252	223,573
Commitments and contingencies	15		
RETAINED EARNINGS		5,000	5,000
		\$ 213,252	\$ 228,573

(see accompanying notes to the consolidated financial statements)

On behalf of the Board,

(originally signed by)

Tim Valgardson

DIRECTOR AND CHAIR OF THE BOARD

(originally signed by)

Gerald Rosenby

DIRECTOR AND CHAIR OF THE AUDIT COMMITTEE

Consolidated Statement of Net Income, Comprehensive Income & Retained Earnings

FOR THE YEAR ENDED MARCH 31, 2009 (IN THOUSANDS)

	Notes	2009	2008
REVENUE			
Revenue		\$ 775,620	\$ 749,882
Cost of sales		264,054	260,329
		511,566	489,553
EXPENSES			
Operating expenditures		133,619	122,207
Amortization		39,030	37,152
Interest expense - long-term		10,998	11,778
Goods and services tax		7,158	5,520
		190,805	176,657
INCOME BEFORE ALLOCATIONS AND PAYMENTS		320,761	312,896
ALLOCATIONS AND PAYMENTS			
	13		
Provinces of Alberta and Saskatchewan		3,024	2,948
Government of Canada		2,345	2,327
Gaming Commission fees & Crown levy		3,094	2,209
Responsible gaming funding		3,387	2,894
Charitable and community organizations		4,131	5,736
		15,981	16,114
NET INCOME AND COMPREHENSIVE INCOME		304,780	296,782
RETAINED EARNINGS, BEGINNING OF THE YEAR		5,000	5,000
Allocation to the Province of Manitoba		(304,780)	(296,782)
RETAINED EARNINGS, END OF THE YEAR		\$ 5,000	\$ 5,000

(see accompanying notes to the consolidated financial statements)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31, 2009 (IN THOUSANDS)

	Notes	2009	2008
OPERATING ACTIVITIES			
Net income and comprehensive income		\$ 304,780	\$ 296,782
Add (deduct) items not involving cash:			
Amortization related to property and equipment		38,784	36,906
Amortization on assets related to First Nations Casinos		2,894	1,827
Amortization related to other assets		246	246
Gain on disposal of property and equipment		(7)	-
Provision for employee pension benefits		164	55
		346,861	335,816
Net change in non-cash working capital items	17	(7,991)	12,651
CASH PROVIDED BY OPERATING ACTIVITIES		338,870	348,467
INVESTING ACTIVITIES			
Purchase of property and equipment		(31,174)	(28,061)
Proceeds from disposal of property and equipment		10	-
CASH USED IN INVESTING ACTIVITIES		(31,164)	(28,061)
FINANCING ACTIVITIES			
Cash distributions to the Province of Manitoba:			
Current year		(301,200)	(295,000)
Prior year		(1,782)	(10,720)
Proceeds from long-term debt		5,739	-
Repayment of long-term debt		(13,611)	(17,003)
CASH USED IN FINANCING ACTIVITIES		(310,854)	(322,723)
NET DECREASE IN CASH DURING THE YEAR		(3,148)	(2,317)
CASH, BEGINNING OF THE YEAR		27,777	30,094
CASH, END OF THE YEAR		\$ 24,629	\$ 27,777
SUPPLEMENTAL CASH FLOW INFORMATION			
Interest paid		\$ 11,374	\$ 12,079

(see accompanying notes to the consolidated financial statements)

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED MARCH 31, 2009 (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 and combine the accounts of MLC 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 consolidated financial statements based on relative sales levels by jurisdiction.

(c) Revenue and expenses 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 recorded in 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	5-7 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.

(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 revenue and expenses are translated at the exchange rate prevailing on the transaction date. All exchange gains and losses are reflected in income during the period they occur.

(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 consolidated financial statements, and the reported amounts of revenue 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

The Corporation operates a program whereby patrons can earn points based upon their level of play on certain casino games. Points can be redeemed for certain goods and services provided by the casinos. The retail value of these complimentary items is included in gross revenue and then deducted as a promotional allowance to arrive at net revenue.

The future redemption liability is included in accounts payable and accrued liabilities 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) Financial instruments

In accordance with Section 3855 Financial Instruments – Recognition and Measurement, the Corporation has classified all financial instruments 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 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 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.

(m) Changes in accounting policies

On April 1, 2008 the Corporation adopted the following Canadian Institute of Chartered Accountants (CICA) Handbook Sections:

Section 3031 Inventories replaces the previous inventories standard and provides guidance on the determination of cost, including any write-down to net realizable value. The adoption of this standard has had no impact on the Corporation's consolidated financial statements.

Section 3862 Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation replace Section 3861 Financial Instruments – Disclosure and Presentation. The new standards enhance and expand disclosure standards to complement the accounting policy adopted in accordance with Section 3855 Financial Instruments – Recognition and Measurement and place increased emphasis on disclosures about risks associated with both recognized and unrecognized financial instruments and how these risks are managed. The Corporation discloses information surrounding the risks associated with financial instruments in note 16.

Section 1535 Capital Disclosures establishes standards for disclosing information about an entity's capital and how it is managed. This standard requires disclosure of information about an entity's objectives, policies and processes for managing capital. The Corporation discloses information surrounding its capital structure in note 11.

Section 1400 General Standards of Financial Statement Presentation was amended to include requirements to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. The adoption of this standard has had no impact on the Corporation's consolidated financial statements.

(n) Recent accounting pronouncements

Section 1601 Consolidated Financial Statements and Section 1602 Non-Controlling Interests establish standards for the accounting and reporting of ownership interests in subsidiaries held by parties other than the parent and are effective for fiscal years beginning on or after January 1, 2011. The Corporation does not expect these sections to have an impact on the consolidated financial statements.

3. ACCOUNTS RECEIVABLE

	2009	2008
Western Canada Lottery Corporation	\$ 5,903	\$ 6,444
Trade	7,441	8,277
First Nations	1,588	1,422
Goods and services tax	330	576
Employee computer program	200	212
Lottery retailers	44	104
	\$ 15,506	\$ 17,035

4. INVENTORIES

	2009	2008
Replacement parts	\$ 1,867	\$ 1,573
Bingo paper	375	415
Breakopen tickets	385	270
Restaurant	130	123
Store merchandise	150	70
	\$ 2,907	\$ 2,451

5. PREPAID EXPENSES

	2009	2008
Manitoba Gaming Control Commission fees	\$ -	\$ 1,152
Maintenance contracts	1,424	844
Insurance	402	429
Entertainer & sponsorship deposits	186	122
Rent	77	77
Other	322	134
	\$ 2,411	\$ 2,758

6. PROPERTY AND EQUIPMENT - 2009

	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Land	\$ 5,798	\$ -	\$ 5,798
Furniture and equipment	100,395	79,340	21,055
Gaming equipment	156,951	118,074	38,877
Casino stages	5,972	5,972	-
Buildings and parking lots	153,287	66,326	86,961
Leasehold improvements	5,643	5,308	335
Capital lease – building	688	276	412
Assets related to First Nations Casinos [see note 14]	18,246	8,925	9,321
	\$ 446,980	\$ 284,221	\$ 162,759

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 14]	15,173	6,461	8,712
	\$ 416,288	\$ 243,022	\$ 173,266

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 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 \$1,341 (2008 - \$1,095) [see note 2(d)].

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009	2008
Trade	\$ 21,213	\$ 31,795
Vacation	7,168	6,481
Interest	830	881
Jackpot provision	1,449	911
Province of Manitoba taxes	493	496
	\$ 31,153	\$ 40,564

9. LONG-TERM DEBT

	2009	2008
Province of Manitoba, bearing interest at 6.95%, interest only payable semi-annually, with all principal due at maturity on August 30, 2010.	\$ 135,000	\$ 135,000
Province of Manitoba, bearing interest at 5.25%, repayable in quarterly principal installments of \$1,071 plus interest until June 30, 2011.	9,643	13,929
Province of Manitoba, bearing interest at 4.625%, repayable in quarterly principal installments of \$1,071 plus interest until September 30, 2011.	10,714	15,000
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, 2009 was 0.893%.	8,822	11,536
Province of Manitoba, bearing interest at 4.875%, repayable in monthly principal installments of \$43 plus interest until March 31, 2009.	-	514
Province of Manitoba, bearing interest at 4.050%, repayable in monthly principal installments of \$84 plus interest until August 31, 2012.	3,455	4,467
Province of Manitoba, bearing interest at 4.150%, repayable in monthly principal installments of \$96 plus interest until July 31, 2013.	4,974	-
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.	368	402
	172,976	180,848
Less current portion of long-term debt and capital lease obligation	13,482	12,846
	\$ 159,494	\$ 168,002

Annual payments in future years are as follows:

	CAPITAL LEASE		
	Loans	Principal	Interest
2010	\$ 13,445	\$ 37	\$ 27
2011	148,445	40	24
2012	8,088	43	21
2013	2,247	46	18
2014	383	50	14
Subsequent years	-	152	20
	\$ 172,608	\$ 368	\$ 124

The fair market value of long-term debt at March 31, 2009 is \$184,152.

10. PROVISION FOR EMPLOYEE PENSION BENEFITS

The pension expense related to the Corporation's contributions to the Civil Service Superannuation Fund is \$3,103 (2008 - \$2,707) and is recorded in operating expenditures.

A pension liability of \$543 (2008 - \$379) has been established for employees whose annual earnings exceed the limit under the Civil Service Superannuation Fund plan. A loss of \$126 was

experienced in the current year based on the most recently available triennial actuarial report of pension obligations as at December 31, 2007, and is included in the above pension expense.

The pension expense related to the Corporation's contributions to the money purchase plan is \$228 (2008 - \$252) and is recorded in operating expenditures.

11. CAPITAL STRUCTURE

The Corporation's capital is comprised of retained earnings and long-term debt. The Corporation's objectives when managing its capital structure are to continue its ability to meet its financial obligations and to finance growth and capital expenditures. These objectives have remained unchanged over the fiscal years presented.

The Corporation is subject to capital growth restrictions as the result of the requirement to allocate 100% of annual consolidated net income to the Province of Manitoba.

12. 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:

2009	Video Lotto	Casinos	Lottery	Total
REVENUE				
Revenue	\$ 354,235	\$ 210,798	\$ 210,587	\$ 775,620
Cost of sales	110,737	13,690	139,627	264,054
	243,498	197,108	70,960	511,566
EXPENSES				
Operating expenses	11,187	117,149	5,283	133,619
Amortization	23,856	15,174	-	39,030
Interest expense - long-term	3,584	7,173	241	10,998
Goods and services tax	6,321	777	60	7,158
	44,948	140,273	5,584	190,805
Income before Allocations and Payments	198,550	56,835	65,376	320,761
Allocations and Payments	4,090	6,200	5,691	15,981
Net Income and Comprehensive Income	\$ 194,460	\$ 50,635	\$ 59,685	\$ 304,780

2008	Video Lotto	Casinos	Lottery	Total
REVENUE				
Revenue	\$ 345,908	\$ 194,388	\$ 209,586	\$ 749,882
Cost of sales	107,357	12,455	140,517	260,329
	238,551	181,933	69,069	489,553
EXPENSES				
Operating expenses	10,299	106,744	5,164	122,207
Amortization	23,741	13,411	-	37,152
Interest	4,306	7,231	241	11,778
Goods and services tax	4,864	584	72	5,520
	43,210	127,970	5,477	176,657
Income before Allocations and Payments	195,341	53,963	63,592	312,896
Allocations and Payments	4,749	5,813	5,552	16,114
Net Income and Comprehensive Income	\$ 190,592	\$ 48,150	\$ 58,040	\$ 296,782

13. ALLOCATIONS AND PAYMENTS

(a) Provinces of Alberta and Saskatchewan

The Province of Manitoba is a member in the Western Canada Lottery Corporation. An agreement is in place with the other members to provide economic benefit equalization. The cost to the Corporation for this allocation for the 2009 fiscal year is \$3,024 (2008 - \$2,948).

(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 2009 fiscal year is \$2,345 (2008 - \$2,327).

(c) Gaming Commission 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 2009 fiscal year is \$3,094 (2008 - \$2,209).

(d) Responsible Gaming Funding

Funding to the Addictions Foundation of Manitoba (AFM) and other organizations for their responsible gaming research and programming for the 2009 fiscal year is \$3,387 (2008 - \$2,894).

(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 2009 fiscal year amounted to \$4,131 (2008 - \$5,736).

14. 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 its 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.

15. FUTURE COMMITMENTS AND CONTINGENCIES

(a) Lease Obligations

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

2010	\$	1,402
2011		533
2012		447
2013		346
2014		301
Subsequent years		1,225
	\$	4,254

(b) Incidental 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

Subsequent to year end, the Corporation has been named as a party to a lawsuit related to Scratch 'N Win lottery tickets. The matter is in its preliminary stages and any liability related to this claim is not determinable at this time.

- (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 from 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, 2008 during which time the Manitoba Jockey Club Inc. received \$5,000 annually plus an additional 20% commission on net VLT revenues over \$5,000. The Corporation's relationship with the Manitoba Jockey Club Inc. continues and the terms of the agreement are currently under review with no fixed commitment yet established.
- (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 2010 fiscal year.

16. FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, payable to the Province of Manitoba, and long-term debt. The Corporation is exposed to interest rate, liquidity, foreign exchange and credit risks arising from financial assets and liabilities. The Corporation's objectives in managing these risks are to protect the organization from volatility and to minimize exposure from fluctuations in market rates.

Interest rate risk

Interest rate risk is the risk to the Corporation's income 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 rate risk, though risks associated with interest rate fluctuations are mitigated through the use of fixed-rate long term debt.

Liquidity risk

Liquidity risk is the risk the Corporation will encounter difficulties in meeting its financial liability obligations. The Corporation mitigates this risk through cash and long-term debt management. Trade payables are due within one year and long-term debt is repayable in either quarterly or monthly installments with the exception of one long-term debt with a principal payment of \$135,000 due August 31, 2010.

Foreign exchange risk

Foreign exchange risk is the risk to the Corporation's income 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.

Credit risk

Credit risk is the risk to the Corporation that a counterparty will fail to perform its obligations or pay amounts due causing a financial loss. The Corporation mitigates this risk through its credit management and collection practices. The Corporation establishes a reasonable allowance for non-collectible amounts which is netted against accounts receivable. The maximum credit risk exposure associated with accounts receivable is the total carrying value and it is management's opinion that the Corporation does not have significant concentration risk.

The status of accounts receivable in relation to when they are due and payable is as follows:

Neither impaired nor past due	\$ 15,431
Not impaired and past due as follows:	
Within 30 days	42
31 to 60 days	34
61 to 90 days	7
Over 90 days	1
Allowance for doubtful accounts	(9)
	\$ 15,506

Fair value

The fair value of the Corporation's financial instruments on initial recognition is the transaction price, which is the value of the consideration given or received.

The Corporation has made the following classifications of its financial instruments:

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 accrued liabilities, 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.

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

17. SUPPLEMENTAL CASH FLOW INFORMATION

	2009	2008
NET DECREASE (INCREASE) IN CURRENT ASSETS		
Accounts receivable	\$ 1,529	\$ 1,069
Inventories	(456)	(324)
Prepaid expenses	347	912
	1,420	1,657
NET INCREASE (DECREASE) IN CURRENT LIABILITIES		
Accounts payable and accrued liabilities	(9,411)	10,994
	\$ (7,991)	\$ 12,651

Consolidated Schedule of Net Income, & Comprehensive Income

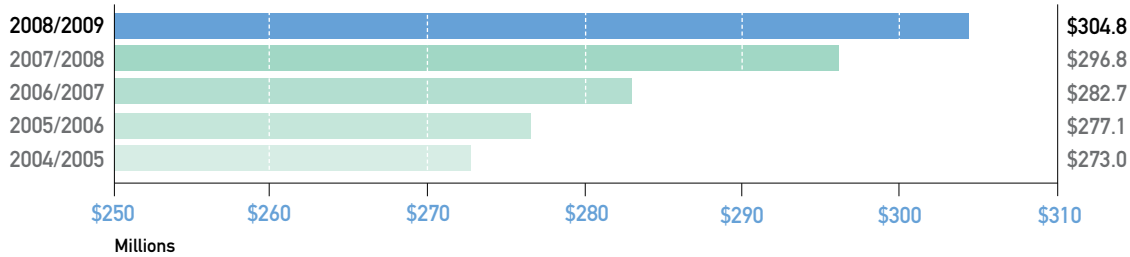
FOR THE YEAR ENDED MARCH 31, 2009 (IN THOUSANDS)

	2009	2008
REVENUE		
Revenue	\$ 775,620	\$ 749,882
Cost of sales	264,054	260,329
	511,566	489,553
EXPENSES		
Operating expenditures		
Salaries and benefits	86,259	80,274
Maintenance equipment	12,622	13,837
Tourism marketing	9,948	8,428
Property taxes	4,020	4,042
Utilities	2,706	2,476
Supplies and equipment	4,444	4,392
Consultant fees	6,071	2,149
Telecommunications	1,597	1,586
Transportation and vehicles	1,644	1,572
Community support	1,749	1,257
Sundry	2,559	2,194
	133,619	122,207
Amortization	39,030	37,152
Interest expense - long-term	10,998	11,778
Goods and services tax	7,158	5,520
	190,805	176,657
INCOME BEFORE ALLOCATIONS AND PAYMENTS	320,761	312,896
ALLOCATIONS AND PAYMENTS	15,981	16,114
NET INCOME AND COMPREHENSIVE INCOME	\$ 304,780	\$ 296,782

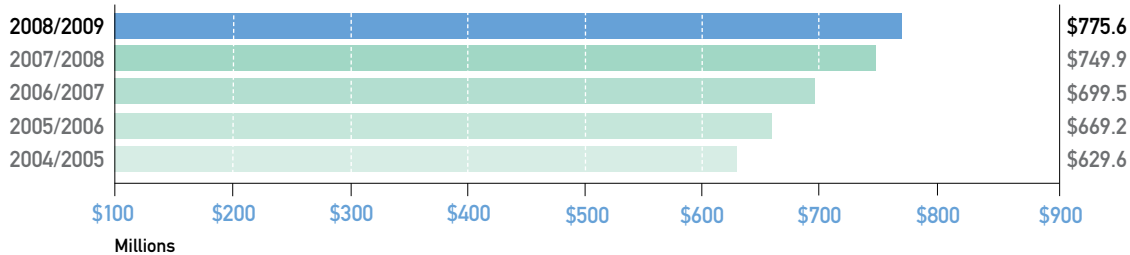
(see accompanying notes to the consolidated financial statements)

HIGHLIGHTS

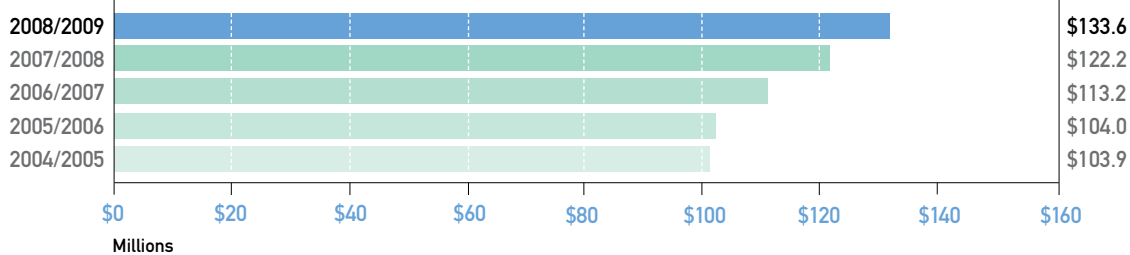
Net Income



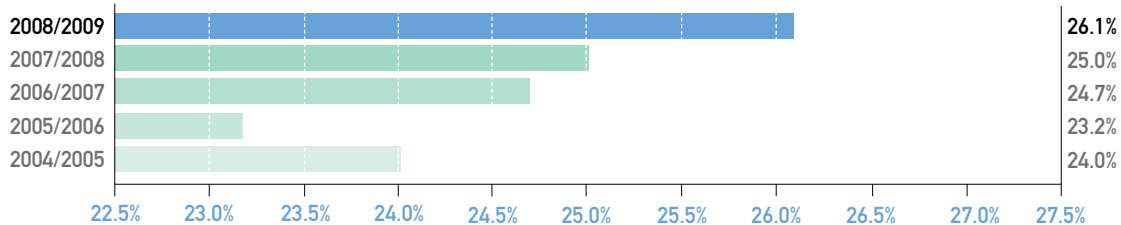
Revenue



Operating Expenses

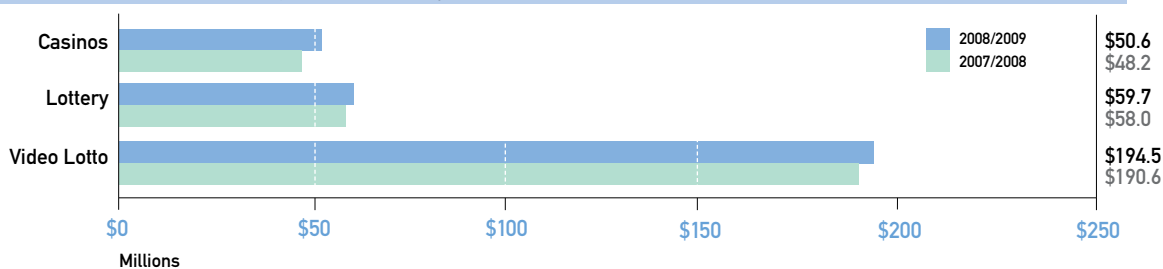


Operating Expense as a Percent of Net Revenue*

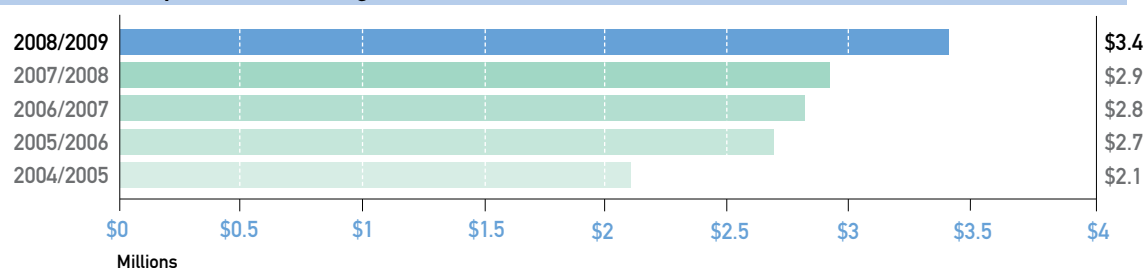


*Gross Revenue net of cost of sales

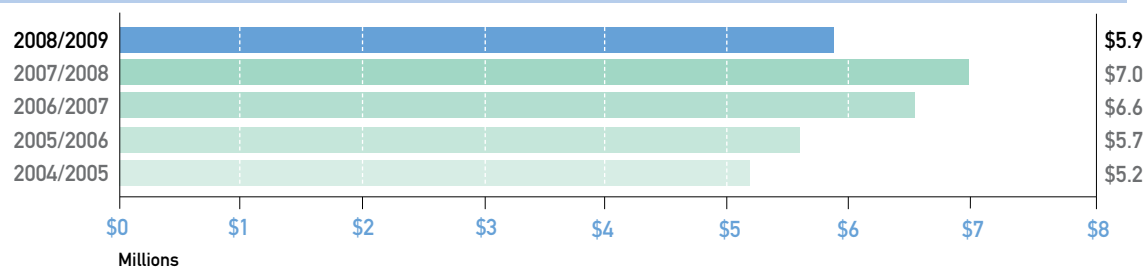
Net Income by Product Segment



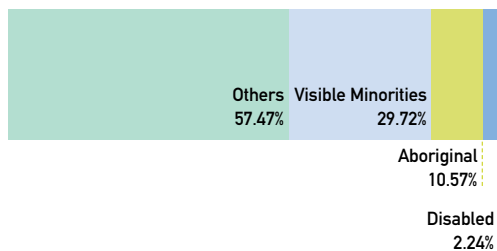
Responsible Gaming SUPPORT TO THE ADDICTIONS FOUNDATION OF MANITOBA



Community Support CORPORATE SPONSORSHIP AND CHARITABLE/COMMUNITY ORGANIZATION FUNDING



Equity Participation Rates



Gender Comparison

