

Integrity_{and} respect are

fundamental cornerstones of our vision and mission,

and the basis for all our actions and decisions.

By seeking a **balanced** perspective

and ensuring **accountability**,

we protect the public interest while respecting the diversity

of views on gaming. We are **independent**

of gaming operations and work to ensure

public **confidence** in the integrity

of all gaming activities in Manitoba.

Our Vision...

To be a recognized leader in the regulation and control of gaming activity by: continuously seeking opportunities to anticipate and respond to the evolving needs of those we serve; championing fair, balanced and responsible gaming policy; and inspiring public confidence in the integrity of gaming in Manitoba.

Our Mission...

To fulfill our vision by ensuring that gaming activity is conducted honestly, with integrity and in the public interest. We will achieve this by strengthening our knowledge base, implementing best practices, building strong communication channels, and using a balanced approach to deliver services and policy advice to effectively and responsively regulate and control gaming activities in our province for the benefit of all Manitobans.

September 15, 2005

Honourable David Chomiak
Minister charged with the administration
of The Gaming Control Act
Room 333, Legislative Building
450 Broadway
Winnipeg, MB R3C 0V8

Dear Mr. Minister:

I have the honour to submit, pursuant to Section 5 of
The Gaming Control Act (The Act), a report of proceedings
under The Act for the fiscal year ended March 31, 2005.

Respectfully submitted,

A handwritten signature in brown ink, appearing to be 'D. Dziewit', written in a cursive style.

Darlene Dziewit
Chair

responsive
and adaptive to the changing
demands and issues
within the gaming environment

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Remarks

from the Chair

“...regardless of the nature of our work, the MGCC Board, management and staff are guided by the principles of independence, integrity and respect.”

Preparation of annual remarks is a reflective process whereby one normally reports on key achievements of a single year. In contemplating the achievements for the year just concluded, my Board colleagues and I are mindful that 2004/05 marks five years under our collective stewardship. I am reminded of all that has been accomplished during this period – and look forward to our future challenges.

I think it is fair to say that passage of amendments to The Gaming Control Act was our most painstaking and gratifying task and accomplishment. This initiative was begun in 2001; legislative amendments were passed by the Manitoba Legislative Assembly in 2004 and will be proclaimed on April 15, 2005. For your information, the new legislation is posted at www.mgcc.mb.ca. Briefly, key amendments:

- Enable the MGCC to mediate gaming patron disputes related to a broader range of lottery schemes, including disputes between VLT siteholders, First Nations casinos and their patrons.
- Improve transparency and accountability for First Nations VLT operators and non-MGCC licensing authorities, which include municipalities, First Nations Gaming Commissions and the organizations that they license in keeping with recommendations made by the Office of the Auditor General.
- Enable the MGCC to impose penalties for failing to comply with statutes, regulations, responsible gaming policies and terms and conditions of a licence, registration or approval.
- Expand the MGCC's registration responsibilities to include gaming operators (capturing First Nations casino operators), VLT siteholders and their employees, all suppliers of gaming products and services and specific suppliers of non-gaming products and services.
- Enhance the MGCC's regulatory mandate to include gaming conducted and managed under Section 207(1)(a) of the Criminal Code (Canada).

We look forward to the implementation of these amendments in 2005/06.

Our earliest commitment was a comprehensive review of the terms and conditions that govern charitable gaming activities in Manitoba. Recently, these activities have posted annual combined sales in excess of \$83 million. As 2004/05 drew to a close, the Board's Charitable Gaming Committee was concluding its third phase of this initiative, a review of media bingo. This was preceded by separate review and renewal of terms and conditions governing raffles and bingo and breakopen events. During the coming year, we anticipate completion of this initiative.

In 2004/05, the MGCC developed and implemented its first strategic plan. This document will guide our decisions and chart our course over the next three to five years. This plan outlines our core values and strategic direction and we are pleased to present it for your review beginning on page 7. In the coming year, this plan will translate into enhanced reporting and accountability to our stakeholders. It will permit the Board, management and staff to set, measure and report on corporate and operational goals and achievements.

Matters related to the MGCC's public interest mandate were highlighted with the legislation of new responsible gambling measures and the publication of the MGCC's first research agenda. Legislative amendments formalize the responsibility of the MGCC to ensure gaming operators' responsible gaming policies are developed, met and maintained. Our research agenda frames the MGCC's interest and commitment to independent and cooperative research projects, including problem gambling measurement, appropriate player information and mitigation of risks, socio-economic impacts and longitudinal projects.

The Board also conducted three hearings in response to appeals related to registration, licensing and patron disputes. These hearings, which are open to the public, are carried out in keeping with our quasi-judicial role.

The foregoing narrative demonstrates the breadth of our responsibilities. Yet, regardless of the nature of our work, the MGCC Board, management and staff are guided by the principles of independence, integrity and respect. There is no doubt that gaming, within and outside of Manitoba's borders, continues to evolve; there are significant inherent challenges. In the context of this environment, characterized by consumer demands, competitive markets, new and emerging technologies, research, public concern and stakeholder interests, we believe Manitobans deserve an independent regulatory regime driven by fairness, balance and accountability.

At the conclusion of my remarks in last year's report, I committed to continuing to build on our strengths, meet the challenges of our broadened mandate, seek opportunities for innovation and ensure balance. Our commitment is unwavering; we look forward to continuing our work in service to Manitobans.



Darlene Dziewit
Chair

“...throughout the change process, management and staff successfully ensured uninterrupted and consistent service to our stakeholders.”

Remarks

from the Executive
Director

In anticipation of legislative amendments and the expectation of new responsibilities, the MGCC launched our first formal strategic plan in September 2004. This plan, which articulates our vision, mission and core values, permits us to build upon our existing strengths, while describing and defining our direction as a regulatory and advisory body in the evolving and challenging environment that characterizes gaming in the early 21st century.

Development of this strategic document began with extensive consultation with a wide spectrum of clients and stakeholders, including charitable licensees, First Nations, justice officials, police services and special interest groups, as well as our Board of Commissioners, management and staff. I would like to extend thanks to all those – both external and internal stakeholders – who contributed to the development and execution of this plan. As noted in Ms. Dzewit's comments, we have published our plan as part of this year's annual report; my remarks are intended to highlight early key achievements and to underscore our next steps.

Following the publication of our strategic plan, the MGCC immediately initiated an organizational review to assess and fortify our capacity to achieve our new operational goals. The resulting organizational realignment, in January 2005, focused on strengthening our ability to fulfill our key regulatory obligations: *integrity and compliance*.

These two words best and most succinctly describe our mandate to regulate gaming in the province of Manitoba. Through our comprehensive licensing and registration processes, we confirm the *integrity* of charitable gaming events, industry employees, suppliers, gaming equipment and operations. *Compliance* with the terms and conditions of these licences and registrations is accomplished via inspections, investigations, interagency cooperation and enforcement initiatives.

As such, the realignment of operations essentially divided our operational activities under Gaming Integrity (capturing technical integrity, registration and licensing) and Gaming Compliance (capturing audit, compliance and regulatory affairs). The new department of Corporate Services provides financial and information technology services. The MGCC's advisory responsibilities continue to be driven through the Research and Communications Department, with the addition of corporate planning initiatives and human resource services.

Late in 2004/05, the MGCC began the task of measuring our success in meeting our operational

goals with the introduction of the Balanced Scorecard tool. This method of measuring organizational performance is a proven tool, used in both the private and public sectors, to establish, monitor and assess factors critical to achieving success and accountability. By identifying key performance indicators, we intend to translate words into measurable action, achievement, improvement and success.

Training to support this tool was introduced to management late in 2004/05, with departmental and unit implementation carrying over into the new fiscal year. In the coming year, we will implement the first three of four independent yet interrelated perspectives: clients, people/organization and finance. The fourth perspective, internal processes, will be added in the following year. Our stakeholders can expect to see our first Balanced Scorecard performance measurement report in our 2005/06 annual report.

My remarks have focused largely on strategy and performance reporting to acknowledge the significant shift in corporate thinking, planning and accountability that was accomplished in 2004/05. Having said this, I am pleased to note that throughout the change process, management and staff successfully ensured uninterrupted and consistent service to our stakeholders. The report on our goals and achievements in this regard begins on page 12; our financial report, audited and confirmed by the Office of the Auditor General of Manitoba, begins on page 29. I trust you will find the narrative and financial disclosure interesting and informative.

The regulation and control of gaming in Manitoba, and outside of our borders, is a complex and challenging task. The advent of new technologies, consumer choice and options, business interests, activities in other jurisdictions and public concerns demand that the management and staff of the MGCC approach our responsibilities with integrity, respect, independence and balance. Our new strategic plan sets our direction for the next three to five years and beyond. We look forward to travelling this road in service to Manitobans.



E.J.O. (Rick) Josephson
Executive Director

Our Plan,
a statement of
accomplishment
and commitment

Our Strategic Plan

2004 – 2008

In September 2004, the Manitoba Gaming Control Commission (MGCC) published its first strategic plan. This plan defines our vision, mission, values and strategic directions for the future. It permits us to build upon our existing strengths, while describing and defining our direction as a regulatory and advisory body. It also creates a structure that continues to advance our public interest mandate beyond the traditional regulatory activities of licensing, registration and enforcement, with a focus on social policy implications, responsible gaming initiatives and leadership. The MGCC is pleased to include this plan in our annual report, as a statement of both accomplishment and commitment.

Gambling in our society is now characterized by consumer choices, economic development, technological change, heightened awareness of social impacts and a dynamic industry – as regulators we must lead. Public and stakeholder views on gaming encompass diverse perspectives, including business operations, entertainment, social concerns, charitable fundraising and the legal framework – we must be responsive. The MGCC will soon be granted new responsibilities under The Gaming Control Act related to enforcement, registration, social policy and accountability – we must be prepared. The MGCC implemented a new information management system to improve service – we must take advantage of this tool to evaluate our activities and accomplishments. With all this in mind, the MGCC embarked on a process to establish a formal strategic plan for the Commission twinned with new performance management and evaluation measures.

The planning process was comprehensive and incorporated internal and external input, including interviews and focus groups with commissioners, management and staff and consultation with a wide spectrum of clients and stakeholders, including charitable licensees, First Nations, justice officials, police services and special interest groups. Input from all these stakeholders, internal and external, reconfirmed the MGCC's primary imperatives:

- We must continue to ensure the honesty and integrity of gaming in Manitoba.
- We must balance the opinions and interests of our stakeholders and partners within the context of reasoned and sound regulation and control.
- We must advance our public interest mandate, beyond our traditional regulatory activities of licensing, registration and enforcement, with a focus on social policy implications and responsible gaming initiatives.

Our Plan

OUR VISION

To be a recognized leader in the regulation and control of gaming activity by: continuously seeking opportunities to anticipate and respond to the evolving needs of those we serve; championing fair, balanced and responsible gaming policy; and inspiring public confidence in the integrity of gaming in Manitoba.

OUR MISSION

To fulfill our vision by ensuring that gaming activity is conducted honestly, with integrity and in the public interest. We will achieve this by strengthening our knowledge base, implementing best practices, building strong communication channels, and using a balanced approach to deliver services and policy advice to effectively and responsively regulate and control gaming activities in our province for the benefit of all Manitobans.

OUR CORE VALUES

The MGCC's commitment to every component of its strategic plan holds its strength in its commitment to its statement of core values. This is so much the case that this annual report exhibits our core values on its cover as a touchstone that guides the fulfillment of all other aspects of this strategic planning initiative. Along with the vision and mission statements, our core values statement provides the direction for this and any future strategic planning initiatives as well as the foundation for all operational initiatives and activities.

We are committed to delivering our services and programs based on the following core values and standards of conduct:

INTEGRITY and RESPECT are fundamental cornerstones of our vision and mission, and the basis for all our actions and decisions.

By seeking a BALANCED PERSPECTIVE and ensuring ACCOUNTABILITY, we protect the public interest while respecting the diversity of views on gaming.

We are INDEPENDENT of gaming operations and work to ensure PUBLIC CONFIDENCE in the integrity of all gaming activities in Manitoba.

“...‘core values’ are the essential and enduring tenets of an organization – the very small set of guiding principles that have a profound impact on how everyone in the organization thinks and acts. ...They have intrinsic value and are of significant importance. ...They are the few extremely powerful guiding principles; the soul of the organization – the values that guide all actions. ...The core values define the enduring character of an organization – a consistent ‘identity’. ...The organization may develop new purposes, employ new strategies, re-engineer processes and significantly restructure; however, the identity and ideology remains intact.”

– *“Building Your Vision,” by James Collins and Jerry Porras*

Our Value Propositions

OUR PARTNERS INCLUDE:

- Addictions Foundation of Manitoba
- Law enforcement services
- Civil Legal Services
- Manitoba municipalities
- First Nations

OUR CLIENTS AND STAKEHOLDERS INCLUDE:

- Charitable licensees
- First Nations Gaming Commissions
- Manitoba Lotteries Corporation
- Aseneskak Casino Limited Partnership
- South Beach Casino Limited Partnership
- VLT siteholders
- Gaming suppliers
- Minister charged with the administration of The Gaming Control Act
- Minister charged with the administration of The Manitoba Lotteries Corporation Act
- Manitoba Hotel Association
- Manitoba Restaurant Association
- Future gaming operators, employers and gaming authorities
- Patrons
- Hearing appellants
- The general public

As a key next step in corporate planning, it is important to move forward from the broader organizational definitions found in a mission statement and to more clearly define precisely what services, results and/or value are provided to stakeholders. Recognizing our ongoing responsibilities and the need to continue to adapt in a responsive manner, the MGCC has defined its value propositions as these promises to our stakeholders:

- Ensure integrity, fairness and accountability in all gaming activities in the province of Manitoba.
- Provide a balanced approach and perspective in the delivery of our services, programs and policy advice, in recognition of the diversity of views with respect to gaming.
- Be responsive and adaptive to the changing demands and issues within the gaming industry.
- Ensure respectful and equitable treatment of clients, stakeholders and the general public in regard to gaming regulation, queries, complaints, disputes and policy advice.

A value proposition is a clear, concise series of factual statements on the “value” that clients can expect from an organization’s products or services.

Our Strategic Direction

Fulfilling our vision and mission statement and delivering on our value propositions requires that we focus on strategic priorities that are aligned with our vision and mission and support our core values. Definition of our strategic goals required envisioning the ideals which the MGCC will strive to achieve during the next three to five years. Our operational goals are identified as a means to support the achievement of our strategic goals.

LEADER

To ensure Manitoba is at the forefront of gaming integrity and regulation.

Operational Goals

- Regularly research and adopt best practices that support the MGCC in achieving its vision, mission and values to ensure gaming integrity.
- Establish a governance model that supports the MGCC's mandate and provides clarity in roles and accountability.
- Seek out opportunities to demonstrate leadership in gaming regulation within the gaming industry.

ADAPTIVE

To anticipate and be flexible in responding to changes in the gaming environment.

Operational Goals

- Establish continuous learning programs and initiatives that support and encourage staff innovation and participation towards becoming more adaptive.
- Implement human resource management and organizational development practices that improve operational effectiveness and service excellence.
- Develop a strong knowledge base on gaming issues, trends and best practices.
- Conduct a skill and knowledge needs assessment, identify gaps and develop plans to address the identified gaps.

EFFECTIVE

To ensure appropriate resources are available to deliver services and programs and to use those resources efficiently and effectively.

Operational Goals

- Develop and implement a performance management system that encourages and supports the effective delivery of services and programs.
- Develop a succession plan that meets the MGCC's future needs.
- Develop an integrated workplan, budget and reporting process to ensure effective resource planning and use.

OUR CULTURE AND SERVICE EXCELLENCE ARE REFLECTED IN:

- Adherence to our core values
- Consistently striving to achieve our vision, mission and goals
- Building a culture of commitment and service excellence
- Our openness, accountability and transparency

BALANCED

To take a reasoned and balanced approach to gaming policy and regulation.

Operational Goals

- Ensure a fair and balanced approach to the dispute resolution process, while upholding gaming integrity.
- Take a proactive approach to identifying and prioritizing critical issues on gaming policy and regulation.
- Seek out and consider the diverse views of stakeholders.

COMMUNICATIVE

To ensure effective and appropriate communication to and amongst the Board of Commissioners, employees, clients, stakeholders and partners.

Operational Goals

- Develop communication strategies to increase awareness and understanding of the role and responsibilities of the MGCC.
- Develop communication practices and processes that support clear and consistent communication to stakeholders and partners.
- Develop practices and processes that encourage stakeholder consultation and input.

CRITICAL SUCCESS FACTORS

A key aspect of achieving our strategic goals and objectives is our ability to identify and articulate our factors for success. To accomplish this, we asked ourselves, "What do we have to do well in order to be successful?" These critical success factors are the things we must do well in order to achieve our goals and objectives:

- Fiscal responsibility
- Client and stakeholder satisfaction
- Strong relationships built upon trust and respect
- Effective communication and reporting mechanisms
- Client-focused services and programs
- Highly skilled employees with cross-functional skills and abilities
- Effective quality control measures for regulation and control
- Recognizing and providing a balanced perspective on critical gaming issues
- Achievement of strategic goals and action steps
- Responsive to technological changes
- Streamlined and efficient internal processes
- Establishing and implementing optimum practices and techniques

Implementation: 2005 and Beyond

Having set out our strategic plan as the reference framework, we were then able to move forward with the implementation of the next steps, which would bring the strategic plan into the daily operations of the MGCC. The first step was an assessment of our organization from the perspective of identifying the appropriate alignment of our organizational structure with our strategic direction and operational goals. This involved a comprehensive organizational review, including input from staff and management, which in January 2005 resulted in a redefinition of relationships between positions and departments within the MGCC. A copy of the new organizational chart can be found on page 13.

Once we had begun to facilitate the realization of the strategic plan from an operational perspective, the MGCC undertook another very important initiative in support of our strategic plan: the implementation of a new performance measurement initiative – Balanced Scorecard. We have just begun the first steps of defining our corporate level key performance indicators and anticipate that the performance indicators for each department will be set out in the next few months. This tool allows us not just to measure our achievements but also to manage and develop our performance in serving our clients, assessing gaps in service and meeting our goals. Looking forward, this will provide the MGCC with the opportunity to implement new and better mechanisms for reporting on our progress in next year's annual report.

About

the Manitoba Gaming Control Commission

Proclamation of The Gaming Control Amendment Act is slated for April 15, 2005. Although the new legislation did not come into force in 2004/05, significant work was dedicated to this legislative initiative which supports stronger regulatory controls, enhanced accountability by licensees and licensing authorities and more consistent responsible gambling measures.

Legislative Authority

The Gaming Control Act (The Act) establishes the Manitoba Gaming Control Commission (MGCC) as an independent crown agency that regulates and controls specified gaming activities in Manitoba. The MGCC is led by a Board of Commissioners reporting to the Minister charged with the administration of The Gaming Control Act.

As of March 31, 2005, The Gaming Control Act requires and permits the MGCC to:

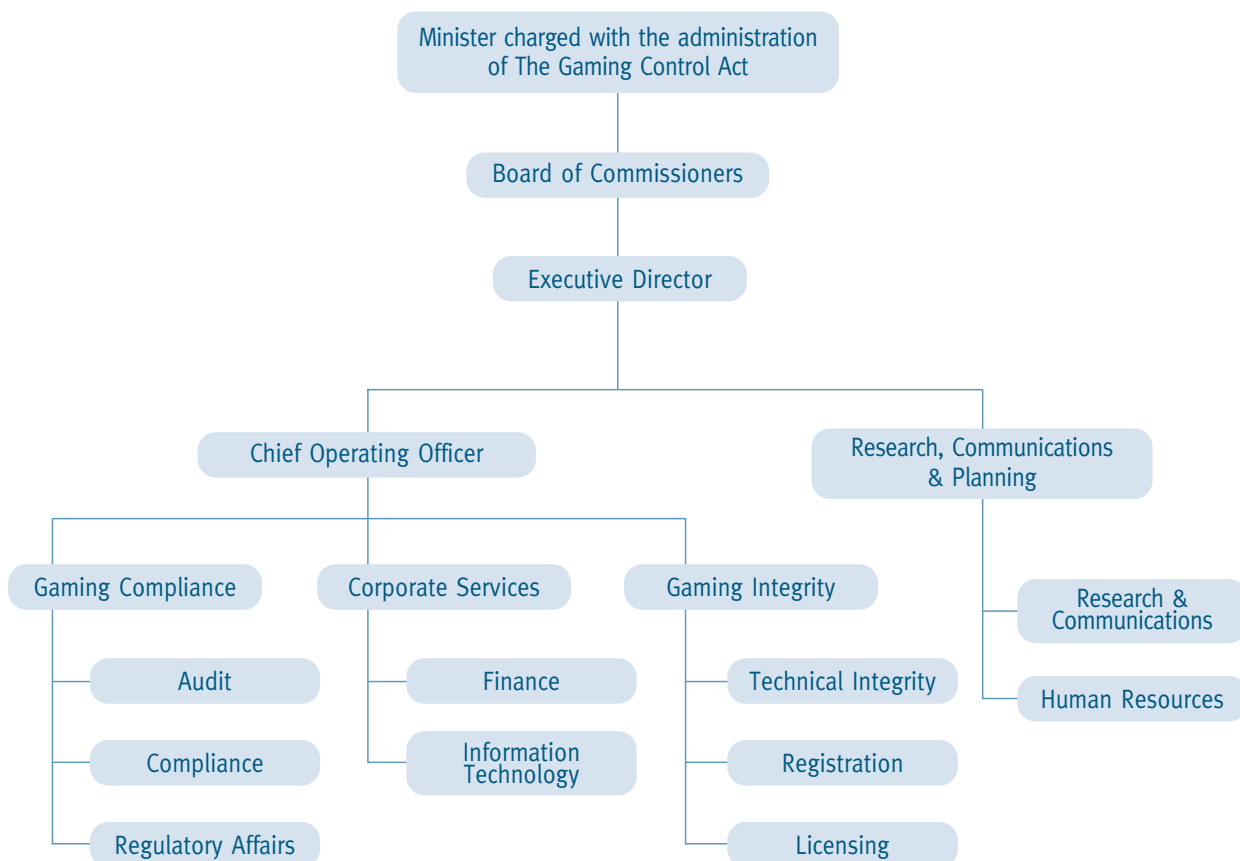
- License specific gaming activities in keeping with the Criminal Code (Canada), including bingo, breakopen tickets, raffles and sports draft lotteries;
- Register Manitoba Lotteries Corporation (MLC) employees, suppliers and gaming equipment and Video Lottery Terminal (VLT) Agreements;
- Establish, monitor and enforce technical compliance requirements for lottery schemes;
- Investigate and make orders related to patron and supplier disputes;
- Conduct hearings pursuant to the foregoing items;
- Provide policy advice to the Minister on current gaming activities and emerging issues; and
- Monitor and enforce compliance with The Act.

Finances & Resources

The MGCC's operating revenue is derived from licence and registration fees. The MGCC does not receive any revenue from the Provincial Consolidated Revenue Fund. The MGCC is permitted to establish its own bank account and operating line of credit under The Act. The annual business plan, which details operational objectives and budget estimates, is approved by the Minister of Finance. The year's activities are reported in the annual report to the Minister charged with the administration of The Gaming Control Act. In the 2004/05 business plan, the MGCC estimated operating expenses of \$4,571,000. A review of the financial statements included in this report shows actual operating expenses to be \$423,379 under estimate. The complete financial statements for the year ended March 31, 2005, begin on page 29.

Organizational Structure

During 2004/05, the MGCC completed an organizational review and realignment in anticipation of legislative amendments and in support of its strategic plan that was completed in September 2004. The new structure focuses on the mandates of gaming integrity and compliance in order to maximize resources and improve service delivery. The following chart provides an overview of the MGCC's operating structure effective January 11, 2005.



Appeals and Disputes

The Board of Commissioners, in its legislated quasi-judicial capacity, conducts hearings and makes rulings on appeals of decisions made by the Executive Director and on patron disputes. In this role, a quorum of members, presided over by a chairperson, receives and considers all evidence presented. Hearings are open to the public, although a hearing, or portions of a hearing, may be closed in instances where financial, private or proprietary information is being presented.

During 2004/05, three hearings were conducted, including two hearings held via teleconference to accommodate remote appellants. One decision was upheld and two decisions were overturned. A further two appeals were withdrawn at the request of the appellants. Appeals of the Board of Commissioners' decisions may be made to the Court of Queen's Bench under Section 45(2) of The Act. Decisions of the Board of Commissioners are available to the public.

HEARING REVIEW PROCESS

MGCC staff from various departments participated in a review of the existing hearing process, covering both specific hearing procedures and establishing consistent investigative steps for background information. Videotaping of statements was introduced as an alternative to taking written statements. We look forward to continuing this process as part of new legislative requirements and new investigative responsibilities.

Collective Advice and Expertise

Each of the operational departments is responsible for contributing advice, assistance and information to the Board of Commissioners, management and other departments in support of a variety of commission-wide projects. During 2004/05, this included:

- Research, advisory and operational expertise in support of the amendments to The Gaming Control Act and Regulation and in preparation for implementation of the new legislation and regulation.
- Development and implementation of the strategic plan, organizational realignment and performance measurement initiative.
- Implementation of new Bingo and Breakopen Terms and Conditions.
- Operational support, including research and advice, to the MGCC's Board of Commissioners' Charitable Gaming Committee's review of the Terms and Conditions for Media Bingo events.
- Sponsorship of E-YES-CI-KAN-NI-WAK, the Second Biennial National Aboriginal Gambling Awareness Conference, sponsored and led by the Assembly of Manitoba Chiefs in Winnipeg, November 2004. MGCC staff also contributed as organizers, facilitators and presenters.
- Advisory and administrative support to the Province's Designate for oversight of the Comprehensive Provincial Framework Agreements for First Nations casino development and operation.
- Implementation and continued development of enhancements to the MGCC's new Gaming Management System (GMS).

Improving Standards

All departments participated in the adoption of improved policies and procedures in support of continuing to uphold provincial government standards. This included:

- The adoption of a new records management process following guidelines established by the Manitoba Government Records Office.

- The enhancement of the role of the MGCC's Freedom of Information and Privacy Protection (FIPPA) Officer to allow for the development and implementation of better information management policies and practices as they relate to privacy legislation obligations.
- The implementation of a new recycling program and new document management practices to significantly reduce the amount of waste and redirect as much waste as possible to recycling programs.

Jurisdictional Alliances

Interagency cooperation is a key aspect of ensuring Manitoba is at the forefront of gaming integrity and regulation. To accomplish this, the MGCC works closely with municipal, provincial, federal and international agencies and jurisdictions. This approach enables the MGCC to benefit from others' experience, expertise, special initiatives and research pertaining to gaming regulation and related issues. Conversely, it permits the MGCC to contribute to other jurisdictions' activities and initiatives. In addition to fellow agencies in other North American jurisdictions during 2004/05, MGCC management and staff liaised with the following partners and stakeholders:

- Addictions Foundation of Manitoba
- Alberta Gaming Research Institute
- Assembly of Manitoba Chiefs
- Canadian Centre on Substance Abuse
- Canadian Gaming Regulators Association and member jurisdictions/agencies
- Canadian Partnership for Responsible Gambling
- City of Winnipeg, Licensing Department
- Criminal Intelligence Service (Canada and Manitoba)
- Greater Winnipeg Community Centres Council
- Manitoba Intelligence Society
- Manitoba Lotteries Corporation
- Manitoba Protective Officers Association
- Midwest Gaming Investigators and Regulators
- Municipal policing authorities
- North American Gaming Regulators Association and member jurisdictions/agencies
- Ontario Problem Gambling Research Council
- Responsible Gambling Council (Ontario)
- Royal Canadian Mounted Police
- Western Canada Lottery Corporation
- Winnipeg Police Service

Year in Review...

The following 2004/05 reporting on MGCC department goals, activities and achievements reflects the transition of each department's roles and responsibilities within the framework of the strategic plan and the organizational realignment.

Given that the realignment occurred close to the end of the fiscal year, this report does not fully capture the impact of these changes, nor does it portray the expected changes in responsibilities related to the pending legislative amendments. Next year, within the context of the new organizational structure, amended legislation and regulation and new performance measurement standards, this section of our annual report will more fully reveal the promises of enhanced interdepartmental cooperation, improved performance measurement and reporting mechanisms, better integration of services delivery and improved client and stakeholder satisfaction.

Gaming Integrity

The MGCC's organizational realignment in January 2005 integrated the roles of the Licensing, Registration and Technical Integrity Departments with the creation of the Gaming Integrity Unit. This recognizes that these three departments together enable the fair and honest conduct, management and operation of gaming activities in Manitoba. The Gaming Integrity Unit provides stakeholders, through registration and licensing activities, with terms and conditions and standards necessary to set and maintain the integrity of gaming.

Licensing

During the 2004/05 fiscal year, 1,267 licences were issued to charitable or religious organizations to conduct gaming events to raise money for community projects and services in Manitoba. The Licensing Department is responsible for licensing these events in accordance with Section 207 (1)(b) of the Criminal Code (Canada). Pursuant to The Gaming Control Act, Order in Council 524/1997 specifies the MGCC as an authority to issue licences to charitable or religious organizations to conduct lottery schemes where the proceeds are used for charitable or religious objectives or purposes.

GOAL

To license eligible charitable organizations to conduct and manage lottery schemes in keeping with legislative and regulatory requirements and as prescribed in licensing terms and conditions.

ACTIVITIES

- Review, process and approve or deny charitable gaming licence applications and amendments from religious and charitable organizations in keeping with legislation, regulation and MGCC policy.
- Develop and implement licensing terms and conditions and applicable policies and procedures to ensure the integrity of licensed charitable gaming activity.

- Liaise with other MGCC staff on issues relating to licensing policies and procedures, including referral of non-compliance matters to Audit and Compliance Departments.
- Communicate information about licensing terms and conditions, policies and procedures to licensees, the public and MGCC staff effectively and consistently.
- Ensure the consistent application of policies and procedures and monitor their effectiveness.
- Gather and analyse information on opportunities for new forms of licensable gaming activities.
- Share information with licensing agencies in other jurisdictions to broaden the MGCC's scope of knowledge related to charitable gaming activities.

ACHIEVEMENTS

- Introduced new Bingo and Breakopen Terms and Conditions, July 1, 2004. This included:
 - Providing advice, information and support to the Board of Commissioners for its review and revision of the Terms and Conditions;
 - Developing new bingo and breakopen application forms and guides;
 - Developing policies and guidelines to assist staff in the administration of terms and conditions; and
 - Participating in the development and implementation of the communications plan developed to inform MGCC staff and other key stakeholders of the changes in the Terms and Conditions.

Registration

- Conducted the staff review of the Media Bingo Terms and Conditions and submitted recommendations to the Board of Commissioners.
- Reviewed and approved 1,267 charitable gaming licences, which were issued to 803 different organizations. Over 120 organizations submitted applications to the MGCC for the first time during this fiscal year.
- Entered and maintained data from approximately 3,448 financial reports submitted by licensees. This permitted review and analysis of licensee operations and finances by the Audit Department.
- Continued to simplify administrative procedures to improve efficiency and customer service. This included new licensing renewal periods and procedures.
- The manager of the Licensing Department was responsible for organizing an inter-jurisdictional information sharing session at the North American Gaming Regulators Association (NAGRA) Conference.

LICENCE RENEWALS – IMPROVING CUSTOMER SERVICE

In keeping with our commitment to simplify administrative procedures to improve efficiency and customer service:

- Instead of one-year renewal periods, by 2006 all ongoing licences will be renewed for three-year periods. (First-time applicants will still be issued a one-year licence.)
 - When it is time for a licence renewal, the MGCC will provide existing licensees with a renewal form already filled in with the information we have in our records. Licensees will simply verify or modify the information as necessary instead of having to complete the entire renewal form. This development will be possible through enhancements to the MGCC's Gaming Management System (GMS).
-

The Gaming Control Act mandates the MGCC to use the criteria of honesty and integrity in carrying out its registration responsibilities. Background checks and investigations are conducted on all prescribed gaming employees, suppliers and operators in order to ensure that they meet these criteria. The Registration Department also registers all VLT Siteholder Agreements and plays a significant role in monitoring siteholder compliance with regulatory requirements related to responsible gambling policies.

GOALS

To ensure all prescribed gaming sector employees, suppliers and operators in Manitoba are registered and meet the legislated requirements of honesty, integrity and financial soundness.

To ensure all VLT Siteholder Agreements are registered and that VLT siteholders comply with all terms and conditions of registration and regulatory requirements.

ACTIVITIES

- Ensure all registration applicants are investigated accordingly to prevent those who might be a detriment to the integrity and honesty of gaming activities from participating as employees, suppliers or operators in the gaming industry in Manitoba.
- Review existing employee registrations to ensure that no issues arise during employment that cast doubt on the honesty and integrity of the employee. This includes annual background checks and the investigation of any reported consequential incidents.
- Review MLC purchasing records to ensure compliance with registration requirements. Supplier registration is also reviewed annually.
- Ensure all VLT Siteholder Agreements are registered and that siteholders are in compliance with all terms and conditions of registration and the MGCC's VLT Regulatory Infraction Policy. This includes monitoring siteholder compliance with the requirement that every site participate in mandatory Problem Gambling Assistance Program training.
- Provide recommendations for any changes to policies and practices in all areas associated with registration. This includes continuing to refine the role of MGCC registration processes for casinos.

- Develop and improve communication strategies with new and current registrants and with stakeholders such as MLC, Asenskak Casino and South Beach Casino.
- Improve investigative staff knowledge and liaise with law enforcement organizations by participating in and attending relevant conferences.

ACHIEVEMENTS

- Completed most Level 1 employee investigations (i.e. those with no concerns noted during the course of the application or renewal process) within the targeted three-day turnaround. Daily notifications were made to employers (e.g. MLC, Asenskak Casino and South Beach Casino) to ensure that their human resource departments could proceed with little interruption in their hiring processes.
- Conducted in-person interviews with all employee applicants with Level 2 status (i.e. those with concerns arising from the submitted application).
- Registered all VLT Siteholder Agreement applications in a timely manner according to the appropriate legislative and policy standards.
- Referred all VLT Siteholder Agreement registration applications to the Compliance Department for a preliminary site inspection and for Compliance Department staff to provide information regarding registration terms and conditions. Siteholders were not registered until it was determined that they had complied with all requirements for registration,

such as the Limit-the-View from Minors policy and completing Problem Gambling Assistance Program training.

- Monitored all MLC purchasing records to ensure compliance with legislation. All suppliers over prescribed thresholds were registered following background investigations and all suppliers who wished to remain registered were renewed following an investigation.
- The Registration Department continues to use the Gaming Management System (GMS) to support and enhance registration activities. This past year, we completed the data entry of all existing siteholder files into the GMS.
- A special initiative for the Registration Department this past year involved the completion of all background investigations into the financial participants and management companies involved in the development and implementation of the South Beach Casino project, scheduled to open May 31, 2005.
- Registration Department staff attended and participated at the Midwest Gaming Investigators and Regulators (MGIR) Conference, Criminal Intelligence Service Canada (CISC) Organized Crime Workshop, Criminal Intelligence Service Manitoba (CISM) meetings, Manitoba Intelligence Society (MIS) meetings and Manitoba Protective Officers Association (MPOA) meetings.

REGISTRATION OVERVIEW

AS OF MARCH 31, 2005

MLC New Applicant Employee Registrations	204
MLC Employee Renewals	1,781
Asenskak New Applicant Employee Approvals	129
Asenskak Employee Renewals	98
South Beach Casino New Applicant Employee Approvals	75
MLC Current Gaming Suppliers	37
MLC Current Non-Gaming Suppliers	52
VLT Siteholder Agreements	552

Technical Integrity

The Technical Integrity Department ensures that the games played in casinos, Video Lottery Terminal (VLT) sites, bingo halls and community clubs across Manitoba are fair, honest, secure, safe and auditable. Simply stated, technical integrity may best be described as ensuring fair play, yet it is actually a more complex aspect of gaming control and regulation that concerns itself with everything from mechanical equipment functions, to emerging technologies, to game protection measures and statistical probabilities and to game design and operation.

GOAL

To ensure the technical integrity of all gaming conducted and managed by the Manitoba Lotteries Corporation (MLC) and charitable gaming licensees.

ACTIVITIES

- Develop, enhance and enforce standards for technical integrity.
- Register all gaming machines, including VLTs and slot machines, in accordance with technical standards.
- Work with the MGCC licensees, the MLC, gaming suppliers, independent game-testing laboratories and other Canadian and U.S. regulatory bodies to ensure that technical integrity standards are met and that compliance is maintained.
- Conduct regular technical integrity inspections on gaming equipment in use in Manitoba.
- Conduct investigations as follow-up to inspections and in response to patron complaints.
- Investigate patron disputes and oversee resolution and remedies as required.
- Verify that tests are conducted of the mechanical and physical integrity of gaming devices and products to ensure that they cannot be compromised and issue approvals based on testing outcomes.
- Approve hardware and software upgrades for all electronic gaming equipment.
- Review new lottery schemes and new gaming technologies and apply standard tests to ensure technical integrity.

- Provide guidance and recommendations to the MLC and MGCC licensees.
- Participate in the formal process of sharing gaming intelligence with the gaming industry, other jurisdictions and policing authorities.

ACHIEVEMENTS

- Reviewed all new technologically-based gaming products to ensure the highest possible standards of integrity and control were met and maintained through application of technical standards, testing and inter-jurisdictional comparisons.
- Conducted regular meetings, consultations and inspections with representatives from various MLC departments to monitor compliance with MGCC technical integrity standards.
- A total of 110 new slot machines were registered and 391 slot machines were deregistered.
- A special initiative for the Technical Integrity Department this past year involved the registration of 5,395 VLTs and the deregistration of 5,444 VLTs, as the result of MLC's VLT replacement initiative.
- Issued 128 new technical integrity approvals for gaming devices and software, table games and associated equipment, breakopen ticket games and game rules and regulations. Also issued five interim technical integrity approvals and two revocations.
- Conducted eight technical integrity inspections on gaming equipment in use in Manitoba, in accordance with MGCC standards.
- Conducted 40 technical integrity investigations as follow-up to inspections and in response to patron complaints and dealt with 54 other technical integrity-related issues.

NEW TECHNICAL INTEGRITY APPROVALS AS OF MARCH 31, 2005

New Slot Machine Models	16
Software associated with Slot Machine Games	103
Table Games and associated Gaming Equipment	4
Breakopen Ticket Games	2
Table Game Rules and Regulations	3

Gaming Compliance

Ensuring compliance with licensing and registration terms and conditions, standards and gaming legislation and regulation is identified as one of the MGCC's core functions. The establishment of the Gaming Compliance Unit formalized this role within the MGCC's organizational structure by bringing together the interrelated responsibilities of the Audit, Compliance and Regulatory Affairs Departments. These three departments are now better able to share skills and information related to financial accountability, legal and regulatory matters and investigative expertise in support of the roles of other MGCC departments.

Audit

During 2004/05, charitable organizations reported that Manitobans spent \$83.5 million on 1,120 charitable gaming events licensed by the MGCC. Proceeds from these fundraisers benefit communities and organizations throughout Manitoba. The Audit Department is responsible for helping to ensure the financial accountability of licensed gaming in Manitoba.

GOAL

To provide reasonable assurance to the MGCC, the government and the general public that all lottery revenues and expenses are recorded and reported in accordance with the terms and conditions of each licence and that earnings have been distributed in accordance with previously approved profit objectives.

ACTIVITIES

- Review all financial information submitted by MGCC licensees within 60 days of receipt.
- Review audited financial statements submitted by First Nations Gaming Commissions.
- Comprehensively review all financial reports from on-going charitable licensee organizations on an annual basis.

- Identify and document shortcomings in submitted financial information and/or any contraventions of licensing terms and conditions and determine remedies for identified concerns.
- Work with the Compliance Department to implement corrective measures with licensees and to monitor compliance with imposed remedies and/or any additional terms and conditions.
- Refer all matters of a potentially fraudulent nature to the Compliance Department for further investigation.
- Provide education, training and support to all charitable licensees and First Nations Gaming Commission members and staff.
- Provide advice and assistance to other MGCC departments in support of their work with charitable licensees and First Nations Gaming Commissions.

ACHIEVEMENTS

- Conducted cursory reviews of approximately 3,400 financial reports during the 2004/05 fiscal year.
- Completed annual reviews of approximately 500 licensed organizations seeking to renew their licences.

MANITOBA GAMING CONTROL COMMISSION
CHARITABLE GAMING TABLE FISCAL YEAR 2004/05 (\$MILLIONS)

Event Type	Licensed Events		Gross Revenue		Prizes Paid		Total Expenses		Net Profit	
	04/05	03/04	04/05	03/04	04/05	03/04	04/05	03/04	04/05	03/04
Bingo	411	499	\$61.1	\$71.0	\$49.5	\$56.5	\$7.1	\$7.9	\$4.5	\$6.6
Breakopen	358	387	6.5	8.1	4.6	5.6	0.6	0.8	1.3	1.7
Raffle	303	267	10.9	9.0	4.1	3.5	2.1	1.5	4.7	4.0
Other	27	30	0.1	0.2	0.1	0.2	0.0	0.0	0.0	0.0
Media Bingo	21	31	4.9	5.1	1.5	4.5	0.7	0.9	2.7	(0.3)
Totals	1120	1214	\$ 83.5	\$ 93.4	\$ 59.8	\$ 70.3	\$ 10.5	\$ 11.1	\$ 13.2	\$ 12.0

In addition, there were 147 licences issued to organizations who, due to reporting thresholds, were not required to submit financial reports or licence fees (113 bingo, 31 breakopen and 3 media bingo) and are therefore not reflected in the above chart.

- Provided assistance, support and training related to record keeping and reporting for licensee organizations.
- Initiated 30 referrals to the Compliance Department during 2004/05, all of which were successfully concluded. These referrals resulted in enhanced financial reporting, record keeping and improvements in cash controls on revenues and disbursements.
- Audit Department staff continue with ongoing professional development to broaden the Audit Department's skill base. One staff member is currently enrolled in courses towards the completion of the Certified General Accountant designation and one staff member with a Certified Management Accountant designation and one staff member with a Certified Fraud Examiner designation continue with ongoing professional development activities as required to maintain their designations.

Compliance

It is the responsibility of the MGCC Compliance Department, through regular inspections and investigations, to ensure that gaming activities in Manitoba are conducted in compliance with licensing and registration terms and conditions and gaming legislation and regulation. The Compliance Department also works closely with Manitoba's First Nations Gaming Commissions.

GOAL

To ensure that gaming activities are conducted honestly and fairly and that compliance with all regulatory requirements, licensing and registration terms and conditions and with gaming agreements is met and maintained.

ACTIVITIES

- Conduct random proactive inspections in accordance with established standards.
- Conduct annual formal inspections to monitor compliance with First Nations Gaming Commission Agreement covenants.
- Conduct ongoing operational reviews of First Nations Gaming Commissions to ensure proper accounting, inventory, licensing and other

procedures are followed to facilitate preparation and submission of annual audited financial statements.

- Identify and document irregularities for further action by the Gaming Compliance Unit or for referral to the Executive Director.
- Conduct investigations as a result of irregularities identified during random proactive inspections and referrals from other MGCC departments.
- Conduct inspections and investigations as a result of player/public complaints, patron disputes and referrals from the MLC, other gaming industry stakeholders and other jurisdictions and to assist law enforcement agencies.
- Document and compile evidence for submission to hearings by the MGCC Board of Commissioners or to policing authorities.
- Lead training sessions for First Nations Gaming Commission staff and board members.
- Develop and implement standard compliance practices, policies and procedures for inspection and investigation activities based on licensing and registration terms.
- Provide consultative and training support to other MGCC department staff and other gaming agencies.
- Liaise with MGCC licensees and registrants, Manitoba's First Nations Gaming Commissions, the MLC, other gaming industry stakeholders, other jurisdictions and law enforcement agencies to share MGCC experiences, advice and expertise.
- Improve investigative staff knowledge and liaise with law enforcement organizations and gaming regulators from other jurisdictions by attending and presenting at relevant conferences.

FIRST NATIONS GAMING COMMISSION ADMINISTRATIVE COMPLIANCE AS OF MARCH 31, 2005

18	Gaming Commissions were compliant
6	Gaming Commissions were non-compliant (e.g. partial, incomplete or outstanding annual independent audits)
8	Gaming Commissions were not functioning (i.e. no board or staff in place)
1	Gaming Commission was suspended
33	Total

The Compliance Department supports the activities of the Registration Department by playing a key role in monitoring VLT siteholder compliance with the MGCC's **VLT Regulatory Infraction Policy**. This policy supports the objective of ensuring that VLT gaming in Manitoba is conducted in accordance with responsible gambling principles. Key provisions of the policy include the following stated violations:

Siteholders must not grant credit, cash cheques, provide advances on credit cards or give cash through the use of a debit card to enable a person to play a VLT.

Siteholders must not permit minors (persons under the age of 18 years) to play VLTs or enter the areas where VLTs are situated/played and must ensure that the VLTs are not visible to minors at any time.

All VLT sites must have at least one senior staff person who works in the VLT area complete the Problem Gambling Assistance Program offered by the Addictions Foundation of Manitoba.

ACHIEVEMENTS

- Conducted 341 bingo and breakopen inspections and 122 raffle inspections to ensure compliance with MGCC licensing terms and conditions.
- Conducted 69 VLT site inspections to ensure compliance with registration terms and conditions and with the MGCC's VLT Regulatory Infraction Policy.
- Conducted 29 formal First Nations Gaming Commission inspections and 11 on-site First Nations Gaming Commission operational reviews.
- Conducted 41 investigations as a result of irregularities identified by other MGCC departments.
- Investigated 87 complaints brought forth by gaming patrons, licensees, registrants or other stakeholders.
- Resolved the majority of issues or concerns that

prompted investigations. MGCC inspectors, working closely with licensees, registrants and members of other MGCC departments, remedied concerns or complaints while ensuring game integrity was maintained.

- Referred suspected illegal gaming activities to the appropriate law enforcement agencies for investigation. In 2004/05, four cases of alleged fraud or illegal activities were referred to policing authorities and to the Crown for their review.
- Conducted 21 training sessions with First Nations Gaming Commission licensing managers and board members.
- Maintained regular communication with inter-jurisdictional bodies to monitor developments and emerging issues in gaming jurisdictions throughout North America, including research and expertise on regulatory enforcement practices.
- Members of the Compliance Department attended or gave presentations at the Midwest Gaming Investigators and Regulators (MGIR) Conference, the Canadian Gaming Regulators Association (CAGRA) Conference, the North American Gaming Regulators Association (NAGRA) Conference, the World Bingo Conference and the Phoenix Rising Intelligence Service Conference on casino fraud.

Regulatory Affairs

The Regulatory Affairs Department captures and defines a new role and new responsibilities within the MGCC. This department is responsible for providing leadership on special projects related to the application of legal, regulatory, integrity and compliance standards.

GOAL

To provide advice, information and support to other MGCC departments and external stakeholders regarding matters related to gaming legislation and regulations, terms and conditions and industry and regulatory standards and practices.

ACTIVITIES

- Develop policies, procedures and forms for the appeal process to ensure licensing, technical integrity and registration procedures adapt to the new hearing process.
- Develop and implement casino inspection policies and procedures.
- Develop and implement a Special Constable Program to ensure that MGCC inspections and investigations are conducted in accordance with all applicable federal and provincial legislation and regulation.
- Develop and implement training programs to ensure MGCC employees adhere to the policies, procedures and standards relevant to carrying out their operational responsibilities.
- Review, monitor and provide recommendations to ensure that the application of gaming-related legislation and regulation, licensing and registration terms and conditions and other MGCC standards and policies appropriately protect the honesty and integrity of gaming in Manitoba.
- Liaise with law enforcement agencies, Crown Counsel and other regulatory agencies to share information and inform MGCC initiatives.

ACHIEVEMENTS

- Led the development of new policies and procedures for MGCC appeal hearings. This will continue into the next fiscal year with the development of new information materials for appellants.
- Initiated the development of casino inspection policies and procedures.
- Initiated planning for a Special Constable Program, liaising with the Department of Justice and the Winnipeg Police Service.
- Began implementation of investigative training offered by the Winnipeg Police Service for MGCC Special Constables.
- Provided recommendations and advice related to legal and regulatory issues to MGCC staff and departments for the undertaking of special initiatives and on a day-to-day operational basis.
- Liaised with law enforcement agencies, Crown Counsel and other regulatory agencies.

Corporate Services

Corporate finance and information technology services have supported MGCC operational departments since the MGCC's inception in 1997. The MGCC's new organizational structure now recognizes these two areas as core corporate functions by bringing them together under Corporate Services.

Finance

The Finance Department administers and manages all financial transactions, planning and reporting for the MGCC. The activities of this department facilitate the day-to-day functions of all other operational departments. This department is also responsible for accurately recording, consolidating and reporting the financial activities and status of the MGCC for publication in this annual report.

GOAL

To support all functions of the MGCC by developing and implementing appropriate financial planning and by accurately and in a timely manner recording and reporting all financial transactions.

ACTIVITIES

- Accurately record and report all assets and liabilities.
- Pay, record and report all financial transactions in an accurate and timely manner.
- Prepare all monthly, quarterly and annual reports and variance analyses in a timely manner.
- Provide prompt and accurate responses to all internal queries received from the Board of Commissioners, executive and management.
- Provide prompt and accurate responses to all queries received from external sources such as licence holders, registrants and vendors regarding financial transactions.

- Ensure all worksheets, account reconciliations and other documentation are available for review by the external auditor as required.
- Ensure all financial transactions are in compliance with The Gaming Control Act and Regulation, as well as other applicable legislation.
- Develop and implement sound financial policies, procedures and control measures.
- Develop the annual Business Plan and Budget.
- Prepare the annual Financial Statements.
- Liaise with the MGCC's external auditors.

ACHIEVEMENTS

- Managed and recorded all revenue, bills and invoices.
- Responded to all inquiries accurately and in a timely manner.
- Maintained a general ledger accounting system and produced consolidated and departmental financial statements on a monthly and quarterly basis.
- Prepared Annual Financial Statements for the 2004/05 fiscal year. (See page 29)
- Prepared and submitted the Business Plan for the 2005/06 fiscal year.

Information Technology

The Information Technology Department supports all of the computer-related and communications technology needs of the MGCC. To meet these needs, activities are focused on two main functions: network administration and applications development. This approach allows this department to oversee the continued development and implementation of the Gaming Management System (GMS) while maintaining consistent network support to all users.

GOAL

To provide a fully functional, reliable and secure network of computers and communications devices to support all departments in securing their goals.

ACTIVITIES

- Plan, manage and maintain the computer network to permit use 100% of the time during normal business hours.
- Ensure that information system resources are stable, secure, used properly and free of inappropriate material.
- Monitor the hardware inventory. Remove and replace obsolete equipment. This department is also responsible for the purchasing and licensing of all software.
- Facilitate the preparation of operational reports by providing functional applications that allow effective sharing of information within the MGCC and with other key stakeholders.
- Provide communications support in the form of desk phones, cell phones, voice mail, e-mail and outside data lines.
- Liaise with outside agencies such as the MLC, Government Services and other private consultants in relation to any information technology projects.
- Develop and maintain the MGCC website, providing a full description of the MGCC and all of its activities and departments, in conjunction with the Research and Communications Department.

- Provide network security and disaster recovery for the entire system by carrying out daily back-ups, maintaining the firewall and anti-virus protection and putting in place effective disaster recovery procedures to prevent major disruptions of the MGCC's daily business.

ACHIEVEMENTS

- Led the ongoing development and enhancement of the Gaming Management System (GMS) database and applications.
- Created a new database application for the Technical Integrity Department to support the tracking of electronic gaming-related devices.
- Completed the setup of a new e-mail system including the activation of a new spam filtering system.
- Continued ongoing PC upgrades, conversions and replacements and installed new server room hardware. All desktop PCs were upgraded and are now running the Windows XP operating system.
- Server up-time was 99.9% with no reported crashes during regular or off-hours operations.
- Initiated setup of the off-site MGCC Disaster Recovery Office.
- Initiated a new electronic fax system that converts all incoming faxes to PDF documents, allowing easier storage and distribution to staff. This new fax system also helped to minimize paper waste.

Research, Communications and Planning

As with the MGCC's operational units, the anticipated legislative amendments and the new strategic plan resulted in realignment and the addition of responsibilities for the Research and Communications function area. Corporate planning and human resource services are now also captured within this unit. This brings the oversight of MGCC performance measurement and reporting to the business unit already responsible for corporate initiatives including the annual report and other publications, research and briefing activities, the website, media liaison and the MGCC's new research agenda.

GOAL

To provide policy advice, conduct research, implement communications strategies and lead corporate planning in support of the MGCC's strategic plan and legislative, regulatory and public interest mandates.

ACTIVITIES

- Conduct independent and collaborative research projects relevant to regulatory requirements, emerging issues and the public interest.
- Develop and implement communications strategies in support of policy development, implementation and maintenance.
- Prepare and provide accurate and relevant information about the MGCC, gaming related issues and research, policy decisions and policy implementation in a variety of formats for the Minister, the Board of Commissioners, management and staff of the MGCC, citizens, stakeholders and the media.
- Guide corporate planning and support operational implementation of the strategic plan, performance measurement and reporting initiatives.
- Provide human resource services to MGCC management and staff.
- Develop partnerships that permit the MGCC to maximize research and public information opportunities.

ACHIEVEMENTS

- Prepared ministerial and corporate advisory materials on current operations, policy implementation, research findings and emerging issues.
- Provided communications and research support on a range of issues related to the MGCC's regulatory, advisory and public information responsibilities.
- Published corporate research agenda in support of the MGCC's research mandate.
- Coordinated amendments and regular updates to the MGCC's website.
- Worked with the Addictions Foundation of Manitoba, MLC and VLT siteholders to administer the Problem Gambling Assistance Program for all VLT sites.
- Provided consultative, training and advisory support to other gaming corporations, agencies and social policy organizations on research, social policy and communications initiatives.
- Department director is co-chair of the Canadian Partnership for Responsible Gambling, launched in September 2004.

Our Research Agenda

In early 2005, the MGCC released its first formal research agenda; this is the first such agenda published by a gaming regulator in Canada. Mandated by legislation to conduct independent and collaborative research initiatives, the MGCC has conducted and participated in a number of different projects during the past several years. Collaboration with national and provincial agencies permits the MGCC to maximize resources, build research capacity and contribute to and influence major national

research initiatives. Articulating our research goals permits the MGCC to strategically approach and undertake research projects in keeping with specific goals and to report on research outcomes. By combining academic standards and regulatory perspectives, the MGCC is striving to build and support research in the gaming field. The following chart provides a brief status report on each of MGCC's major 2004/05 research projects.

RESEARCH PROJECTS STATUS MARCH 31, 2005

Research Projects	Status/Project Timeline	Initiated Research	Collaborative Research	Independent	Outcome
Adolescent Problem Gambling Index	Year 2 of 3	12/2003	✓		Phase 1 report complete, field testing underway
Canadian Problem Gambling Index Review	Year 1 of 3	11/2004	✓		Project in planning stage (confirmation of partners and funding commitments)
Social & Economic Impact of Gambling Study	Year 2 of 4	01/2004	✓		Phase 1 underway (literature review, framework development)
Manitobans & Gambling Project <ul style="list-style-type: none"> • Empirical research study • Developing public education messages 	Complete	09/2003		✓	<i>Manitobans & Gambling Report, 2004</i>
	Year 1 of 2	09/2004		✓	Public education campaign scheduled for September 2005
Longitudinal Study of Young Adult Gambling	Pending	03/2005	✓		Project in planning stage (confirmation of partners and funding commitments)

balance the opinions
and interests of our stakeholders
and partners within the context of
reasoned and
sound regulation and control

Financial

FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2005

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Statements

Management Report

The Management of the Manitoba Gaming Control Commission is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information in the annual report which it has prepared.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In addition, certain best estimates and judgments have been made based on a careful assessment of the available data.

The financial statements and accompanying notes are examined by the Auditor General for Manitoba, whose opinion is included herein. The Auditor General has access to the Board of Commissioners, with or without Management present, to discuss the results of their audit and the quality of financial reporting of the Commission.



F.J.O. (Rick) Josephson
Executive Director



Dale Fuga
Chief Operating Officer

May 27, 2005



Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Commissioners of the Manitoba Gaming Control Commission:

We have audited the balance sheet of the Manitoba Gaming Control Commission as at March 31, 2005 and the statements of operations and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Commission'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 financial statements present fairly, in all material respects, the financial position of the Manitoba Gaming Control Commission as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 27, 2005

Manitoba Gaming Control Commission

Balance Sheet

March 31

ASSETS	2005	2004
Current Assets		
Cash	\$ 100,232	\$ 2,150,345
Short-term investments (Note 2b)	2,920,090	436,424
Accounts receivable (Note 3)	42,012	1,044,085
Prepaid expenses	16,995	17,765
	3,079,329	3,648,619
Long Term Receivable – Province of Manitoba (Note 6)	146,079	146,079
Capital Assets (Note 4)	492,427	614,163
	\$ 3,717,835	\$ 4,408,861
LIABILITIES AND SURPLUS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 403,154	\$ 422,679
Deferred revenue (Note 5)	1,802,725	1,799,155
	2,205,879	2,221,834
Provision for employee severance benefits (Note 6)	150,654	164,825
Deferred lease inducements (Note 7)	27,125	37,625
	2,383,658	2,424,284
Surplus	1,334,177	1,984,577
	\$ 3,717,835	\$ 4,408,861

On behalf of the Board:


Director


Director

The accompanying notes are an integral part of these financial statements.

Manitoba Gaming Control Commission
Statement of Operations and Surplus
for the year ended March 31

Revenue	2005	2004
Registration fees	\$ 3,263,422	\$ 2,719,242
License fees	1,154,808	1,274,877
	4,418,230	3,994,119
Expenses		
Salaries and benefits	2,752,910	2,687,701
Other expenses (Note 8)	332,079	228,692
Legal and professional fees	266,942	240,581
Rent	168,723	157,557
Transportation	167,068	127,480
Amortization	158,443	189,194
Communications	93,255	102,538
Supplies and services	85,169	68,852
Commission Board	66,892	66,620
Accommodations	56,140	32,372
	4,147,621	3,901,587
Income before other items	270,609	92,532
Other Items		
Other income	30,577	14,800
Interest income	48,414	46,511
	78,991	61,311
Excess of revenue over expenses	349,600	153,843
Surplus, beginning of year	1,984,577	1,830,734
Revenue sharing payment to Province (Note 12)	(1,000,000)	
Surplus, end of year	\$ 1,334,177	\$ 1,984,577

The accompanying notes are an integral part of these financial statements.

Manitoba Gaming Control Commission
Statement of Cash Flows
for the year ended March 31

Cash Flows from Operating Activities	2005	2004
Excess of revenue over expenses	\$ 349,600	\$ 153,843
Items not involving cash		
Amortization of capital assets	158,443	189,194
Amortization of capital assets related to the Commission Board . .	3,316	4,366
	511,359	347,403
Changes in non-cash working capital balances		
Accounts receivable	1,002,073	(1,008,343)
Prepaid expenses	770	(13,612)
Accounts payable and accrued liabilities	(19,525)	79,091
Deferred revenue	3,570	592,626
Provision for employee severance benefits	(14,171)	11,624
	1,484,076	8,789
Cash Flows from Investing Activities		
Purchase of capital assets	(40,023)	(162,996)
Cash Flows from Financing Activities		
Deferred lease inducements	(10,500)	(10,500)
Revenue sharing payment to Province	(1,000,000)	
Increase (decrease) in cash and cash equivalents during the year	433,553	(164,707)
Cash and cash equivalents, beginning of year	2,586,769	2,751,476
Cash and cash equivalents, end of year	\$ 3,020,322	\$ 2,586,769
 Represented by		
Cash	\$ 100,232	\$ 2,150,345
Short-term investments	2,920,090	436,424
	\$ 3,020,322	\$ 2,586,769

The accompanying notes are an integral part of these financial statements.

Manitoba Gaming Control Commission
Notes to Financial Statements
for the year ended March 31, 2005

1. NATURE OF BUSINESS

The Manitoba Gaming Control Commission was established by The Gaming Control Act. The organization's objectives are to regulate and control gaming activity in the province with the aims of ensuring that gaming activity is conducted honestly, with integrity and in the public interest. The organization began its operations on October 20, 1997.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies.

b. Short-Term Investments

Short-term investments are carried at cost, which approximates market value. Funds available for short-term investment are invested with the Province of Manitoba, in accordance with Section 55(7) of The Gaming Control Act.

c. Financial Instruments

The organization's financial instruments consist of cash, short-term investments, accounts receivable, and accounts payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

d. Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Equipment	20% declining balance basis
Furniture and fixtures	10% declining balance basis
Computer equipment	30% declining balance basis

e. Revenue Recognition

Revenue and expenses are recorded on an accrual basis except for license and supplier registration fees, which are recognized on a cash receipt basis.

f. Use of Estimates

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

3. ACCOUNTS RECEIVABLE

	2005	2004
Trade	\$ 7,245	\$ 9,902
Manitoba Lotteries Corporation	22,850	1,021,250
Employee Advances	11,917	12,933
	\$42,012	\$1,044,085

Manitoba Gaming Control Commission
Notes to Financial Statements
for the year ended March 31, 2005

	2005		2004
	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 65,453	\$ 46,927	\$ 18,526
Furniture and fixtures	307,998	158,432	149,566
Computer equipment	961,350	637,015	324,335
	\$1,334,801	\$ 842,374	\$ 492,427
			Net Book Value
			\$ 23,158
			155,314
			435,691
			614,163

5. DEFERRED REVENUE

Deferred revenue consists of registration fees received to be recognized as revenue in the year in which the related expenses are incurred.

6. PROVISION FOR EMPLOYEE SEVERANCE BENEFITS

Effective April 1, 1998, the Commission commenced recording the estimated liability for accumulated severance pay benefits for certain of its employees. The amount of this estimated liability is determined using the method of calculation set by the Province of Manitoba.

Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. The maximum payout is currently 17 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Commission.

The Province of Manitoba has accepted responsibility for the severance pay benefits accumulated to March 31, 1998 by the Commission's employees. Accordingly, the Commission recorded a receivable of \$146,079 from the Province of Manitoba, which is an amount that is equal to the estimated liability for accumulated severance pay benefits at March 31, 1998. There are no specific terms of repayment for this receivable and there have been no repayments made by the Province to date.

7. DEFERRED LEASE INDUCEMENTS

The organization has received lease inducements in the form of a rent-free period of approximately ten months. The benefits arising from these lease inducements are amortized over the term of the lease on a straight-line basis as reductions of rental expense. Rental expense has been reduced by \$10,500 for the period ending March 31, 2005 (\$10,500 in 2004) and an annual reduction in rental expense of approximately \$10,500 is expected for the years 2006 through 2007.

8. OTHER EXPENSES

Other expenses include legal costs of \$55,440 (\$33,336 in 2004) related to First Nations Gaming matters in the Province.

9. COMMITMENTS

The organization has an operating lease for its premises at \$12,094 per month, under a lease expiring in 2007.

The minimum annual lease payments for the next two years are as follows:

2006	145,125
2007	145,125

Manitoba Gaming Control Commission
Notes to Financial Statements
for the year ended March 31, 2005

10. ECONOMIC DEPENDENCE

A substantial portion of the organization's total revenue is derived from Manitoba Lotteries Corporation in the form of registration fees.

11. PENSION PLANS

Substantially all of the employees of the Commission are members of a Money Purchase Pension Plan ("the Plan"), which is a defined contribution pension plan available to all eligible employees of the Commission. Upon retirement, plan members will receive benefits based on contributions made to the Plan during the employees' years of service.

The remainder of the employees are members of the Province of Manitoba's defined benefit Superannuation Pension Fund ("the Fund"). Variances between actual funding estimates and actual experience will be revealed in future valuations which may require an increase in the funding contribution rates.

Effective April 1, 2005, all employees who are members of the Money Purchase Plan ("the Plan") will become members of the Province of Manitoba's defined benefit Superannuation Pension Fund ("the Fund").

The Commission matches employees' current pension contributions to both plans. The Commission's portion of contributions to these plans is recognized as operating expenses in the period of contribution. Total contributions for the year are \$104,963 (\$41,862 to the Fund and \$63,101 to the Plan). Contributions for the 2004 year were \$102,318 (\$41,604 to the Fund and \$60,714 to the Plan).

12. REVENUE SHARING PAYMENT TO THE PROVINCE

In December, 2004, a one-time revenue sharing payment of \$1.0 million was made to the Province as directed by the Minister of Finance, as per Section 55(13) of The Gaming Control Act.

Continuing to ensure
the honesty and integrity of gaming
in Manitoba

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2004/05**

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Manitoba Gaming Control Commission

800-215 Garry Street

Winnipeg, Manitoba R3C 3P3

T: 204.954.9400 / 1.800.782.0363

F: 204.954.9450

E: information@mgcc.mb.ca

W: www.mgcc.mb.ca