



ANNUAL REPORT

2009/10

7-1715 St. James Street
Winnipeg, Manitoba R3H 1H3

TABLE OF CONTENTS

MINISTER'S LETTER OF TRANSMITTAL	2
DEPUTY MINISTER'S LETTER OF TRANSMITTAL	3
CHIEF OPERATING OFFICER'S LETTER OF TRANSMITTAL	4
STRUCTURE FOR OPERATIONS	5
MDA MISSION STATEMENT	7
ORGANIZATIONAL GOALS	7
ORGANIZATIONAL VALUES	7
BACKGROUND	7
AGENCY PRODUCTS	8
AGENCY SERVICES	8
MARKET SEGMENT INFORMATION	10
WAREHOUSE PRODUCTS – DISTRIBUTION INFORMATION	10
2009/10 PROJECTS AND ACTIVITY STATUS HIGHLIGHTS	11
1. HUMAN RESOURCES OVERVIEW	11
2. NEW AND GROWTH BUSINESS INITIATIVES OVERVIEW	13
3. INTERNAL PROJECT INITIATIVES OVERVIEW	16
4. SUSTAINABLE DEVELOPMENT & GREEN INITIATIVES OVERVIEW	17
FINANCIAL OVERVIEW	18
MDA AUDITED FINANCIAL STATEMENTS	APPENDIX A

MINISTER'S LETTER OF TRANSMITTAL



MINISTER OF INFRASTRUCTURE AND TRANSPORTATION

Room 203
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

June 30, 2010

The Honourable Philip S. Lee, C.M., O.M.
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg, MB R3C 0V8

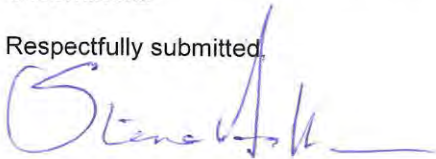
May It Please Your Honour:

It is my privilege to present the Annual Report of Materials Distribution Agency (MDA) for the year ended March 31, 2010.

This report marks the completion of MDA's seventeenth year as a Special Operating Agency, providing the Province and the broader public sector with quality, cost-effective centralized mail and material management services. MDA continues to demonstrate its competencies by improving its warehousing and distribution services for all areas of the government.

I congratulate the staff and management of MDA on the success they achieved in the last year. MDA continues to provide savings and innovative services to the Manitoba Government.

Respectfully submitted,



Steve Ashton
Minister Responsible for
Materials Distribution Agency

DEPUTY MINISTER'S LETTER OF TRANSMITTAL



Infrastructure and Transportation

Associate Deputy Minister's office
300 - 215 Garry
Winnipeg MB R3C 3P3
T 204-945-3887 F 204-945-1857

June 30, 2010

Honourable Steve Ashton
Minister Responsible for the
Materials Distribution Agency
Manitoba Infrastructure and Transportation
Room 203, Legislative Building
Winnipeg MB
R3C 0V8

Dear Mr. Minister:

It is with pleasure that I present the seventeenth Annual Report of Materials Distribution Agency (MDA) for the year ending March 31, 2010.

The Agency continues to offer costs savings in products and services for the benefit of provincial clients. MDA reacts quickly to the needs of the departments in times of urgency and I value the dedication and hard work of the staff that are focused on persistently improving the Agency's services.

I look forward to the new challenges and business opportunities the next year will bring to the Agency.

Respectfully submitted,



Paul Rochon
Associate Deputy Minister of Infrastructure and Transportation and
Chair of the Materials Distribution Agency Advisory Board

CHIEF OPERATING OFFICER'S LETTER OF TRANSMITTAL

June 21, 2010

To Our Valued MDA Stakeholders:

I have the distinction to present the Materials Distribution Agency's (MDA) seventeenth Annual Report as a Special Operating Agency.

MDA provides valuable cost-effective mail and product distribution services, along with other lines of business to the Provincial Government. With a centralized point of delivery, MDA is able to offer its clients competitive and substantive cost-savings, including reduced time and effort within their own operations.

One of MDA's main areas of focus is offering customers superior services and value added benefits that will surpass their expectations and exceed their needs. We are proud of our role and performance in these initiatives, and continue to look for ways to improve and expand.

MDA's success is directly related to the partnerships it has been able to establish and secure. Stakeholders, such as Employment and Income Assistance Branch, Manitoba Textbook Bureau, and The Office of Disaster Management, have realized cost-savings in their purchases and their day-to-day operating costs utilizing our services. MDA reacts quickly to concerns and emergent issues to improve the Agency each year.

MDA is grateful to its customers for their continued loyalty. We look forward to developing new opportunities and innovative solutions for our existing and new client base. MDA looks forward to continue our tradition of excellent service and deep expertise, while continuing to establish an environment our clients want to be a part of.

On behalf of MDA and its staff, I would like to thank our clients for their continued support of MDA. The Agency is grateful not only for having the opportunity to provide provincial departments with distribution solutions, but also for their continued commitment and trust, which have enriched our relationship.

Sincerely,



Dave Bishop
Chief Operating Officer - MDA

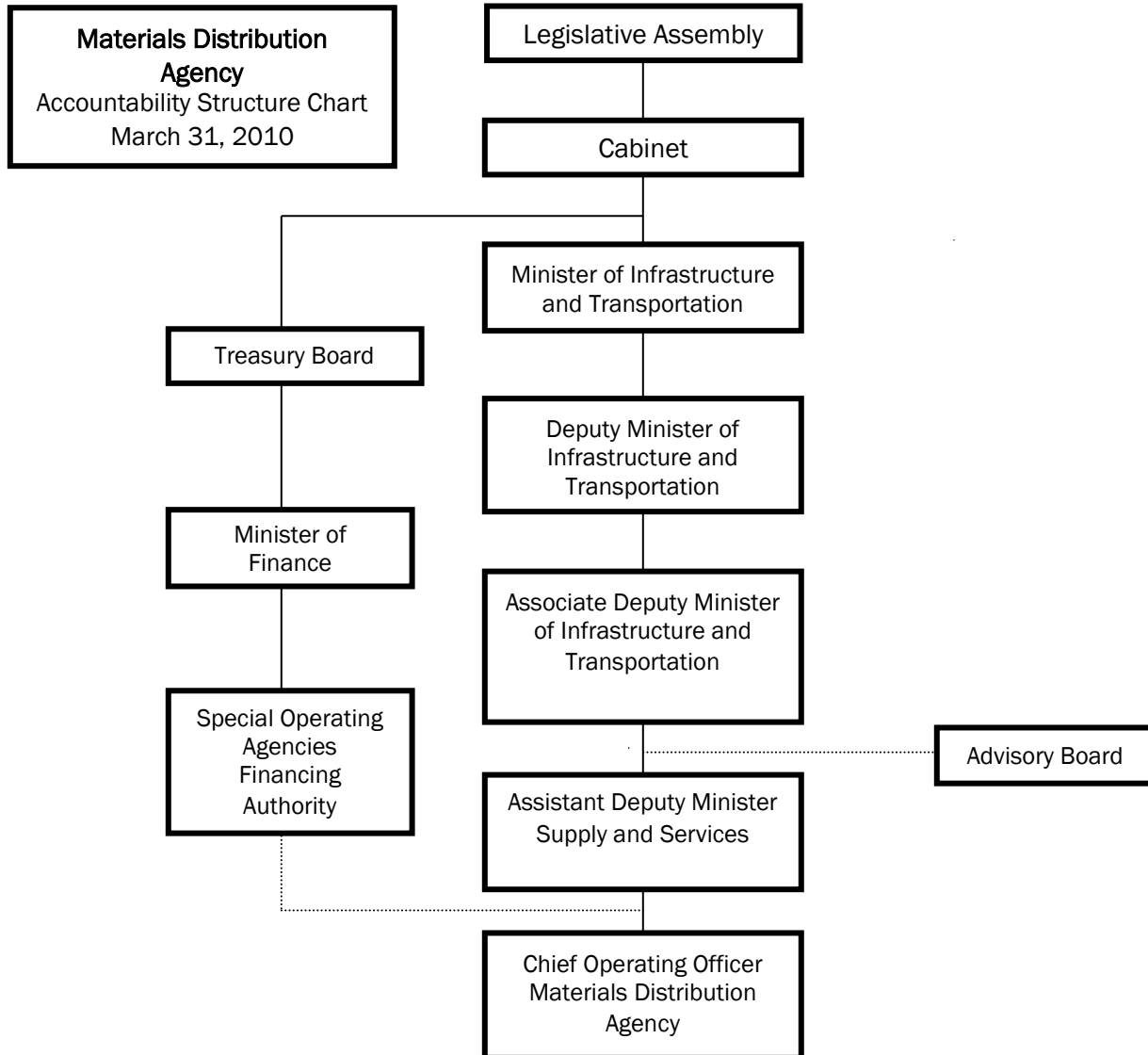
STRUCTURE FOR OPERATIONS

Accountability Structure

As an organization within Manitoba Infrastructure and Transportation, MDA reports directly to the Assistant Deputy Minister, Supply and Services, and is held accountable to the Associate Deputy Minister, Deputy Minister, and Minister of Infrastructure and Transportation for operational and financial performance.

The Agency operates outside of the Consolidated Fund under the Special Operating Agencies Financing Authority (SOAFA), which holds title to the Agency's assets, provides financing for operations, and is responsible for its liabilities. Governance and accountability are substantiated by MDA's compliance with its Operating Charter, Transfer Agreement, Management Agreement, applicable General Manual of Administration policies, and by *The Special Operating Agencies Financing Authority Act*. Financial and operational information and requirements are disseminated to and from Treasury Board through an SOA coordinator at Treasury Board Secretariat.

The Accountability Structure Chart presented below outlines the current structure:



Advisory Board

The Advisory Board for the Materials Distribution Agency meets as required to review the Agency's financial and operating reports, the draft Business Plan, and any proposed changes to the Agency's Charter. The Board's members offer advice and direction on reporting and management issues of concern, and on short and long term strategic planning.

Members of the MDA Advisory Board, as of March 31, 2010, are listed below.

Members of the Advisory Board for Materials Distribution Agency

CHAIR**Paul Rochon**Associate Deputy Minister
Manitoba Infrastructure and Transportation**MEMBERS****Client
Representatives****Bruce Bremner**
Assistant Deputy Minister
Manitoba Conservation**Kim Sharman**
Assistant Deputy Minister
Manitoba Health and Healthy Living**Ex Officio****Tracey Danowski**
Assistant Deputy Minister
Supply and Services Division
Manitoba Infrastructure and
Transportation**David Bishop**
Chief Operating Officer
Materials Distribution Agency**Staff Representative****Peter Roberts**
Logistics Coordinator
Materials Distribution Agency

MDA MISSION STATEMENT

Mission

This Agency provides mail and material management services to the public sector.

ORGANIZATIONAL GOALS

Employees – To increase employee job satisfaction and foster a respectful workplace.

Service – To sustain and improve customer service by developing infrastructure, setting standards and meeting or exceeding customer needs.

Growth – To grow business while maintaining or decreasing overall government expenditures.

ORGANIZATIONAL VALUES

The Agency supports its mission statements and goals with its operating values.

Reliability

MDA:

- Continually improves all aspects of its organization
- Provides consistent services
- Establishes and follows standards
- Does not make promises it can't keep
- Is fair
- Demonstrates integrity

Teamwork

MDA:

- Behaves ethically
- Recognizes achievements
- Communicates
- Is positive
- Sees each call as an opportunity
- Values diversity of backgrounds and opinions
- Creates and supports a common direction and common goals
- Demonstrates the priority of team goals

Accountability

MDA:

- Meets deadlines
- Provides clients with quality assured goods
- Saves government clients money
- Strives to know its clients' needs

BACKGROUND

The Materials Distribution Agency was created in 1974 to provide the government with centralized materials management for government departments, boards, commissions and agencies. It became an SOA in 1993. Postal Services was created in 1954 to provide government-wide postal services and became an SOA in 1996. The organizations amalgamated April 1, 2005. The Agency's mandate is to cost-effectively meet the mail and material distribution requirements of organizations within the broader public service

AGENCY PRODUCTS

MDA bulk purchases a variety of commonly used supplies and distributes these goods in smaller quantities as needed by its clients. These distinct product lines are listed below:

Commodities	Line Items
Stationery and Office Supplies	1,214
Janitorial Supplies	355
Medical Supplies	1,081
Home Care Equipment	276
Office Furnishings and Furniture	88
Brochures	27
Total Line Items	3,041

AGENCY SERVICES

MDA provides the following lines of business and related key services:

Mail Processing

MDA processes various types of mail for clients. Mail staff:

- Weigh and ascertain postage of standard and oversized mail through high speed mail machines
- Forward letter mail that exceeds the maximum dimensions or weight through one of two computerized shipping systems
- Process high volume mail through permit mail using pre-printed indicia on envelopes
- Coordinate prepaid mailings through use of numerically controlled Canada Post envelopes

The current cost to clients is made up of actual postage and a separate processing fee which varies depending on type (i.e. metered or permit mail). Vendor rate increases will not automatically increase the Agency's processing fee. MDA has other products, such as variable rate services, including Business Reply Mail, Returned Mail, and Short Paid Mail where the rate does not remain constant.

Mail Management for Members of the Legislature

On behalf of the Legislative Assembly, MDA negotiates constituency walk rates and cost effective mail service for MLA's. MDA prepares and calculates each MLA's volume and prepares guidebooks for each constituency.

Mail Finishing

MDA provides clients with various types of mail finishing services, such as:

- Envelope addressing
- Bursting of printed forms and cheques
- Folding of printed material
- Envelope insertion
- Manual collating of items into kits or envelopes

Prices vary with the type of activity (i.e. bursting or folding) and volume. MDA may offer high volume clients lower prices, but eligibility for this pricing is dependent on the quality of the clients' printed materials.

Inter-Departmental Mail (IDM)

Clients purchase Prepaid Labels in four denominations (Letter, Oversize Letter, Small Packet, and Parcel). Label fees are based upon the size of the item being mailed or the service provided. MDA IDM also offers Signature Service, which provides clients with confirmation of delivery of mail.

Contract Administration

MDA offers broader public sector client's access to volume based contracted courier and parcel rates. MDA invoices a percentage of the actual cost as its fee to recover expenditures associated with contract administration.

Digital Printing

MDA's Variable Data Print Service provides clients with "just in time" printing of electronic documents on high speed digital black and white printers that can be immediately transferred to the Finishing, Processing, and IDM lines of business. Pricing is on a per impression basis.

Home Care Equipment Rental

MDA provides a comprehensive rental, repair and service program. MDA receives and repairs any damaged or non-functioning component and disinfects the item before returning it to the active equipment rental pool. MDA carries out periodic safety checks on equipment in the field to ensure it stays in good working condition. MDA electronically tracks Employee and Income Assistance Branch (EIA) program equipment use.

Key Copy Centres

MDA administers the Copy Centre Program which includes ordering supplies for each copy centre, and arranging for repairs and maintenance. MDA applies a per copy charge based on user volumes recorded by electronic or manual keys. MDA is aware of the provincial strategy for integrating multi-use fax printers and anticipates that the copy centres will be eliminated by September 30, 2010.

Warehouse and Distribution Services

MDA provides Distribution Services to other agencies and departments. This includes picking, packing, and transportation for provincial, national and international distribution. These services are offered at competitive rates and continue to show favourable growth for the Agency. Distribution services include:

Janitorial and Stationery Products

- Wide range of janitorial and stationery items (currently 1,569 products)
- 236 products are environmentally friendly (growing annually) and a toner recycling program
- Pricing is the same throughout the province and is competitive with private companies (three independent audits were conducted to support that MDA is more cost effective than buying directly from retailers)

Medical Supplies

- Medical supplies for rural home care - Regional Health Authority, Health
- Nutritional supplements and child care items - Employment and Income Assistance, Family Services
- Lab & X-ray facilities - Diagnostic Services of Manitoba (DSM), Health
- Health booklets/pamphlets - Health

Manitoba Text Book Bureau (MTBB)

- MTBB is an SOA that procures textbooks and other school related items that are distributed by MDA
- Work is year-round with a heavy order period between June and October

Storage

- Secure storage facilities are provided for government clients
- Rates are well below private industry pricing

Office Relocation/Moving and Disposal Services

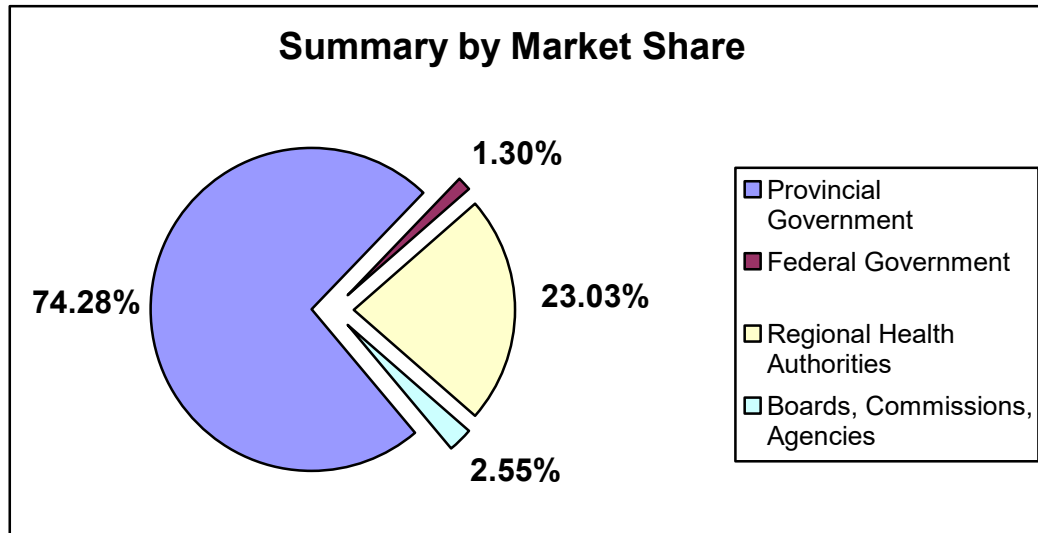
- Significant cost savings and consistent positive client feedback
- Furnishings no longer needed are recycled to other offices or to recycling companies

Special projects

- Timely and cost effective management of projects that are short in nature (3 – 12 months)
- Example: Pandemic warehousing and distribution for the Office of Disaster Management

MARKET SEGMENT INFORMATION

Total Revenue 2009/10: \$26,023,000


WAREHOUSE PRODUCTS – DISTRIBUTION INFORMATION
Warehouse Products – Distribution Information

Number of Orders	2009/10	2008/09	2007/08
Warehouse Orders	55,200	60,148	55,585
Equipment Orders	37,643	37,994	37,562
Mail Finishing Orders	4,680	3,764	3,756
Federal Mail Processed (pieces)	2.62 million	2.56 million	2.47 million
Inter-Departmental Mail (pieces)*	348,500	362,000	395,150
Manitoba Text Book Bureau Orders	11,923	12,410	12,584
Office Relocations	717	795	765

*Excluding payroll advice letters

Distribution of Products By Area	2009/10	2008/09	2007/08
Winnipeg	56%	61%	60%
Rural	44%	39%	40%

Delivery of Winnipeg Orders	2009/10	2008/09	2007/08
Regular (2 days)	96%	95%	91%
Same day	1%	1%	3%
Pickup	3%	4%	6%

2009/10 PROJECTS AND ACTIVITY STATUS HIGHLIGHTS

1. Human Resources Overview

MDA recognizes staff as its greatest resource. MDA management has identified specific issues and plans to improve the human resource area. A multilayered strategy is used to identify key objectives through staff surveys, management recommendations, government initiatives, and employee suggestions.

Performance Appraisals and Learning Plans

MDA is implementing performance appraisals and learning plans for all staff which will be completed by the end of fiscal year 2009/10.

Strategy results:

Business Area	Performance Appraisals		Learning plans	
	# of staff	# completed	# of staff	# completed
Management	5	5	5	4
Administration	1	1	1	1
Client Service & Equipment	20	20	20	12
Contracts & Purchasing	3	3	3	3
Warehouse - Distribution	24	9	24	5
Warehouse – Mail Services	17.5	9	17.5	5
Finance and IT	9	7	9	6
Marketing	4	0	4	0
Total	83.5	54	83.5	36

Communication Improvements

Communication is identified as a key concern by staff and management. MDA has developed four strategies to address this area in 2009/10.

1. Hold a minimum of 10 meetings for each area of MDA in the 2009/10 fiscal year, with minutes distributed to managers and the COO.

Strategy results:

Business Area	Standard	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Total
Customer Serv. & Equipment	10/yr	3	2	2	3	10
Contracts & Purchasing	10/yr	2	2	2	3	9
Warehouse - Distribution	10/yr	2	1	4	2	9
Warehouse - Mail Services	10/yr	2	1	3	3	9
Finance & IT	10/yr	2	1	2	3	8

2. Conduct an employee survey in the first quarter, with management review in the second quarter, and implementation of recommendations in the remainder of the fiscal year.

Strategy results:

- The employee survey was conducted on June 25/09. Two meetings were held in the third quarter and employee survey results were posted for staff to view
3. Hold two meetings with all staff in fiscal year 2009/10 to update staff on business initiatives, new policies, MDA's financial situation, and answer questions.

Strategy results:

- The COO conducted a meeting with all MDA staff in May 2009. Employees were updated on initiatives from the 2009/10 business plan, strategic direction, and the audited 2008/09 financial results. A second meeting was held with all MDA staff in December 2009 to provide updates on business initiatives

4. Introduce and implement communications standards for voice mail, email etiquette, and call-in procedures when staff are ill or late.

Strategy results:

- MDA management and MCG developed and implemented communications standards for all staff. Training sessions were held in April 2009 and procedure manuals were distributed

Attendance Management Program

Attendance is identified as a critical element for MDA's long term stability. Provincial departments rely on MDA to complete work accurately and on time. Management and Human Resources will work on developing a comprehensive Attendance Management Program for MDA to ensure consistency for all staff.

Strategy results:

- MDA management and the COO have held multiple meetings developing the framework for the Attendance Management Program. The COO is currently working with Human Resources on creating the content for the program

Staff training

A critical success factor for the Agency is identifying gaps in training for each staff member. MDA requires comprehensive improvements in service training for front line staff, and improved administrative training for all team leads, supervisors and managers. The Agency will increase training hours, both formal and informal, for management and staff. MDA will provide a condensed Respectful Workplace training seminar for all staff.

Strategy results:

- All staff at MDA completed Respectful Workplace training in June 2009
- All supervisors and team leads have been approved to complete the Essentials of Supervision Certificate Program through Organization and Staff Development. Currently all supervisors have completed one or more modules of this program
- MDA's Mail Services Coordinator was selected to participate in the Women's Leadership Program. This is a one year program designed to provide leadership and career development opportunities to achieve a greater representation of women at the senior management level
- Two MDA managers were selected to participate in the MIT Middle Management Leadership Training Program. This is a year long program

Orientation Packages

Each manager will develop an orientation package, unique to their area, with checklists to ensure completion of tasks within required timelines. This will augment the broader MIT orientation package.

Strategy results:

- The orientation packages for each area of MDA are complete

Wellness Plan

MDA's goal is to become a healthy workplace, aligning with the province's priority to promote healthy living. MDA recognizes the substantial savings to the Agency and health care system in the future that can be realized when people remain healthy longer. In addition, productivity increases with healthier workers.

MDA has developed a plan for improvements to staff health. MDA's Wellness Committee and management have identified the following initiatives:

- Conduct an annual Wellness Fair in May 2009
- Organize employee tournaments in ping pong and Dance, Dance Revolution
- Arrange for two healthy lunches and four healthy snack days
- Improve workout room
- Organize two staff walking groups in the summer months

- Track staff that use alternative travel methods to and from work, and participate in the government's Commuter Challenge
- Arrange for two additional speakers to address staff on health issues
- Offer a voluntary smoking cessation program to staff
- Coordinate MDA golf nights throughout the summer months and organize MDA's annual golf tournament

Strategy results:

(All MDA wellness events occur during lunch time or after business hours with the exception of the annual wellness fair)

- MDA held its third annual Wellness Fair on May 1/09. There were 50 MDA staff, 3 family members and 29 provincial employees from outside of MDA who participated in the fair. A survey was conducted and the feedback was extremely favourable
- A ping pong tournament during lunch hours was held for a three week period in May 2009. There were 20 competitors who participated in the tournament
- Through staff donations and MDA's social committee, the exercise room was upgraded with workout posters, weights and an elliptical machine in April 2009
- The Wellness Committee organized MDA participation for the Winnipeg Humane Society's annual "Paws in Motion" walk at Assiniboine Park on June 28/09. Nine staff participated in the walk and many more made donations
- A cribbage tournament was held in August 2009. There were 26 staff who participated
- MDA Olympics was held in October 2009. There were 42 staff who participated
- A darts tournament was held in March 2010. There were 15 staff who participated

2. New and Growth Business Initiatives Overview

The Agency needs to grow revenue in strategic markets and increase loyalty through the implementation of client relationship management strategies, competitive pricing, product/service quality, product availability and service reliability.

MDA's traditional clients continue to shop at alternate suppliers. MDA must implement more frequent communications focused on the benefits of buying through MDA. MDA must dispel negative perceptions associated with price, product availability, and unreliable delivery. This will include a combined strategic approach to market a full-service Agency featuring a wide range of products, not just stationery and janitorial supplies.

MDA is shifting towards being more sales focused in a traditionally finance-driven Agency. This shift will require dedication, persistence, and increased marketing-related expenditures to raise the level of exposure to new and existing clients. This section will comprise MDA's strategic marketing and sales initiatives, tracking mechanisms, and quarterly reporting requirements.

Home Care Supplies and Equipment

This is a traditional product line for MDA which has been ongoing for over 10 years. MCG believes that sales in this area can be increased through an aggressive marketing campaign, and contacting directors and purchasing staff in each region.

Strategy results:

- MCG and MDA's Client Services Manager collaborated to produce and distribute monthly flyers on tips for how to use and maintain equipment on this program
- Meetings with materials managers in each Regional Health Authority (RHA) are scheduled for early in May 2010

Deer Lodge Center

MDA currently supplies nutritional supplements for Employee Income and Assistance (EIA) throughout the Province. Deer Lodge offers a similar program for its clients. MDA sees this as a duplication of services and an excellent opportunity to combine volumes to achieve better pricing, reduce operational costs, and increase service for the Home Care Program. MDA management and MCG will contact key individuals at Deer Lodge Centre to initiate discussions around building a proposal for MDA to provide this service in the future.

Strategy results:

- MDA has not been able to meet with WRHA representatives to date

Lab and X-Ray

MDA has provided products to provincial labs for the past 10 years. Sales have been marginally declining for the past two years. The Agency believes that sales can be increased by:

- Meeting with Diagnostic Services Manitoba (DSM) and Cadham Provincial Laboratory (CPL) to develop an Memorandum Of Understanding (MOU) with each client
- Working with these clients on new product opportunities
- Visiting labs throughout the Province

Strategy results:

- MDA management and the MCG Manager met with representatives at CPL in June 2009. The service agreement for this additional business line is negotiated and signed. Distribution commenced in the third quarter
- MDA met with the Director of DSM in February 2010 and he agreed to review all products for this business line in 2010/11. This would include a possible expansion of current product offerings

Green Manitoba

In the 2009/10 Portfolio Review Document Decisions from Treasury Board, MDA is directed to enter into discussions with Green Manitoba about the collection and disposal of public sector e-waste. MDA will collaborate with Green Manitoba and conduct a feasibility analysis and report these findings to Treasury Board by July 31, 2009. MDA will pursue this business opportunity if the feasibility study shows a benefit to the Province.

Strategy results:

- MDA had two meetings with John Jonasson who represented Green Manitoba. At this time, Green Manitoba indicated that they are not in a position to collaborate with MDA.

Mail Services

MCG and MDA management will conduct a mail market analysis for potential growth by the end of the first quarter. Once the study is complete, MDA will develop a marketing and operational plan based on the recommendations.

Strategy results:

- The analysis was completed with recommendations for an extension to compile the results. Meetings are set up for June 2010

Society for Manitobans with Disabilities

Wheelchair Services has been identified as an excellent fit with current processes at MDA. MDA will be initiating discussions with this group about amalgamating these services. The current wheelchair contract expires in 2011 and MDA would like to reach an agreement before the contract goes out for tender.

Strategy results:

- A Meeting was held in mid March 2010 and the Director of Wheelchair Services has requested that MDA put a proposal together for this business by September 2010

Family Services and Consumer Affairs (FS&CA)

In the 2009/10 Estimates Review Minutes from Treasury Board, MDA is directed to report on discussions with FS&CA about the potential for providing publically funded daycare facilities with products and services by July 31, 2009. MDA will enter into discussions with FS&CA, develop a communication strategy for this client base, and provide statistical tracking of sales to report to Treasury Board by July 31, 2009.

Strategy results:

- MDA has sent out letters with ordering information and benefits to 1,114 daycares and nurseries. Sales by quarter are as follows:

Time Period	# of unique customers	# of orders	Sales (\$)
1 st Quarter	14	16	4,884.61
2 nd Quarter	8	18	3,759.00
3 rd Quarter	9	12	3,037.00
4 th Quarter	15	27	6,708.28
Totals	46	73	18,388.89

Association of Manitoba Municipalities (AMM)

MDA has been marketing to this association since early 2008. MCG has developed a strategic plan for increasing awareness of MDA products and services. This involves attending two trade shows, advertising in the Municipal Leader Magazine, and sales calls to key rural municipal offices. MDA will monitor client sales to determine the viability of this initiative.

Strategy results:

- MDA has partnered with Vehicle and Equipment Management Agency (VEMA) to place an advertisement in the Municipal Leader Magazine. This has cut costs to both agencies
- Staff from MCG attended the AMM trade show in April 2009. Sales by quarter are as follows:

Time Period	Sales 2008/09 (\$)	Sales 2009/10 (\$)	Difference(\$)	Increase/Decrease
1 st Quarter	2,490.20	8,846.46	6,356.26	+255 %
2 nd Quarter	6,643.47	5,362.00	(1,281.47)	-19%
3 rd Quarter	4,986.72	9,080.00	4,093.28	+82%
4 th Quarter	4,335.89	4,430.99	95.10	+2%
Totals	18,456.28	27,719.45	9,263.17	Average = +50%

Employee Income and Assistance

In late 2007, MDA launched an electronic ordering system (e-order) in Winnipeg at the client's request. MDA will visit all RHAs in 2009/10 to help promote this program, provide training, and conduct presentations on additional services. MDA will track volumes throughout 2009/10 to verify the effectiveness of this plan.

Strategy results:

- In the first quarter of 2009/10, MDA has held 10 training sessions with 50 participants from EIA. Feedback at these sessions was very positive. Sales comparison from 2008/09 to 2009/10 is as follows:

Time Period	Sales 2008/09 (\$)	Sales 2009/10 (\$)	Difference(\$)	Increase/Decrease
1 st Quarter	448,023.88	519,499.45	71,475.57	+16 %
2 nd Quarter	465,918.10	505,293.00	39,374.90	+8.5%
3 rd Quarter	500,865.41	565,300.00	64,434.59	+12.9%
4 th Quarter	496,905.43	566,820.00	69,914.57	+14.0%
Totals	1,911,712.82	2,156,912.45	245,195.63	Average = 11%

3. Internal Project Initiatives Overview

The Agency realizes that it needs to undertake a series of initiatives each year as the landscape of business and client demands change. These initiatives create efficiencies to reduce operational costs or increase service. MDA management and staff identify key areas for improvement, updating, or removal each year. MDA reacts quickly to issues that are brought forward from staff, clients, vendors, and management. These projects could be small (updating an existing Standard Operating Procedure - SOP) or large (feasibility study of all mail satellite offices).

MDA has identified several important internal improvements to be completed in 2009/10. There may be additional projects identified throughout the year based on operational requirements and client needs.

Procedure for Business Line Analysis

MDA has over 20 varying business lines, each with unique standards and client requirements. MDA's Business Line Analyst will create templates for:

- Current business line review on an annual basis
- New business assessment

Strategy results:

- A timeline was established in the first quarter and all business lines were reviewed by March 2010

Development of a New Product Standard Operating Procedure (SOP)

Each year MDA receives client requests for many new products. Approximately 15% of these new items generate little to no sales. As a result, these products end up being discontinued and donated to various organizations because they cannot be returned to the vendor for a refund.

Strategy results:

- A new product SOP was created for all areas of MDA

Review of Portage la Prairie and Brandon Mail Satellite Offices

In the 2009/10 Estimates Review Minutes from Treasury Board, MDA is directed to report back on studies conducted in 2008/09 to determine the economic feasibility of the mail satellite offices in Portage la Prairie and Brandon by July 31, 2009.

MDA formalized findings from the feasibility study and report to Treasury Board by July 31, 2009 with recommendations for the two satellite offices in Portage la Prairie and Brandon.

Strategy results:

- The financial analysis is complete and a report with recommendations was provided to Treasury Board by July 31/09

Regional Health Authorities of Manitoba (RHAM)

In the 2009/10 Estimates Review Minutes from Treasury Board, MDA is directed to report on the MOU negotiations with the RHAM for the delivery of home care supplies by July 31, 2009.

Strategy results:

- MDA and RHAM negotiated an MOU. It was signed in the first quarter of 2009/10 and was included in the report to Treasury Board in July 31/09

MDA Web-site

MDA has created a web-site to market its products and services. At this time, the web-site is static and informational. MDA has requested that MCG create an easy to search and interactive web-site that can be updated with new products in real time. This will allow clients to utilize the web-site instead of relying on catalogues which could contain outdated information and products. MDA could reduce the amount of catalogues printed each year to save money and be more environmentally friendly.

Strategy results:

- MDA and MCG staff have updated all information on the web-site in the first quarter
- A meeting was held in the third quarter with representatives from the Department of Innovation, Energy and Mines to discuss MDA web-site options. MCG Manager and MDA's IT supervisor will make recommendations to the COO by September 2010

Information Technology Projects

MDA relies heavily on the Great Plains system for ensuring clients' needs are met. There are many small projects that occur throughout each year. These projects improve the information MDA supplies to clients and increases internal efficiencies of staff. Two projects are identified for analysis and upgrades in the 2009/10 fiscal year:

- Ship To module – Improvements are required in order for MDA to service clients in an effective manner and to enhance functionality for the Client Services Representatives
- Two-tier pricing – MDA needs to analyze the requirement for two-tier pricing within the Great Plains program. This would provide MDA with the ability to provide bulk purchasing cost savings

Strategy results:

- The "Ship To" and "Two-tier pricing" module enhancements are complete

Agency Courier Service

In the 2009/10 Estimates Review Minutes from Treasury Board, MDA is directed to report back on the feasibility of creating an Agency Courier Service using VEMA vehicles and MDA staff to offset the increased costs imposed by contracted services.

MDA will conduct a feasibility study with input from VEMA, and PSB and report back to Treasury Board by August 31, 2009.

Strategy results:

- A financial and operational analysis of the internal courier service proposal is complete. The final report was provided to Treasury Board by August 31/09

Office Equipment Study

MDA provides office equipment maintenance and rental for items such as typewriters, dictaphones, and calculators. This business line is slowly decreasing in volume each year due to new technologies. MDA will conduct an analysis of the Office Equipment Program in the first quarter to determine the feasibility of continuing services in this area and the related alternatives.

Strategy results:

- The analysis of the Office Equipment Program is complete. All provincial clients on this program were sent a letter in March 2010 informing them of the discontinuation of this program and where new technologies may be obtained

4. Sustainable Development & Green Initiatives Overview

Environmentally friendly products are becoming more important to clients in all areas of MDA's distribution. MDA is an active participant in the government's sustainable development initiatives and offers many solutions to clients looking for an environmentally friendly product or service.

MDA currently carries 250 products that are considered environmentally friendly. This number is steadily increasing each year. PSB recommends MDA as a supplier of choice for many commodity lines such as furniture, stationery, and janitorial supplies. MDA supports all government initiatives on sustainable development and green procurement.

Strategy results:

- In 2009/10, MDA procured 27 new green products

Toner Recycling

As part of the stationery line of business, MDA offers a Toner Recycling Return Program to all provincial clients. This return program is free to clients and ensures all used cartridges are returned to the appropriate vendor for recycling. The program allows MDA to send specific cartridges back to contracted vendors in order to achieve a lower cost for all clients on re-manufactured toners.

Strategy results:

- MDA met with all toner suppliers in the first quarter and created a process to ensure toners are returned to the appropriate company. MCG created a toner recycling campaign to ensure compliance and increase recycling numbers and was launched in the third quarter

FINANCIAL OVERVIEW

Review of Operations

MDA has seen the volume and breadth of products grow in most commodity lines. Current clients are ordering more commonly stocked products, while also requesting that MDA expand its lines of goods. As needs change, clients look to MDA to assume warehousing and distribution at lower costs.

The following financial review and analysis compares the actual results for the year ended March 31, 2010 to the projections for the same period, and to the actual results for the year ended March 31, 2009.

MDA reported a net income of \$201,000, compared to a projected net income of \$197,000 for the year ended March 31, 2010 and a net income of \$172,000 for the year ended March 31, 2009.

(In thousands)

	2010 Actual	2010 Projected	2010 Actual vs. Projected	2009 Actual	2010 Actual vs. 2009 Actual
Warehouse Sales	14,388	14,300	88	14,331	57
Cost of Goods Sold	11,225	11,200	25	11,408	(183)
Gross Profit	3,163	3,100	63	2,923	240
Service Revenue	11,635	11,866	(231)	10,894	741
Total Revenue	14,798	14,966	(168)	13,817	981
Expenses					
Salaries & Benefits	4,514	4,500	14	4,112	402
Occupancy Costs	996	1,069	(73)	835	161
Administrative	9,087	9,200	(113)	8,698	389
Total Expenses	14,597	14,769	172	13,645	942
Net Income/(loss)	201	197	4	172	29

Financial Position

The Agency did not use its working capital payable line of credit at any time during this fiscal year and has no working capital payable outstanding.

Remaining cash generated by operations was used to purchase capital and other.

Ratio Analysis

Ratio	2010	2009	2008	2007
Return on Total Revenue	.77%	.68%	.64%	-.79%
Return on Average Assets	2.63%	2.33%	1.08%	-2.21%
Gross Profit Percentage	21.90%	20.42%	20.40%	19.35%
Debt to Capital	.44 to 1	.42 to 1	.48 to 1	.44 to 1
Current Ratio	1.53 to 1	1.74 to 1	1.62 to 1	1.74 to 1
Days Sales in Receivables	35 days	39 days	46 days	49 days
Inventory Turnover	7.76 times	8.23 times	6.63 times	6.54 times

MDA Performance Measures

* Internal Turn Around Times:	2010	2009	2008	2007
(In number of days)				
Health Orders – Urban	1	1	1	1
Health Orders – Rural	1	1	2	2
Other Goods – Urban	1	1	1	2
Other Goods – Rural	1	1	2	2
MB Text Book Bureau	1	1	2	3
No. Sales Invoices	63,692	64,506	56,557	53,643
No. Inventory Items	3,041	3,251	2,563	4,123

★ MDA internal processing time: Example – An order received at 11:00 am is processed, picked/packed and ready for shipment by 11:00 am the next day. The delivery time will be based upon the destination of the order and the courier schedule

APPENDIX A

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of the Materials Distribution Agency, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2010 and the statements of earnings and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Agency'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 Agency as at March 31, 2010 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

May 11, 2010

CHARTERED ACCOUNTANTS

**MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA**

Balance Sheet
(in thousands)
March 31, 2010

	2010	2009
Assets		
Current assets:		
Cash and short term deposits	\$ 828	\$ 910
Accounts receivable	2,635	2,424
Inventories (Note 5)	1,600	1,284
Prepaid expenses	227	179
	<hr/> 5,290	<hr/> 4,797
Long term investments (Note 6)	412	412
Capital assets (Note 7)	1,986	1,764
Other assets (Note 8)	101	153
	<hr/> \$ 7,789	<hr/> \$ 7,126
Liabilities and Equity		
Current liability:		
Accounts payable and accrued liabilities	\$ 2,990	\$ 2,565
Severance liability (Note 9)	462	425
	<hr/> 3,452	<hr/> 2,990
Equity:		
Contributed equity (Note 11)	1,297	1,297
Retained earnings	3,040	2,839
	<hr/> 4,337	<hr/> 4,136
Commitments (Note 12)		
	<hr/> \$ 7,789	<hr/> \$ 7,126

See accompanying notes to financial statements.

**MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA**

Statement of Income and Comprehensive Income and Retained Earnings
(in thousands)
Year ended March 31, 2010

	2010	2009
Warehouse sales (Schedule 1)	\$ 14,388	\$ 14,327
Cost of sales	11,225	11,408
Gross profit	3,163	2,919
Service revenue (Schedule 1)	11,635	10,897
Net income before the following	14,798	13,816
Expenses:		
Salaries and benefits	4,514	4,112
Occupancy costs	996	835
Administrative expenses (Schedule 2)	9,087	8,701
	14,597	13,648
Net income and comprehensive income for the year	201	168
Retained earnings, beginning of year	2,839	2,671
Retained earnings, end of year	\$ 3,040	\$ 2,839

See accompanying notes to financial statements.

**MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA**

Statement of Cash Flow

(in thousands)

Year ended March 31, 2010

	2010	2009
Cash flow from (used in)		
Operating activities:		
Net earnings for the year	\$ 201	\$ 168
Adjustment for		
Amortization	983	979
	1,184	1,147
Changes in the following:		
Accounts receivable	(210)	564
Inventories	(316)	202
Prepaid expenses	(47)	(9)
Accounts payable and accrued liabilities	422	(757)
Severance liability	37	46
	1,070	1,193
Investing activities:		
Capital asset additions	(1,152)	(1,015)
Change in receivable - Province of Manitoba	-	412
Long term investments	-	(412)
	(1,152)	(1,015)
Change in cash and short term deposits	(82)	178
Cash and short term deposits, beginning of year	910	732
Cash and short term deposits, end of year	\$ 828	\$ 910

See accompanying notes to financial statements.

**MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA**

Notes to Financial Statements
(in thousands)
Year ended March 31, 2010

1. Nature of organization

The Government of Manitoba established a central warehouse operation in 1974. Its mandate is to effectively meet the cost needs of departments and certain boards, commissions and agencies of the Crown, for a variety of commonly used items.

Effective April 1, 1993, Materials Distribution Agency (the "Agency") was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

In 1956 Mail Management (Postal Service) was created as a branch of the Manitoba Provincial Government to provide centralized postal management. Effective April 1, 1996 the Postage Service was renamed Mail Management Agency and designated as a Special Operating Agency ("SOA") pursuant to The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

Effective April 1, 2005 the operations of the Materials Distribution Agency and the Mail Management Agency were amalgamated. The amalgamated operations have been operating as the Materials Distribution Agency.

The Agency is financed through the Special Operating Agencies Financing Authority ("SOAFA"). The Financing Authority has the mandate to hold and acquire assets required for and resulting from the Agency's operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business like manner according to public policy expectations.

A Management Agreement between the Financing Authority and the Minister of Infrastructure and Transportation assigns responsibility to the Agency to manage and account for Agency-related assets and operations on behalf of the Financing Authority.

The Agency continues to be part of Manitoba Infrastructure and Transportation under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Deputy Minister and Minister.

The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

The Agency is economically dependent on the Province of Manitoba and the Manitoba Regional Health Authorities deriving most of its revenue and all of its capital financing requirements from the Province. These transactions are recorded at the exchange amount, which is the amount agreed upon by both parties.

**MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA**

Notes to Financial Statements
(in thousands)
Year ended March 31, 2010

2. Change in accounting policies

New accounting policies

Section 3064 Goodwill and Intangible Assets

Effective April 1, 2009, the Authority adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook section 3064 Goodwill and Intangible Assets and the updates to CICA Handbook section 1000 Financial Statement Concepts.

This guidance establishes updated standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets.

These changes did not have an impact on the Agency's financial statements for the year ended March 31, 2010.

Credit Risk and Fair Value of Financial Assets and Financial Liabilities

During 2009 the Authority adopted the Emerging Issues Committee ("EIC") 173 and amendments to Section 3855, Financial Instruments - Recognition and Measurement and 3862, Financial Instruments - Disclosures:

- Section 3855 – Effective Interest Method
- Section 3855 – Embedded Derivatives on Reclassification of Financial Assets
- Section 3855 – Impairment of Financial Assets
- Section 3862 – Fair Value and Liquidity Risk Disclosure

Due to the nature of the Agency's financial instruments, the adoption of these standards and amendments had no material impact on the financial statements of the Agency.

Future accounting changes

Convergence with Public Sector Accounting Standards as issued by the Public Sector Accounting Board

Effective April 1, 2011 the Agency will be adopting Public Sector Accounting Standards issued by the Public Sector Accounting Board. The Financing Authority is currently in the process of quantifying the impact these changes will have on its financial statements.

3. Summary of significant accounting policies

Basis of reporting

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis. During the year, no inventory was valued at net realizable value.

Included in cost of sales is \$11,225 (2009 - \$11,386) of inventory recognized as an expense during the year.

**MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA**

Notes to Financial Statements
(in thousands)
Year ended March 31, 2010

3. Summary of significant accounting policies (continued)

Capital assets

Capital assets are recorded at cost and amortized over their estimated useful lives as follows:

Computer equipment	20% straight line
Fixtures	20% straight line
Leasehold improvements	5 years straight line
Office equipment	20% straight line
Production equipment	20% declining balance
Rental equipment	2 - 5 years straight line
Warehouse equipment	20% declining balance

Other assets

Other assets are recorded at cost and amortized as follows:

Computer conversion	5 years straight line
Relocation expenses	10 years straight line

Revenue recognition

Warehouse sales are recognized when the products are shipped. Service revenues are recognized based on the provision of services provided.

Capital disclosures

The Agency's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the period. The Agency's capital consists of contributed equity and retained earnings.

The Agency is not subject to externally imposed capital requirements.

Use of estimates

The preparation of financial statements in conformity with 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 these estimates.

**MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA**

Notes to Financial Statements
(in thousands)
Year ended March 31, 2010

3. Summary of significant accounting policies (continued)

Financial Instruments - recognition and measurement

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Agency has designated its financial instruments as follows:

<u>Financial instrument</u>	<u>Category</u>	<u>Measurement</u>
Cash and short term deposits	Held-for-trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Long term investments	Held-for-trading	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of income, comprehensive income and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of income, comprehensive income and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they would be recorded in the statement of income, comprehensive income and retained earnings.

Fair value of financial instruments

The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

4. Financing arrangements

The Special Operating Agencies Financing Authority has provided the Agency with an authorized line of working capital of \$1,000 of which \$nil was used at March 31, 2010.

**MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA**

Notes to Financial Statements
(in thousands)
Year ended March 31, 2010

5. Inventories

	2010	2009
Medical supplies	\$ 650	\$ 607
Equipment	151	30
Stationary	480	439
Janitorial	292	194
New furniture	27	14
	\$ 1,600	\$ 1,284

6. Long term investments

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Agency prior to its designation as SOA, and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. Accordingly, the Agency recorded a receivable of \$412 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba paid the receivable balances related to the funding for these liabilities and has placed the amount of \$412 into a trust account bearing interest at 0.80% and maturing on March 30, 2011 to be held on the Agency's behalf until the cash is required to discharge the related liabilities. As such, this amount has been classified as a long term asset.

7. Capital assets

	Cost	Accumulated Amortization	Net Book Value	
			2010	2009
Computer equipment	\$ 230	\$ 219	\$ 11	\$ 19
Fixtures	150	113	37	3
Leasehold improvements	814	731	83	17
Office equipment	64	64	-	-
Production equipment	284	284	-	-
Rental equipment	8,128	6,607	1,521	1,446
Warehouse equipment	918	584	334	279
	\$ 10,588	\$ 8,602	\$ 1,986	\$ 1,764

**MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA**

Notes to Financial Statements
(in thousands)
Year ended March 31, 2010

8. Other assets

	Cost	Accumulated Amortization	Net Book Value	
			2010	2009
Computer conversion	\$ 337	\$ 328	\$ 9	\$ 30
Relocation	287	195	92	123
	\$ 624	\$ 523	\$ 101	\$ 153

9. Severance liability

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2008. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarially determined net liability for accounting purposes as at March 31, 2010 was \$462 (2009 - \$425), with the actuarial loss being amortized over the 15 year expected average remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2008 valuation, and in the determination of the March 31, 2010 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation component	2.50%
real rate of return	4.00%
	<hr/>
	6.50%
Assumed salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	<hr/>
	4.00%
	<hr/>

**MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA**

Notes to Financial Statements
(in thousands)
Year ended March 31, 2010

10. Pension benefits

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act ("CSSA"), administered by the Civil Service Superannuation Board ("CSSB"). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Agency, through the Civil Service Superannuation Fund ("CSSF").

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees.

Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2010 was \$182 (2009 - \$170). Under this agreement, the Agency has no further pension liability.

11. Contributed equity

Loan Authority - April 1, 1993

The SOAFA and the Province of Manitoba entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority of inventories and capital assets valued at \$1,464 required for the continuing operation of the Agency as at March 31, 1993. The Agency repaid the debt portion of \$732 (being one-half of the value of the assets) and recorded the balance, \$732, as Manitoba's contributed equity in the Financing Authority as related to the Agency operations.

Loan Authority - April 1, 1996 MMA

SOAFA and the Province of Manitoba entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority of equipment valued at \$102 required for continuing operations of the Mail Management Agency as at March 31, 1996. The Mail Management Agency (now Materials Distribution Agency) repaid the debt portion in the amount of \$51 (being one-half of the value of the assets) and recorded the balance of \$51 as Manitoba's contributed equity in the Financing Authority as related to the Agency's operations.

Loan Authority - April 1, 1997

SOAFA and the Province of Manitoba entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority for the net assets of the Home Care Equipment and Supply Program valued at \$1,027 as at April 1, 1997. The Agency repaid the debt portion of \$513 (being one-half of the value of the assets) and recorded the balance of \$514 as Manitoba's contributed equity in the Financing Authority as related to the Agency's operations.

**MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA**

Notes to Financial Statements
(in thousands)
Year ended March 31, 2010

12. Commitments

Leased Premises

On March 24, 2003, the Agency took partial possession of a rental property consisting of 76,067 square feet at 1715 St. James Street, Winnipeg, Manitoba. The lease is for a term of ten years commencing May 1, 2003 with an additional five year option. The payments over the next five years are \$521 per year.

On May 1, 2009, the Agency took possession of a rental property consisting of 18,818 square feet at 1650 Notre Dame Avenue, Winnipeg, Manitoba. The lease will expire on September 30, 2010 and the payments are \$16 per month.

On August 11, 2009, the Agency took possession of a rental property consisting of 6,336 square feet at 1680 Notre Dame Avenue, Winnipeg, Manitoba. The lease will expire on September 30, 2010 and the payments are \$5 per month.

Rental Agreement

The Agency leases a space from the Province of Manitoba on a monthly basis for the following locations: 450 Broadway, Winnipeg; 340 - 9th Street, Brandon; and 25 Tupper Street, Portage La Prairie. Occupancy charges for the year ended March 31, 2010 were \$11 (2009 - \$16).

13. Interest received

The Agency received interest during the year of \$3 (2009 - \$10).

**MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA**

Notes to Financial Statements
(in thousands)
Year ended March 31, 2010

14. Financial instruments - risk management

In the normal course of operations the Agency is exposed to various financial risks. The financial risk management objectives and policies are as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and short term deposits, accounts receivable and long term investments.

The maximum exposure of the Agency to credit risk at March 31, 2010 is:

Cash and short term deposits	\$	828
Accounts receivable		2,635
Long term investments		412
	\$	3,875

Cash and short term deposits and long term investments: The Agency is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the nature of the accounts receivable is with related entities and consists of a large client base and payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off. The balance in the allowance for doubtful accounts at March 31, 2010 was \$93 (2009 - \$96)

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risk the Agency is exposed to is interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to short term deposits.

The interest rate risk on short term deposits is considered to be low because of their short-term nature.

**MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA**

Schedule of Warehouse sales and service revenue
(in thousands)

Year ended March 31, 2010

Schedule 1

	2010	2009
Warehouse sales:		
Medical supplies	\$ 5,024	\$ 4,835
Stationery	4,261	4,079
Furniture	2,219	3,235
Janitorial	1,969	1,612
Health equipment	485	423
Special projects	430	143
	<hr/>	<hr/>
	\$ 14,388	\$ 14,327
Service revenue:		
Disposal	\$ 3	\$ 5
Manitoba Textbook Bureau	290	291
Freight	732	693
Moving	724	594
Storage	65	78
Office equipment - maintenance program	17	27
Office equipment - copy centres	300	419
Mail services	6,462	6,108
Home care equipment rentals	2,792	2,484
Other income	250	198
	<hr/>	<hr/>
	\$ 11,635	\$ 10,897

**MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA**

Schedule of Administrative Expenses
(in thousands)
Year ended March 31, 2010

Schedule 2

	2010	2009
Amortization	\$ 983	\$ 979
Bad debts	13	158
Computer	220	201
Copy centre	211	316
Equipment rentals	186	131
Freight	1,389	1,232
Mail Services	4,918	4,672
Miscellaneous	28	18
Moving	488	410
Office	181	187
Professional fees	19	16
Promotion and marketing	111	45
SOAFA fees	2	2
Telephone	59	78
Training	31	26
Vehicle	87	99
Warehouse supplies	161	131
	\$ 9,087	\$ 8,701

Schedule of Public Sector Compensation Disclosure
(in thousands)
Year ended March 31, 2010

Pursuant to the disclosure required by the Public Sector Compensation Disclosure Act, no remuneration or other benefits were paid to the Advisory Board members. The following employees or officers received compensation of \$50 or more.

Employee	Title	Compensation	
		2010	2009
Ailyn Almendral	IT - Systems Administrator	\$ 77	\$ 73
David Bishop	Chief Operating Officer	81	76
Sherry Batenchuk	Mail Services Coordinator	50	-
Rhonda Boyd	Client Services Manager	57	55
Glenn Dela Cruz	Programmer/Analyst	67	62
Michael Boyak	Business Analyst	53	-
Todd Eisner	Storekeeper	-	73
Becky Fleury	Marketing Manager	-	50
Joel Hershfield	Manager of Finance & Technology, Wellness Co-ordinator	72	71
Michael Langenfeld	Contracts and Purchasing Manager	58	56
Roxane Hutcheson	Marketing Manager	54	-
Arnold McTavish	Sr. Medical Equipment Technician	51	50
Robert Nicholls	Logistics Manager	59	55
Lee Pomfret	Transportation Coordinator	-	51