



ANNUAL **REPORT**

2012/13

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
2012/13 PROJECTS AND ACTIVITY STATUS HIGHLIGHTS	11
1. HUMAN RESOURCES OVERVIEW	11
2. NEW AND GROWTH BUSINESS INITIATIVES OVERVIEW	13
3. INTERNAL PROJECT INITIATIVES OVERVIEW	15
4. SUSTAINABLE DEVELOPMENT & GREEN INITIATIVES OVERVIEW	16
FINANCIAL OVERVIEW	17
APPENDIX A	19

MINISTER'S LETTER OF TRANSMITTAL

June 20, 2013

The Honourable Philip S. Lee
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, 2013.

This report marks the completion of MDA's twentieth 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 exhibit an ability to react quickly to the needs of all provincial clients in a cost effective and efficient manner.

I commend the staff and management of MDA on the success they achieved in the last year. MDA continues to shine as an innovative Special Operating Agency of the Manitoba Government.

Respectfully submitted,

Steve Ashton
Minister Responsible for
Materials Distribution Agency

DEPUTY MINISTER'S LETTER OF TRANSMITTAL

June 20, 2013

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 Twentieth Annual Report of Materials Distribution Agency (MDA) for the year ending March 31, 2013.

The Agency continues to offer costs savings and streamline its products and services for the benefit of provincial clients. I appreciate the dedication and value the contributions of all staff as they continually enhance the Agency's services.

I commend the commitment and hard work of the staff and managers of MDA who constantly work to improve the organization of which the government can be very proud.

Respectfully submitted,

Doug McNeil
Deputy Minister of Manitoba Infrastructure and Transportation

CHIEF OPERATING OFFICER'S LETTER OF TRANSMITTAL

June 20, 2013

To Our Valued MDA Stakeholders:

I have the distinct honour of presenting the Materials Distribution Agency's (MDA) twentieth Annual Report as a Special Operating Agency.

MDA is the warehousing and distribution hub for the provincial government. The Agency has a multitude of business lines primarily focused on the distribution of goods and mail. With a centralized point of operation, MDA is able to offer its clients competitive pricing and substantive cost and resource savings. MDA adheres to all government procurement initiatives and emphasizes this to encourage client loyalty and growth.

MDA's primary focus is to provide superior service and value added benefits that meet or surpass our client's needs and expectations. We are proud of our role and performance and continue to look for ways to improve and expand.

MDA's success is directly related to the partnerships it has been able to forge and secure. With its vast knowledge of the industry, the Agency is often called upon to develop logistics solutions that are beneficial to its clients. This includes being able to react quickly to concerns and emergent issues. Stakeholders, such as Employment and Income Assistance Branch, Manitoba Textbook Bureau, and The Office of Disaster Management, have realized substantial cost savings and benefited from the resources the Agency has made available.

MDA is grateful to its clients for their long standing loyalty and we look forward to developing new and innovative opportunities for them. MDA's future is bright as it continues to offer excellent service and expertise, while creating 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

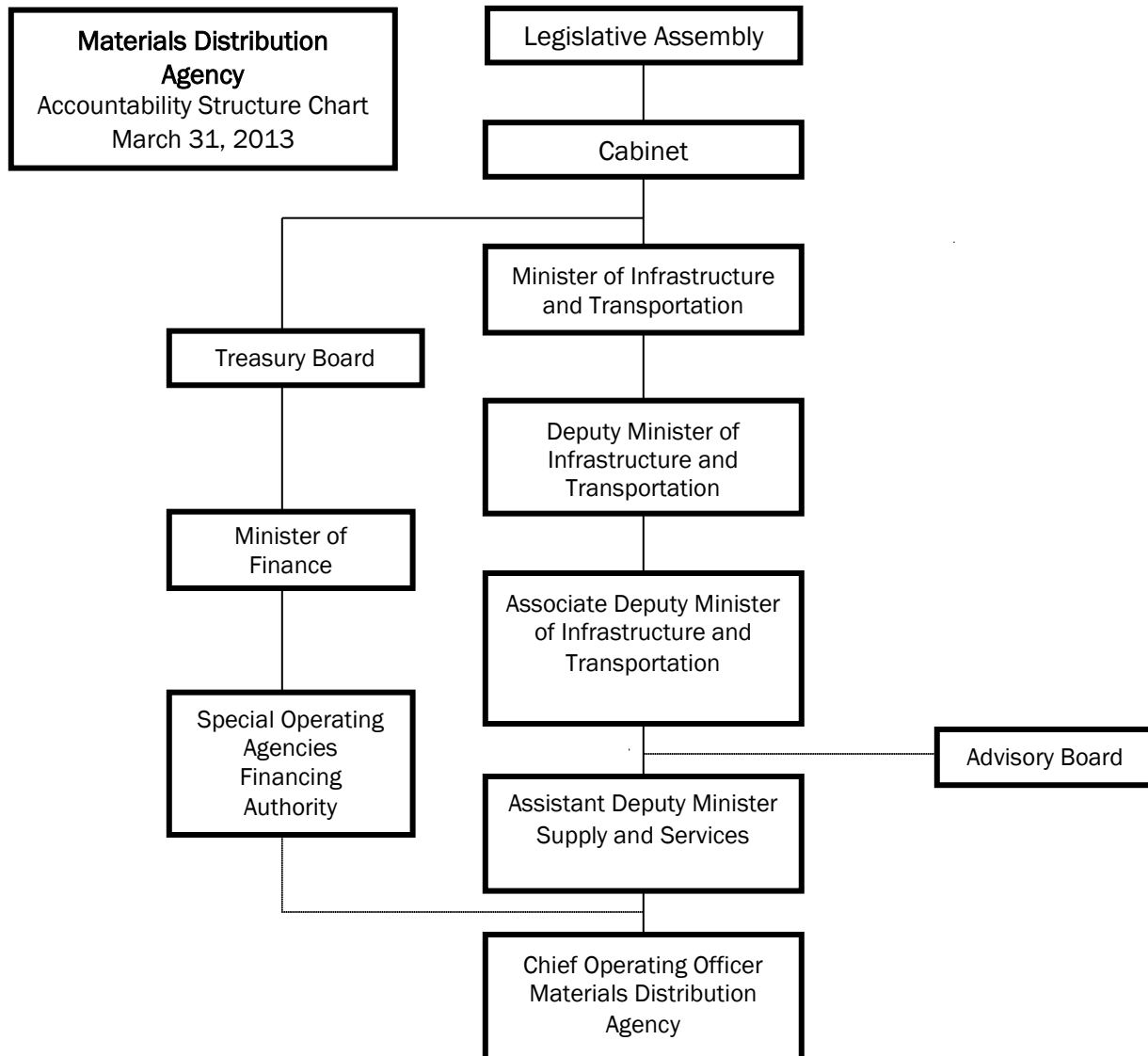
STRUCTURE FOR OPERATIONS

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, 2013, 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	Ian Hasanally Assistant Deputy Minister Administrative Services Division Manitoba Infrastructure and Transportation
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

MDA's mission statements are focused on reliability, teamwork and accountability in its efforts to be the Government of Manitoba's single source for products and services.

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

In 1974, MDA was created 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 on April 1, 2005. MDA's mandate is to cost-effectively meet the mail and material distribution requirements of organizations within the broader public sector.

AGENCY PRODUCTS

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

Commodities	Line Items
Stationery and Office Supplies	1243
Janitorial Supplies	408
Medical Supplies	1,059
Home Care Equipment	455
Office Furnishings and Furniture	179
Publications	226
Total Line Items	3,570

AGENCY SERVICES

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

Mail Processing

MDA processes different 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 consists 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 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

Current prices vary, both with type of activity (i.e. bursting or folding) and volume. MDA may offer high volume clients lower rates, 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 mail delivery confirmation.

Contract Administration

MDA offers broader public sector clients with 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 Printing 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. The Agency receives and repairs any damaged or non-functioning component including disinfecting the item before returning it to the active equipment rental pool. MDA carries out periodic safety checks on equipment in the field to ensure items remain in good working condition. MDA also electronically tracks equipment usage for the Employee and Income Assistance Branch (EIA) program.

Key Copy Centres

MDA administers the Copy Centre Program, which includes ordering supplies for each copy centre, and arranging for repairs and maintenance. A per copy charge is applied based on user volumes recorded by electronic or manual keys. MDA is aware of the provincial strategy for integrating multi-use fax printers. This will eliminate most of the copy centres.

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 very competitive rates and continue to show favourable growth for the Agency. Key distribution services include:

Janitorial and Stationery products

- Wide range of janitorial and stationery items (currently 16,197 products)
- 209 products are environmentally friendly (increasing annually)
- Toner recycling program
- Pricing is the same throughout the province and is competitive with private companies (three independent audits were conducted and support claims 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 - Employee & 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 distributes textbooks and other school-related items
- 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

Office Relocation/Moving and Disposal Services

- Significant cost savings and consistent positive client feedback
- Furnishings that offices/workplaces no longer need are recycled to other offices or through recycling companies

Provincial Vaccine Program

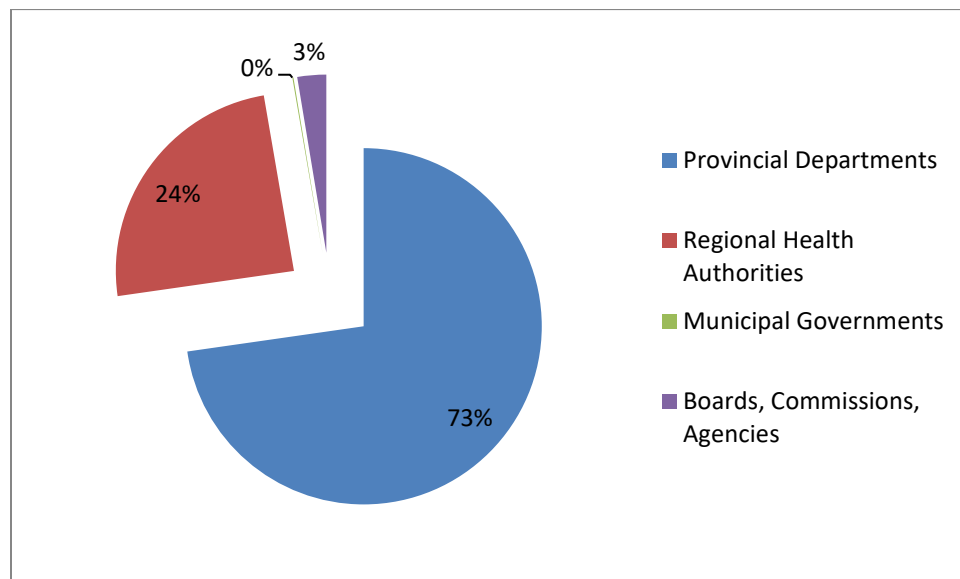
- Distribution of vaccines throughout the province on behalf of Manitoba Health. These vaccines must be maintained between 2 and 8 degrees Celsius at all times until consumed by the end user
- MDA is the first provincial entity to achieve GMP certification through Health Canada
- Increased risk management control for products within this program

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
- Example: Provincial Low Cost Bike Helmet Program

MARKET SEGMENT INFORMATION

Total Revenue 2012/13: \$25,035,000



WAREHOUSE PRODUCTS – DISTRIBUTION INFORMATION

Number of Orders	2012/13	2011/12	2010/11	2009/10
Warehouse Orders	51,900	54,600	53,300	55,200
Equipment Orders	14,507	14,071	14,300	14,371
Mail Finishing Orders	3,950	4,150	3,700	4,680
Vaccine Orders	6,460	n/a	n/a	n/a
Federal Mail Processed (pieces)	1.80 million	2.35 million	2.63 million	2.62 million
Inter-Departmental Mail (pieces)	318,000	347,000	339,400	348,500
Payroll Advice Letters	233,000	392,000	386,000	364,000
Manitoba Text Book Bureau Orders	11,944	10,345	11,855	11,923
Office Relocations	654	638	724	717

Distribution of Products By Area	2012/13	2011/12	2010/11	2009/10
Winnipeg	53.5%	54%	57%	56%
Rural	46.5%	46%	43%	44%

Delivery of Winnipeg Orders	2012/13	2011/12	2010/11	2009/10
Regular (2 days)	91.9%	95%	95%	96%
Same day	3.7%	2%	2%	1%
Pickup	4.4%	3%	3%	3%

2012/13 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 resources area. A multi-layered strategy is used to identify key objectives through staff surveys, management recommendations, government initiatives and employee suggestions.

Safety Management Program

MDA management, the Supply & Services Safety Facilitator and the Safety Committee will develop an internal Safety Management Program to ensure all potential accidents are investigated and improvements implemented.

Strategy results:

- The Safety Officer and MDA management have developed job hazard analysis and safe work procedure templates. All staff have been trained on how to use these templates. Each area within the Agency will complete these documents as part of the formal safety program in 2013/14
- MDA participated in a safety audit in May 2012. All deficiencies from this audit were addressed by the end of the third quarter. The next audit will take place in the first quarter of fiscal year 2013/14

Communication Improvements

Communication is identified as a key concern by staff and management. MDA has developed four strategies to address this area in 2012/13.

- Hold a minimum of 10 meetings for each area of MDA in the 2012/13 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	3	2	2	3	10
Warehouse - Distribution	10/yr	3	2	2	3	10
Warehouse - Mail Services	10/yr	3	3	2	2	10
Finance & IT	10/yr	3	1	2	3	9

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

Strategy results:

- The employee survey was conducted in November 2012. Two meetings were held in the fourth quarter and employee survey results were posted for staff to view
- Hold two meetings with all staff in fiscal year 2012/13 to provide an update on business initiatives, new policies, MDA's financial situation and answer questions.

Strategy results:

- The COO conducted a meeting with all MDA staff in June 2012. Employees were updated on initiatives from the 2012/13 business plan, strategic direction and the audited 2011/12 financial results. A second meeting was held with all MDA staff in December 2012 to provide updates on business initiatives
4. A quarterly newsletter will be developed and distributed to all MDA staff.
- MCG conducted a survey to determine if MDA staff would like a quarterly newsletter and what they would like to see in it
 - MDA's first newsletter was distributed in December 2012. It was well received by staff

Wellness Plan

MDA's goal is to establish itself as a healthy workplace, aligning with the province's priority to promote healthy living. MDA recognizes the substantial future savings to the Agency and health care system that will 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
- Organize employee tournaments in ping pong, cribbage, darts and Dance Dance Revolution
- Arrange for two healthy lunches and four healthy snack days
- Improve workout room
- Track staff who use alternative travel methods to and from work, and participate in the government's Commuter Challenge
- Organize MDA Olympics
- Arrange for speakers to address staff on health issues
- Offer a staff smoking cessation program
- Coordinate an internal recycling initiative

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 seventh annual Wellness Fair in April 2012. MDA staff, and provincial employees from outside of MDA, participated in the fair. Renowned Japanese drum group Fubuki Daiko performed in the MDA parking lot. A survey was conducted and the feedback was extremely favourable
- A healthy snack break and lunch were arranged for staff in June for the Employee Appreciation Day
- The Wellness Committee organized MDA's participation for the Winnipeg Humane Society's annual "Paws in Motion" walk at Assiniboine Park on June 27/12. Eight staff participated in the walk and many more made donations
- MDA's annual singles and doubles cribbage tournament was held in the second and third quarters
- A new treadmill was purchased with a grant from MB in Motion during the year
- A battery recycling program was implemented in 2012
- Singles and doubles table tennis tournaments were held during the year
- Wii Olympics were held with 10 staff participating

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 alternative suppliers. MDA must implement more frequent communications focused on the benefits of buying through MDA. It 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.

Family Services and Consumer Affairs (FS&CA)

In 2009/10, MDA was granted permission from Treasury Board to provide products and services to publically funded day care facilities. The Agency has dedicated resources to growing this line of business over the next two years. MDA has developed a comprehensive communications strategy for this client base and will be tracking quarterly sales throughout fiscal year 2012/13.

Strategy results:

- Sales are as follows:

Sales 2009/10 (\$)	Sales 2010/11 (\$)	Sales 2011/12 (\$)	Sales 2012/13 (\$)
18,400	33,200	32,500	45,100

- MCG is working on an updated communications package for day cares that will be distributed in the first quarter of fiscal year 2013/14

Mail Services

MDA Mail Services offers a variety of services, such as printing, addressing, folding, inserting, mail processing and IDM delivery. 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. There are significant cost savings by departments in using MDA for ID mail and mail processing.

Strategy results:

- A strategy is being developed by MCG to grow business and increase client contact
- MCG arranged meetings with MDA's top 10 clients in each mail business area in 2012/13

Office of Disaster Management (ODM)

In 2009/10, MDA partnered with the Office of Disaster Management to store, inventory and distribute pandemic supplies for the Province of Manitoba. MDA has entered into an agreement to continue this business until the end of fiscal year 2012/13. ODM requires ongoing management of the pandemic stock on behalf of the Regional Health Authorities past the next year. MDA will make a formal proposal to retain this business, and continue offering storage and distribution for the pandemic safety stock program.

Strategy results:

- MDA is currently operating a 40,000 sq ft temporary warehouse for the pandemic stock
- MDA conducted meetings with representatives from ODM in February 2012. MDA is analyzing options for future space requirements with this business line
- Temporary warehouse space will be reduced to save costs in 2013/14
- Possibility of merging the pandemic supplies into 1715 St. James location in 2013/14

Association of Manitoba Municipalities (AMM)

MDA has been marketing this association since early 2008. MCG has developed a strategic plan for increasing awareness of MDA products and services with this client group. This involves attending two trade shows, advertising in the Municipal Leader magazine and sales calls to key rural municipality offices. Revenue for this business line has increased by 18% in fiscal year 2012/13. MDA will monitor quarterly sales to determine the viability of this initiative.

Strategy results:

- MDA has partnered with Vehicle and Equipment Management Agency (VEMA) to advertise in the Municipal Leader Magazine. This has cut costs to both agencies
- Staff from MCG attended the AMM trade show in April 2012
- Sales are as follows:

Sales 2009/10 (\$)	Sales 2010/11 (\$)	Sales 2011/12 (\$)	Sales 2012/13 (\$)
27,400	36,400	22,600	27,600

Employee Income and Assistance

This is a key business line for MDA which is growing each year. In late 2007, MDA launched an electronic ordering system (E-order) in Winnipeg, at the client’s request. MDA will track volumes throughout 2012/13 to verify the effectiveness of this plan.

Strategy results:

- Sales are as follows:

Sales 2009/10 (\$)	Sales 2010/11 (\$)	Sales 2011/12 (\$)	Sales 2012/13 (\$)
2,100,000	2,400,000	2,600,000	2,750,000

Marketing and Communications Group (MCG)

MCG works closely with MDA to source and implement many key business and communication initiatives. MCG is tasked with sourcing five new business opportunities in fiscal year 2012/13.

Strategy results:

- MCG sourced two new mail clients which consist of various mail finishing/IDM jobs
- Three new storage clients were brought on board in 2012/13

Conservation

The Department of Conservation has asked MDA to evaluate its current structure and look at possible ways to assist with inventory management and tracking of assets throughout the Province. MDA will work closely with Conservation to determine the viability of this partnership.

Strategy results:

- MDA submitted a proposal with estimated costs to Conservation management in April 2011. They informed MDA to proceed in developing a formal service agreement
- MCG is preparing the service agreement with completion in the first quarter of fiscal year 2012/13
- This project was put on hold at the request of Conservation

Rural libraries

MCG will begin marketing to all rural libraries in 2012/13. MDA will track the value of this business initiative over the next three years.

Strategy results:

- Sales are as follows:

Sales 2011/12 (\$)	Sales 2012/13 (\$)
7,100	8,000

Personal Care Homes

MDA will approach all personal care homes throughout the province in regards to the inventory management of medical equipment (e.g. beds, mattresses, lifts, etc.).

Strategy results:

- MDA entered into a formal service agreement with Deer Lodge Centre for a preventative mattress maintenance program to begin in September 2011
- This program was expanded to include Bariatric equipment in 2012/13

3. Internal Project Initiatives Overview

MDA management and staff identify key areas that need improvement, updating or removal each year. The Agency reacts quickly to issues brought forth from staff, clients, vendors and management. These projects could be small (updating an existing SOP) or large (feasibility study of all mail satellite offices).

MDA has identified several important internal improvements that need to be completed in 2011/12. Additional projects may be identified throughout the year, based on operational and client requirements.

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 reviews on an annual basis
- New business assessment

Each program will be reviewed annually by MDA’s Finance area to ensure financial stability and operational effectiveness. MCG will review to determine client satisfaction.

Strategy results:

- Segmented reporting will be used to assess financial performance

MDA Business Line	Annual Revenue (\$)
New Business Template	-
Mail Services (5 lines)	5,000,000
MTBB	240,000
Medical Equipment	2,000,000
Moving	750,000
Storage	85,000
Janitorial	1,500,000
Stationery	3,000,000
Medical Supplies	1,500,000

MDA Website

Over the past three years, MDA has maintained a website to market its products and services. At this time, the website is static. MDA has tasked MCG to explore an easy to search and interactive website that can be updated with new products in real time. This will allow clients to utilize the website, instead of relying on printed catalogues and monthly flyers to update outdated information and products. MDA could reduce the amount of catalogues printed each year, saving money and becoming more environmentally friendly.

Strategy results:

- COO and Finance Manager met and discussed options for MDA's website
- MCG worked with representatives of BTT to move MDA's website to Dreamweaver in the second quarter
- The Finance Manager submitted recommendations for updating MDA's website in the fourth quarter

Warehouse space review

The Manager of Logistics will undertake an analysis to determine effective warehouse space usage by business line and present findings to the COO. An action plan will be developed to reconfigure warehouse areas or examine possible expansion.

Strategy results:

- MDA Shipping and Receiving areas have been reconfigured to increase workflow

Good Manufacturing Practice Certificate (GMP)

This licensing is required by the Federal Government in order to distribute certain types of health supplies and equipment (nutritional supplements, wound dressings, etc.). MDA will work with the Federal Government to identify these items, implement necessary process changes and apply for this licence to be compliant with legislation.

Strategy results:

- MDA obtained a Drug Establishment Licence from Health Canada in April 2012
- There were nine observations - MDA reported back to HC in September 2012
- MDA applied for a Medical Device Establishment Licence in June 2012 and received the formal licence in December 2012

Information Technology Projects

MDA relies heavily on the Great Plains system for ensuring client needs are met. There are many small projects which occur throughout each year. These projects improve the information we can supply to clients and increase internal efficiencies of staff. There are six projects identified for analysis and upgrades in the 2012/13 fiscal year:

- MDA will make improvements to the "Ship to" module, "E-order" program, rental module, shipping program, Children Special Services budget letter and Y2K shipping labels

Strategy results:

- Shipping labels – The IT area had a meeting with Purolator to determine the feasibility of this process. This project will be deferred to the 2013/14 fiscal year.
- "Ship To" module enhancement – This program is now integrated into Great Plains
- "E-Order" program – Enhancements were created to accept orders electronically and update the module to reflect a more professional look
- Annual Children Special Services budget letter – This annual process is currently manual and needs to be automated to save MDA staff time. IT area is working on this for next fiscal year
- Rental module enhancement – GP information is now integrated to reduce double entries
- Shipping program – MDA's shipping program is now converted to current technology

4. Sustainable Development & Green Initiatives Overview

MDA supports all government initiatives on sustainable development and green procurement. It currently carries 244 products which are considered environmentally friendly. This number is steadily growing each year. Procurement Services Branch (PSB) continues to recommend MDA as a supplier of choice for many commodity lines, such as furniture, stationery, and janitorial supplies.

MDA provides disposal services on behalf of the Province to ensure that all items are re-distributed, recycled or disposed of in the proper manner, instead of being thrown into landfills.

Janitorial and Stationery Products

Each year MDA works with clients to provide an enhanced line of environmentally friendly products. MDA's target in 2012/13 is to obtain a minimum of 10 new green products to replace traditional items which are not environmentally friendly. MDA will report on this initiative in the fourth quarter of 2011/12.

Strategy results:

- A total of six new green products were added to MDA's product line in fiscal year 2012/13

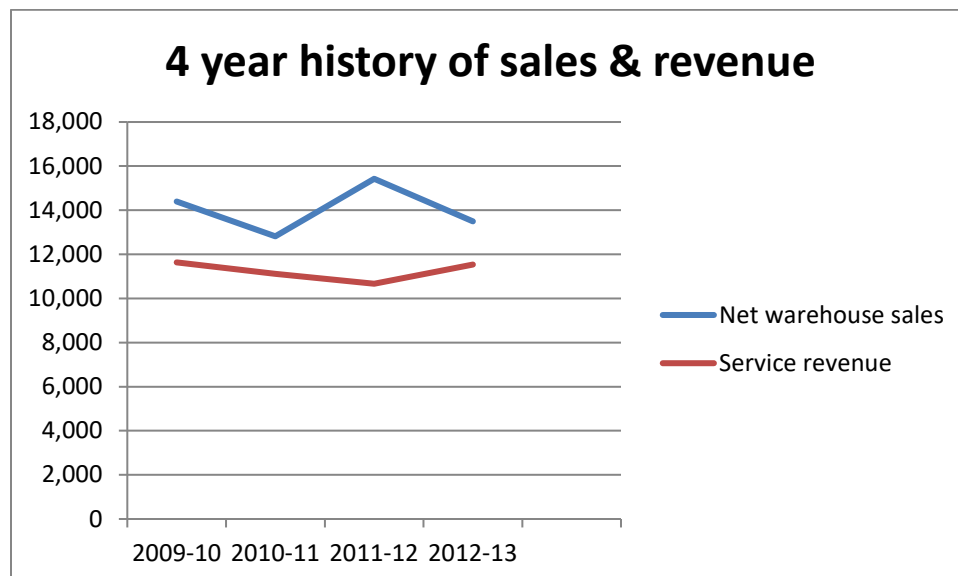
FINANCIAL OVERVIEW

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.

MDA reported a net income of \$186,000, compared to a projected net income of \$4,000 for the year ended March 31, 2013, and a net loss of \$231,000 for the year ended March 31, 2012. Last year MDA absorbed \$416,000 which was the cost of the postal disruption which was the main reason for the loss.

	2013 Actual	2013 Projected	2013 Actual vs. Projected	2012 Actual	2013 Actual vs. 2012 Actual
Warehouse Sales	13,952	13,512	440	15,426	(1,474)
Service Revenue	11,083	11,559	(476)	10,667	416
Total Revenue	25,035	25,071	(36)	26,093	(1,058)
Salaries & benefits	4,967	5,239	(272)	4,478	489
Cost of Sales	10,686	10,810	(124)	11,940	(1,254)
Occupancy Costs	1,083	1,098	(15)	1,172	(89)
Operational Costs	7,433	7,340	93	7,685	(252)
Administrative Cost	680	580	100	633	47
Extraordinary Item	-	-	-	416	(416)
Total Expenses	24,849	25,067	(218)	26,324	(1,475)
Net Income/(loss)	186	4	182	(231)	417



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	2013	2012	2011	2010
Return on Total Revenue*	.71%	.71%	.08%	.77%
Return on Average Assets*	2.60%	3.44%	.14%	2.63%
Gross Profit Percentage	20.7%	22.6%	20.30%	21.90%
Days Sales in Receivables	46.9 days	32 days	52 days	35 days
Inventory Turnover	7.78 times	7.76 times	6.64 times	7.76 times

*before extraordinary item

MDA Performance Measures

* Internal Turn Around Times:	2013	2012	2011	2010
(In number of days)				
Health Orders – Urban	1	1	1	1
Health Orders – Rural	1	1	1	1
Other Goods – Urban	1.5	1.5	1.5	1
Other Goods – Rural	1.5	1.5	1.5	1
MB Text Book Bureau	1	1	1	1
No. Sales Invoices	62,446	62,709	62,373	63,692
No. Inventory Items	3,570	3,835	3,718	3,041

★ 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

**MATERIALS DISTRIBUTION AGENCY
FINANCIAL STATEMENTS
MARCH 31, 2013**

MATERIALS DISTRIBUTION AGENCY

(An Agency of the Province of Manitoba)

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of management of Materials Distribution Agency and have been prepared in accordance with Canadian public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgments regarding all necessary estimates and all other data available as at June 12, 2013.

Management maintains internal controls to properly safeguard the assets of Materials Distribution Agency and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The financial statements of Materials Distribution Agency have been audited by Magnus Chartered Accountants LLP, independent external auditors. The responsibility of the auditor is to express an independent opinion on whether the financial statements of Materials Distribution Agency are fairly represented, in all material respects, in accordance with Canadian public sector accounting standards. The Independent Auditors' Report outlines the scope of the audit examination and provides the audit opinion on the financial statements.

On behalf of Management of
Materials Distribution Agency

David Bishop
Chief Operating Officer

Joel Hershfield
Manager of Finance and Technology

INDEPENDENT AUDITORS' REPORT

To the Special Operating Agencies Financing Authority of
Materials Distribution Agency

Report on the Financial Statements

We have audited the accompanying financial statements of Materials Distribution Agency, an agency of the Special Operating Agencies Financing Authority, Province of Manitoba, which comprise the statements of financial position as at March 31, 2013 and the statements of operations, change in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Materials Distribution Agency as at March 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

June 12, 2013
Winnipeg, Canada

Magnus Chartered Accountants LLP

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

Statement of Financial Position

(in thousands)

March 31, 2013

	2013	2012
Financial assets		
Cash and cash equivalents	\$ 1,301	\$ 1,410
Accounts receivable (Note 4)	1,810	2,305
Portfolio investments	412	412
Inventories held for resale (Note 6)	1,353	1,467
	4,876	5,594
Liabilities		
Accounts payable and accrued liabilities	2,095	2,892
Employee future benefits (Note 7)	651	607
	2,746	3,499
Net financial assets	2,130	2,095
Non-financial assets		
Tangible capital assets (Note 8)	1,767	1,654
Prepaid expenses	264	226
	2,031	1,880
Accumulated surplus	\$ 4,161	\$ 3,975

Designated assets (Note 9)

Commitments (Note 10)

See accompanying notes to financial statements.

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

Statement of Operations

(in thousands)

Year ended March 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Revenues:			
Warehouse sales (Schedule 1)	\$ 12,750	\$ 13,952	\$ 15,426
Service revenue (Schedule 1)	11,871	11,083	10,667
	24,621	25,035	26,093
Expenses:			
Cost of sales	10,149	10,686	11,940
Salaries and benefits	4,934	4,967	4,478
Occupancy costs	1,104	1,083	1,172
Operating expenses (Schedule 2)	7,892	7,433	7,685
Administrative expenses (Schedule 2)	533	680	633
Province of Manitoba transfer	-	-	416
	24,612	24,849	26,324
Net income (loss) for the year	9	186	(231)
Accumulated surplus, beginning of year	3,964	3,975	4,206
Accumulated surplus, end of year	\$ 3,973	\$ 4,161	\$ 3,975

See accompanying notes to financial statements.

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

Statement of Change in Net Financial Assets

(in thousands)

Year ended March 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Net income (loss) for the year	\$ 9	\$ 186	\$ (231)
Tangible capital assets			
Acquisition of tangible capital assets	(20)	(1,038)	(746)
Amortization of tangible capital assets	-	925	988
Net acquisition of tangible capital assets	(20)	(113)	242
Other non-financial assets			
(Decrease) increase in prepaid expenses during the year	-	(38)	11
Net acquisition of other non-financial assets	-	(38)	11
Increase in net financial assets	(11)	35	22
Net financial assets, beginning of year	1,914	2,095	2,073
Net financial assets, end of year	\$ 1,903	\$ 2,130	\$ 2,095

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, 2013

	2013	2012
Cash provided by (applied to):		
Operating activities:		
Net income (loss) for the year	\$ 186	\$ (231)
Adjustment for:		
Amortization	925	988
	1,111	757
Changes in the following:		
Accounts receivable	495	585
Inventories held for resale	115	9
Prepaid expenses	(38)	11
Accounts payable and accrued liabilities	(798)	277
Employee future benefits	44	24
Cash provided by operating activities	929	1,663
Capital activities:		
Acquisition of tangible capital assets	(1,038)	(746)
Cash applied to capital activities	(1,038)	(746)
Change in cash and cash equivalents	(109)	917
Cash and cash equivalents, beginning of year	1,410	493
Cash and cash equivalents, end of year	\$ 1,301	\$ 1,410

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, 2013

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 services. 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.

Effective April 1, 2012, the Agency is administering the vaccine program on behalf of Manitoba Health.

2. Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards which are Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board.

**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, 2013

3. Significant accounting policies

(a) Revenue

Warehouse sales

Revenue is recognized when the goods are shipped.

Service revenue

Service revenue is recognized when the related services are completed or substantially completed pursuant to the underlying contracts, where applicable.

Other revenue

All other revenues are recognized on an accrual basis.

(b) Expenses

Accrual accounting

All expenses incurred for goods and services are recognized on an accrual basis.

Government transfers

Government transfers are recognized as expenses in the period in which the transfers are authorized and all eligibility criteria have been met.

(c) Financial assets

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short term investments and deposits with original maturities of three months or less.

Accounts receivable

Accounts receivable are recorded at the lower of cost and net realizable value. An allowance for doubtful accounts is recorded when there is uncertainty whether the amounts will be collected.

Portfolio investments

Portfolio investments are investments and deposits with original maturities of more than three months. These investments are recognized at cost.

Inventories for resale

Inventories for resale are recorded at the lower of cost or net realizable value.

(d) Liabilities

Liabilities are present obligations as a result of transactions and events occurring at or prior to the end of the fiscal year the settlement of which will result in the future transfer or use of assets or other form of settlement. Liabilities are recognized when there is an appropriate basis of measurement and a reasonable estimate can be made of the amount involved.

**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, 2013

3. Significant accounting policies (continued)

(e) Non-financial assets

Tangible capital assets

Tangible capital assets are recognized at cost. Cost includes the purchase price as well as other acquisition costs. The costs of tangible capital assets, less any residual value, are amortized over their estimated useful lives as follows:

Computer equipment	20% straight line
Furniture and 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

Prepaid expenses

Prepaid expenses are payments for goods or services that will provide economic benefit in future periods. The prepaid amount is recognized as an expense in the year the goods or services are consumed.

(f) Financial instruments - measurement

Financial instruments are classified into one of two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Agency records its financial assets at cost. Financial assets include cash and cash equivalents, accounts receivable and portfolio investments. The Agency also records its financial liabilities at cost. Financial liabilities include accounts payable and accrued liabilities.

Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs. Gains and losses on financial instruments measured at fair value, if any, are recorded in accumulated surplus as remeasurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative remeasurement gains and losses are reclassified to the statement of operations.

(g) Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount 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, 2013

4. Accounts receivable

Accounts receivable at March 31 is comprised of the following:

	2013	2012
Trade accounts receivable	\$1,902	\$ 2,397
Other receivables	1	1
Allowance for doubtful accounts	(93)	(93)
	<u>\$1,810</u>	<u>\$ 2,305</u>

5. Working capital advances

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, 2013 (2012 - \$nil).

6. Inventories held for resale

	2013	2012
Medical supplies	\$ 598	\$ 681
Health equipment	120	102
Stationary	425	479
Janitorial	203	196
Furniture	7	9
	<u>\$ 1,353</u>	<u>\$ 1,467</u>

7. Employee future benefits

	2013	2012
Severance benefits	\$ 581	\$ 524
Sick pay benefits	70	83
	<u>\$ 651</u>	<u>\$ 607</u>

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. 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.

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 2013 was \$212 (2012 - \$187). Under this agreement, the Agency has no further pension liability.

**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, 2013

7. Employee future benefits (continued)

Severance benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of the severance pay benefit obligation 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 (EARSL) of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2011. 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, 2013 is \$581 (2012 - \$524), with the actuarial losses of \$15 (2012 - \$15) based on the completed actuarial reports being amortized over the 15 year EARSL of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2011 valuation, and in the determination of the March 31, 2013 present value of the accrued severance benefit liability, are:

Annual rate of return:	
Inflation component	2.00%
Real rate of return	4.00%
	6.00%
Assumed salary increase rates:	
Annual productivity increase	1.00%
Annual general salary increase	2.75%
	3.75%

The severance benefit liability as at March 31 includes the following components:

	2013	2012
Accrued benefit liability	\$ 588	\$ 532
Less: unamortized actuarial losses	(7)	(8)
Severance benefit liability	\$ 581	\$ 524

Total severance benefits paid during the year ended March 31, 2013 were \$nil (2012 - \$30). The total expense related to severance benefits for the year ended March 31 includes the following components:

	2013	2012
Interest on obligation	\$ 35	\$ 33
Current period service cost	21	20
Amortization of actuarial losses over EARSL	1	1
Total expense related to severance benefits	\$ 57	\$ 54

**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, 2013

7. Employee future benefits (continued)

Sick pay benefits

The Agency provides sick leave benefits for employees that accumulate but do not vest. The accrued benefit liability related to sick leave entitlements earned by employees is determined using a valuation model developed by an actuary. The valuation is based on employee demographics, sick leave usage and actuarial assumptions. These assumptions include a 6.00% annual return and a 3.75% annual salary increase. The Agency's sick leave benefit liability as at March 31, 2013 based on the valuation model is \$70 (2012 - \$83). The decrease in the sick leave benefit liability of \$13 (2012 - \$nil) represents the total sick leave benefit recovery for the year.

8. Tangible capital assets

	2013			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer equipment	\$ 582	\$ 16	\$ -	\$ 598
Fixtures	163	1	-	164
Leasehold improvements	854	-	-	854
Office equipment	64	-	-	64
Production equipment	291	(3)	-	288
Rental equipment	9,605	976	-	10,581
Warehouse equipment	1,027	48	-	1,075
	\$ 12,586	\$ 1,038	\$ -	\$ 13,624
Accumulated amortization				
Computer equipment	\$ 560	\$ 7	\$ -	\$ 567
Fixtures	133	10	-	143
Leasehold improvements	773	24	-	797
Office equipment	64	-	-	64
Production equipment	292	(4)	-	288
Rental equipment	8,393	831	-	9,224
Warehouse equipment	717	57	-	774
Total accumulated amortization	\$ 10,932	\$ 925	\$ -	\$ 11,857
Net book value	\$ 1,654	\$ 113	\$ -	\$ 1,767

Production equipment additions for the year ended March 31, 2013 include adjustments for discounts received during the year on production equipment purchases from the year ended March 31, 2012.

**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, 2013

8. Tangible capital assets (continued)

	2012			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer equipment	\$ 567	\$ 15	\$ -	\$ 582
Fixtures	161	2	-	163
Leasehold improvements	836	18	-	854
Office equipment	64	-	-	64
Production equipment	284	7	-	291
Rental equipment	8,930	675	-	9,605
Warehouse equipment	998	29	-	1,027
	\$ 11,840	\$ 746	\$ -	\$ 12,586
Accumulated amortization				
Computer equipment	\$ 557	\$ 3	\$ -	\$ 560
Fixtures	123	10	-	133
Leasehold improvements	752	21	-	773
Office equipment	64	-	-	64
Production equipment	284	8	-	292
Rental equipment	7,508	885	-	8,393
Warehouse equipment	656	61	-	717
Total accumulated amortization	\$ 9,944	\$ 988	\$ -	\$ 10,932
Net book value	\$ 1,896	\$ (242)	\$ -	\$ 1,654

9. Designated assets

The Agency has allocated \$412 (2012 - \$412) of its portfolio investments as designated assets for cash received from the Province of Manitoba for vacation entitlements earned by employees of the Agency prior to its designation as an SOA and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. This amount is held in an interest bearing account until the cash is required to discharge the related liabilities. Any unused balance is re-invested annually.

10. 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 renewal option. The payments per the lease agreement are \$521 per year.

On April 30, 2010, the Agency took possession of a rental property consisting of 45,000 square feet at 1455 Mountain Avenue, Winnipeg, Manitoba. The lease expires on June 30, 2013 and the lease payments are \$18 per month.

**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, 2013

10. Commitments (continued)

Rental agreement

The Agency leases 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, 2014 are estimated to be \$10 (2013 actual - \$10).

11. Financial instruments and financial risk management

The Agency does not have any significant financial instruments subsequently measured at fair value or denominated in a foreign currency therefore the Agency did not incur any remeasurement gains or losses during the year (2012 - \$nil).

Financial risk management – overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest rate risk; and foreign currency risk.

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 cash equivalents, accounts receivable and portfolio investments.

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

	2013	2012
Cash and cash equivalents	\$ 1,301	\$ 1,410
Accounts receivable	1,810	2,305
Portfolio investments	412	412
	<u>\$ 3,523</u>	<u>\$ 4,127</u>

Cash and cash equivalents and portfolio investments: The Agency is not exposed to significant credit risk as these amounts are held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the balance of the accounts receivable are primarily with other government agencies and departments. The balance is due from a large client base and payment in full is typically collected when it is due. The Agency manages this credit risk through close monitoring of overdue accounts.

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.

There was no change in the allowance for doubtful accounts during the year and the balance in the allowance for doubtful accounts at March 31, 2013 is \$93 (2012 - \$93).

**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, 2013

11. Financial instruments and financial risk management (continued)

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 its 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.

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 cash and cash equivalents and portfolio investments.

The interest rate risk on cash and cash equivalents is considered to be low because of their short-term nature. The interest rate risk on portfolio investments is considered low as the original deposits are reinvested at rates for investments with similar terms and conditions.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any significant financial instruments denominated in a foreign currency.

12. Comparative information

Certain amounts from the year ended March 31, 2012 have been reclassified to conform to the financial statement presentation adopted for the current year.

**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, 2013

Schedule 1

	2013	2012
Warehouse sales:		
Medical supplies	\$ 4,854	\$ 4,919
Stationery	4,610	4,580
Furniture	1,046	2,537
Janitorial	2,138	2,174
Health equipment	591	574
Special projects	713	642
	<u>\$ 13,952</u>	<u>\$ 15,426</u>
Service revenue:		
Disposal	\$ 15	\$ 5
Manitoba Textbook Bureau	290	290
Freight	740	731
Moving	411	389
Storage	69	63
Vaccine program	517	-
Office equipment - copy centres	10	51
Mail services	5,543	5,870
Home care equipment rentals	3,316	3,062
Other income	172	206
	<u>\$ 11,083</u>	<u>\$ 10,667</u>

Schedule of Operating and Administrative Expenses

(in thousands)

Year ended March 31, 2013

Schedule 2

	2013	2012
Operating expenses:		
Amortization	\$ 925	\$ 988
Copy centre	12	43
Equipment rentals	121	139
Freight	1,546	1,428
Mail services	4,259	4,550
Moving	287	313
Vehicle	108	92
Warehouse supplies	175	132
	\$ 7,433	\$ 7,685
Administrative expenses:		
Computer	\$ 275	\$ 237
Miscellaneous	14	12
Office	249	207
Professional fees	20	14
Promotion and marketing	37	75
SOAFA fees	2	2
Telephone	72	66
Training	11	20
	\$ 680	\$ 633