

Manitoba Liquor & Lotteries

ANNUAL REPORT

2023-2024

LAND ACKNOWLEDGEMENT

Manitoba Liquor & Lotteries benefits from being on the original territories of the Anishinaabe, Cree, Oji-Cree, Dakota, Lakota, and Dene peoples, lands now known as Treaties One through Five – and the homeland of the Red River Métis.

We commit to respecting the treaties made on these territories while acknowledging the harms of the past and moving forward in partnership with Indigenous communities and a spirit of reconciliation.

While we acknowledge that territorial acknowledgements are only one step in cultivating greater respect for and inclusion of Indigenous Peoples, these words will accompany actions invested in building a future and community better for all.



Photo by Buddy Prince, a member of Brokenhead Ojibway Nation.

Vision

To consistently be one of the largest contributors to our province

Mission

To proudly and responsibly serve positive experiences

Purpose

Enriching the lives of Manitobans

Values

We aspire to live these values in all that we do to enrich the lives of Manitobans.



CARING

Everyone Matters: We care about each other, our communities and the environment by being genuine, responsible and considerate.



COMMITTED

Keep Promises: We take pride and ownership in making and meeting our commitments.



COLLABORATIVE

Better Together: We work together in an open, respectful way to produce and deliver outstanding results.



CREATIVE

Courage to Explore: We foster an environment of idea sharing, continuous learning and improvement, and push beyond what we have today to what is possible tomorrow.



CUSTOMER FOCUSED

Great Experiences: We listen to our internal and external customers so we can anticipate, understand and respond to their needs.

LETTER OF TRANSMISSION

Honourable Glen Simard
Minister responsible for the Manitoba
Liquor and Lotteries Corporation

Room 118, Legislative Building
450 Broadway
Winnipeg, MB R3C 0V8

July 31, 2024

Dear Honourable Minister:

It is my pleasure to present you with the annual report of Manitoba Liquor and Lotteries Corporation for the fiscal year ended March 31, 2024.

Respectfully submitted,

Jeff Traeger
Chair, Board of Directors

BOARD OF DIRECTORS

As of June 7, 2024

Jeff Traeger, Chair
Tim Comack, Vice Chair
Michelle Cameron
Josiane Kroll
Tannis Mindell
Sara Penner
Sarah Pinsent
Doug Ramsey
Christine Van Cauwenberghe

BOARD OF DIRECTORS

April 1 2023 - March 31, 2024

Jeff Traeger, Chair
Bonnie Mitchelson Chair**
Tim Comack Vice Chair
Manny Atwal*
Rod Bruinooge**
Michelle Cameron
William Gould**
Josiane Kroll
Gestur Kristjansson**
Bryce Matlashewski**
Tannis Mindell
Sara Penner
Sarah Pinsent
Doug Ramsey
Wayne Rempel**
David Schioler**
Brenda Tobac**
Christine Van Cauwenberghe

*Outgoing May 10, 2023

**Outgoing December 6, 2023

Table of Contents

ABOUT US	06
MESSAGE FROM THE CHAIR	07
MESSAGE FROM THE PRESIDENT AND CEO	08
MANAGEMENT DISCUSSION AND ANALYSIS	09
CONSOLIDATED FINANCIAL STATEMENTS	26
MANAGEMENT REPORT	27
INDEPENDENT AUDITOR'S REPORT	28
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	33

About Us

Manitoba Liquor & Lotteries (MBLL) is a provincial Crown corporation that contributes to the general revenue of the Province of Manitoba through the sale of liquor, gaming, and cannabis. Programs and services like healthcare, education, social services, housing, and infrastructure are funded through the Province of Manitoba's general revenue.

All liquor, gaming and cannabis sold by more than 3,300 private businesses in Manitoba is purchased through MBLL.

We supply liquor and beer vendors, specialty wine stores, restaurants and bars, lottery retailers, cannabis retailers and other licensees.

We operate the network of video lottery terminals (VLTs) found at private licensed establishments and First Nations sites, and supply equipment and oversight to First Nations casinos and the Shark Club Gaming Centre. Manitoba's PlayNow site is managed under agreement with BCLC.

We distribute and sell lottery tickets as a member of the Western Canada Lottery Corporation (WCLC) and, by extension, the Interprovincial Lottery Corporation (ILC). We are the exclusive supplier of breakopen tickets and bingo paper in Manitoba.

We directly operate all Liquor Mart and Liquor Mart Express stores and the Casinos of Winnipeg.

Sustainability and social responsibility are central to our business approach. We promote lower risk, informed choices for consuming liquor, gambling and cannabis.

MESSAGE FROM The Chair



I feel extremely privileged to welcome you to the 2023-24 annual report of MBL. As the Crown corporation's new chair, I recognize the importance that this publicly owned and operated business holds for a wide range of stakeholders.

To consumers, MBL represents a trusted and responsible source of liquor, cannabis, and gaming entertainment. And to Manitobans, we represent a reliable and sustainable source of profits that support the provincial programs and services they depend on every day. It's no small responsibility, but that's exactly why our province has developed, over many decades, a highly regarded organization capable of over seeing to these wide-ranging needs.

Since taking on this role, I've been impressed by the dedication and professionalism found at all levels of MBL. Our core values, listed on page four, are demonstrated daily by our employees. How we express those values continues to evolve on topics like truth and reconciliation.

Near the end of the third fiscal quarter, we received a new mandate letter from the minister responsible for MBL. Our new mandate focuses on protecting and improving strategic interests such as capacity building through qualified staff; creating the conditions for entrepreneurialism and job growth such as in liquor production and cannabis retailing; growing our Liquor Mart network to maintain customer convenience and access; and ensuring the continued relevance of Manitoba's only legal online gaming platform, PlayNow.

Importantly, our mandate also has a strong focus on the social good that we can accomplish through deliberate choices in how we do business. MBL is tasked with ensuring that any growth is targeted towards economic development and economic reconciliation. Looking inward, we have also been tasked with restoring respect for workers through commitments to fair pay and safe working conditions.

We also have a renewed commitment to supporting our communities. We're reinvesting in some of our historic programs, including our small capital funding program. This opportunity provides funding for sports, arts and other non-profit or charitable infrastructure in communities across Manitoba.

On behalf of the board of directors, thank you to all Manitobans for shopping with us, for being our guests, and for doing business with us. We sincerely appreciate the trust and confidence you place in us every day, and we consider it a privilege to serve you and build our communities at the same time.

JEFF TRAEGER
Chair

MESSAGE FROM

The President and CEO



It gives me great pride to report that through the efforts of our organization, we have delivered \$732.5 million to the Province of Manitoba in 2023-24 to support priority programs like health care and education. This was achieved despite some challenging economic and business headwinds that lingered post pandemic, but it's not surprising given the professional and committed people that contribute to our success.

When I speak to employees – at our casinos, our stores and throughout the organization – I often hear how their dedication is bolstered with the knowledge that all profits stay in the province and benefit all Manitobans. There are many other reasons people work at MBLL, to be sure, but serving our communities is always near the top of that list. I am consistently humbled by, and thankful for, the spirit of community that I see throughout our organization.

This year we welcomed a new slate of directors to our board and are excited to work within a new mandate set by the government. Through the board's guidance we will continue our overall work of enriching the lives of all Manitobans while showing respect for our employees.

Our lines of business performed commendably. Cannabis distribution once again achieved significant year-over-year growth (about 26%). We focused on better service to retailers through significant improvements to product ordering, noticeably reducing the time between retailers placing orders and receiving them. The fifth year of legal cannabis was met with downward pressure on prices, while at the same time we continue to see the retail market grow, both rurally and in our urban centres.

In 2023 we celebrated 100 years of publicly managed liquor sales alongside today's private beer vendors, wine stores, rural liquor vendors, and direct-from-producer sales. Following a strong year of sales immediate post-pandemic, liquor sales softened somewhat. On the supply side, MBLL simplified its markup tiers for craft producers, supporting industry by helping them keep more profits while growing their production volumes.

Controlled entrances continue to provide a strong and effective deterrent against theft and robbery. The safety of our staff and customers will always be our priority. We worked with the Liquor, Gaming and Cannabis Authority of Manitoba (LGCA) to add four new types of accepted secure identification. This makes it easier for, among others, Métis and Canadian Armed Forces members to shop with us. These are important additions that customers have been asking for and that we are pleased to have delivered on.

Befitting their thirtieth anniversary, the Casinos of Winnipeg delivered strong year-over-year revenue growth as did our video lottery terminal (VLT) network. The casinos revenue growth was more than offset by a rising operating expense base, primarily led by increases in salaries and benefits, and maintenance and technology costs. PlayNow saw a decline in performance which was expected as people shifted back to land-based gaming options post pandemic. The introduction of a sports gambling app for iOS helped celebrate the tenth year of operation for PlayNow.

Lottery struggled due to a smaller than average number of extended jackpot runs for national draw-based games, in particular LottoMax, the top contributor to lottery revenues.

Beyond the profits that support so many of the programs and services in our province, we have a strong corporate culture of direct community involvement. We purposely expanded our community support investment to support the communities in which we live and work. We've reinvested in several programs, including a small capital sponsorship program designed for not-for-profit and charitable projects. We are also growing our support for employee-led charitable and volunteer efforts.

These programs have a greater focus now on diversity, equity, and inclusion, including Indigenous-led initiatives. We developed a new three-year roadmap for diversity, equity, and inclusion, as well as a specific roadmap for truth and reconciliation. We're humbled and gratefully accept the wisdom of our Indigenous Advisory Circle, newly formed with the help of Kevin Chief, as we embark on our journey of action to cultivate greater respect and inclusion of Indigenous Peoples.

MBLL has seven collective bargaining agreements, all of which were ratified between May 2023 and February 2024. This was, at times, a very difficult process for many of our employees. I'm grateful for the support of our government to help us ratify these agreements and show our employees their value to MBLL.

The management team and I look forward to maintaining – and where necessary, rebuilding – the trust and pride that are traditional hallmarks of our corporate culture. Our contributions to Manitobans could not happen without the support of all employees.

GERRY SUL
President & Chief Executive Officer

Management Discussion and Analysis

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS AT MARCH 31, 2024

The management discussion and analysis reviews the consolidated financial results of the operations of Manitoba Liquor and Lotteries Corporation (the Corporation) for the fiscal year ended March 31, 2024. This report should be read in conjunction with the Corporation's audited consolidated financial statements and accompanying notes.

Management is responsible for the reliability and timeliness of the information disclosed in the management discussion and analysis and does so by implementing and monitoring the appropriate existence and effectiveness of systems, controls and procedures used by the Corporation. Management has concluded, as at March 31, 2024, that the systems, controls, and processes in place are adequate to provide reliable and accurate information for the management discussion and analysis.

Overview and Results of Operations

The six operating segments of the Corporation are: Cannabis Operations, Casinos, Liquor Operations, Lottery, Online Gaming and Video Lotto. In accordance with International Financial Reporting Standards (IFRS), the Corporation accounts for WCLC using the equity method and therefore presents its share of the profit of WCLC as one line in the consolidated statement of net income, comprehensive income and equity of the audited consolidated financial statements.

For reporting purposes within the management discussion and analysis, the administrative costs associated with corporate support services – including human resources, finance, marketing and communications, facilities, technology, internal audit, legal, corporate governance, security, and corporate responsibility – have been allocated to each of the operating segments.

The Corporation's allocation to the Province of Manitoba for 2023-24 was \$732.5 million, a decrease of \$8.4 million or 1.1% when compared to the 2022-23 allocation of \$740.9 million.

Management Discussion and Analysis

of financial condition and results of operations as at March 31, 2024

2024 (in thousands)	CANNABIS OPERATIONS	CASINOS	LIQUOR OPERATIONS	LOTTERY	ONLINE GAMING	VIDEO LOTTO	TOTAL
Revenue	\$ 153,618	\$ 246,216	\$ 873,533	\$ 1,706	\$ 74,865	\$ 342,091	\$ 1,692,029
Cost of sales	110,134	12,888	413,177	1,017	21,503	116,376	675,095
	43,484	233,328	460,356	689	53,362	225,715	1,016,934
Operating expenses	1,774	113,169	115,887	7,638	13,539	10,613	262,620
Depreciation and amortization	-	19,677	18,252	-	54	7,731	45,714
Goods and Services Tax	-	3,213	-	244	2,418	2,391	8,266
	1,774	136,059	134,139	7,882	16,011	20,735	316,600
Operating Income	41,710	97,269	326,217	(7,193)	37,351	204,980	700,334
Share of profit of Western Canada Lottery Corporation	-	-	-	53,502	9,448	-	62,950
Interest expense	-	(5,913)	(4,021)	(64)	(22)	(2,698)	(12,718)
Interest income	66	498	701	82	96	747	2,190
Income Before Allocations and Payments	41,776	91,854	322,897	46,327	46,873	203,029	752,756
Allocations and payments	2,234	1,948	9,133	1,233	1,681	4,061	20,290
Net Income and Comprehensive Income and Total Allocation to the Province of Manitoba	\$ 39,542	\$ 89,906	\$ 313,764	\$ 45,094	\$ 45,192	\$ 198,968	\$ 732,466

Management Discussion and Analysis

of financial condition and results of operations as at March 31, 2024

2023 (in thousands)	CANNABIS OPERATIONS	CASINOS	LIQUOR OPERATIONS	LOTTERY	ONLINE GAMING	VIDEO LOTTO	TOTAL
Revenue	\$ 130,871	\$ 229,491	\$ 883,532	\$ 1,595	\$ 75,448	\$ 324,571	\$ 1,645,508
Cost of sales	96,930	12,514	420,303	1,006	21,007	108,605	660,365
	33,941	216,977	463,229	589	54,441	215,966	985,143
Operating expenses	2,092	95,218	115,465	6,741	9,356	10,171	239,043
Depreciation and amortization	-	20,801	17,556	-	49	4,907	43,313
Goods and Services Tax	-	2,711	-	223	1,929	2,013	6,876
	2,092	118,730	133,021	6,964	11,334	17,091	289,232
Operating Income	31,849	98,247	330,208	(6,375)	43,107	198,875	695,911
Share of profit of Western Canada Lottery Corporation	-	-	-	60,406	11,159	-	71,565
Interest expense	-	(5,638)	(3,864)	(73)	(10)	(1,759)	(11,344)
Interest income	39	391	535	71	76	541	1,653
Income Before Allocations and Payments	31,888	93,000	326,879	54,029	54,332	197,657	757,785
Allocations and payments	608	1,727	7,808	1,337	1,241	4,157	16,878
Net Income and Comprehensive Income and Total Allocation to the Province of Manitoba	\$ 31,280	\$ 91,273	\$ 319,071	\$ 52,692	\$ 53,091	\$ 193,500	\$ 740,907

Overall Highlights

Revenue of \$1,692.0 million was \$46.5 million or 2.8% higher when compared to the revenue of \$1,645.5 million in 2022-23. Cannabis Operations revenues increased \$22.7 million from the prior year, with 205 private retail locations open throughout the province, compared to 177 last year. Casino revenues increased \$16.7 million from 2022-23, mainly attributable to increased traffic at both casinos. Liquor Operations revenues decreased by \$10.0 million from last year, mainly attributable to a labour dispute and strike that impacted both store and distribution centre operations. Online Gaming revenues decreased by \$0.5 million from last year, but remain well above historical levels due to new players gained during the pandemic. Video Lotto revenues increased by \$17.5 million year over year, mainly due to the ongoing refresh of VLT machines and game content.

Operating expenses in 2023-24 were \$262.6 million, an increase of \$23.6 million or 9.9% from the \$239.0 million incurred in the prior year and include employee and other costs directly related to the generation of revenues. Employee costs increased due to the impacts of new collective agreements signed in the year. All outstanding collective agreements were settled in 2023-24. Other operating expenses were higher mainly due to increased technology initiative delivery costs and increased strategic promotional partnerships for PlayNow.

Non-operating expenses of the Corporation include depreciation and amortization, Goods and Services Tax (GST) related to gaming expenditures, interest expense net of interest income, and allocations and payments. Total non-operating expenses were \$84.8 million in 2023-24, an increase of \$8.0 million or 10.4% from the \$76.8 million recorded in 2022-23. This is primarily due to increased regulatory expenses, as the social responsibility fee, which helped to fund cannabis regulatory costs in the past, is no longer recovered from cannabis retailers.

Cannabis Operations



The Corporation is mandated to secure a safe supply of cannabis and to coordinate the distribution of cannabis to private sector retailers. Cannabis Operations supports private retailers as the provincial wholesale distributor, maintaining a catalogue of available cannabis products, including dried flower, edibles, extracts, and topicals. The cannabis industry has experienced substantial growth since legalization, with competitive pricing, a significant increase in the variety of higher quality products, and a growing number of stores.

During the year, Cannabis Operations earned comprehensive income of \$39.5 million, an increase of \$8.2 million or 26.2% from the \$31.3 million earned in 2022-23.

Revenue generated by Cannabis Operations was \$153.6 million in 2023-24, an increase of \$22.7 million or 17.3% from revenue of \$130.9 million in the prior year. Revenue growth included increases of \$10.7 million in dried flower, \$1.1 million in edibles, \$10.8 million in extracts, and \$0.1 million in topicals. During the year, 35 new retail locations opened, and seven existing locations closed, netting to a total of 205 locations throughout the province. All licensed retailers are eligible to offer online sales.

(in thousands)	2024	2023
Dried flower	\$ 92,923	\$ 82,246
Edibles	10,135	9,057
Extracts	49,977	39,141
Topicals	576	424
Total sales	153,611	130,868
Cost of sales	110,134	96,931
Gross profit	\$ 43,477	\$ 33,937

During the year, Cannabis Operations expanded the in-province limited distribution program allowing licensed producers to warehouse cannabis products with a licensed cannabis distributor as well as implemented a twenty-day purchase order deadline, and a five-day receiving requirement. These process enhancements have successfully brought more cannabis inventory into Manitoba closer to the retail network, significantly improving the lead time and fulfillment cycles experienced by retailers. Cannabis Operations also expanded the existing roster of distribution partners and now offers a significant amount of warehousing and logistics experience to reduce lead times in delivering products to retailers, improve delivery services to small, rural, and remote retailers, and generate quicker retailer fulfillment cycles.

Casinos



The Corporation owns and operates two casinos in the City of Winnipeg – Club Regent Casino and McPhillips Station Casino. Both casinos offer a full range of gaming services including electronic games, table games, bingo, lottery sales, and off-track horse race betting. The casinos and the Club Regent Event Centre also feature an array of restaurants, lounges, and event services.

Casino operations generated comprehensive income of \$89.9 million in 2023-24, a decrease of \$1.4 million or 1.5% from the \$91.3 million earned in the prior year.

The Casinos of Winnipeg generated revenue of \$246.2 million, an increase of \$16.7 million or 7.3% compared to \$229.5 million in the prior year, mainly attributable to increased traffic at both sites. Electronic gaming and bingo benefitted from the greater attendance, with year over year revenue up 9% and 17%, respectively. In March, Bingo Millions, a new game option introduced in 2022-23, saw its first \$1 million grand prize winner. Casino cost of sales increased \$0.4 million over the prior year and include gaming direct expenses for the operation and maintenance of electronic gaming equipment and table games equipment, and costs within the food and beverage and entertainment areas. Operating and non-operating expenses increased \$17.7 million or 14.1% over the prior year, mainly attributable to the impacts of new collective agreements and higher technology initiative delivery expenses.

Liquor Operations



The Corporation is mandated with distributing and selling liquor in the Province of Manitoba. In addition to 63 Liquor Mart and Liquor Mart Express locations operated by the Corporation, the retail network in the province includes many other channels: more than 160 privately owned rural liquor vendors, three duty-free stores, about 225 beer vendors, eight specialty wine stores, and more than 1,150 licensees who sell liquor on-premises. This model provides Manitobans with convenient access to a broad range of products.

Liquor Operations earned comprehensive income of \$313.8 million in the year, a decrease of \$5.3 million or 1.7% from the \$319.1 million earned in the prior year. Comprehensive income was negatively impacted by a labour disruption. The estimated impact of the dispute on comprehensive income was approximately \$10 million.

Liquor Operations generated revenue of \$873.5 million in 2023-24, a decrease of \$10.0 million or 1.1% from the revenue of \$883.5 million last year. Varying levels of labour disruption took place between July 19 and August 27 involving staff at Liquor Marts, our distribution centre, and head office. The distribution centre faced a labour disruption for 38 days, which impacted shipments to commercial customers in all sales channels. In July and early August various Liquor Mart locations were intermittently impacted by the labour disruption, before a widescale disruption resulted in the operation of a very limited number of stores, staffed by exempt employees. Operations returned to normal on August 28 after a new collective agreement was signed.

During 2023-24, ready-to-drink category sales continued to grow in both dollars and volume, with dollar sales increasing \$8.3 million or 7.4% over the prior year. All other categories decreased in both dollar and volume sales. By dollars, beer and wine sales were down 1.6% and 3.2%, respectively, partially attributable to customers moving over to the ready-to-drink category. Spirits sales decreased 2.6%, mainly attributable to the Liquor Mart closures. Overall, the volume of alcohol consumed per capita in Manitoba has been decreasing, mirroring a national trend.

All channels were impacted during the labour disruption. Liquor Marts saw a decrease in sales from last year of \$20.6 million mainly due to closures relating to the strike. The other channels all experienced disruptions to their ordering capabilities which impacted their product offerings, but each saw an overall increase in sales partially attributable to the Liquor Mart closures. Licensee sales increased by \$7.8 million in the year, as bars and restaurants continued their post-pandemic recovery and strong sales continued for banquets, festivals, and large-scale sporting and concert events. Liquor vendors and specialty wine stores sales increased \$2.7 million and \$0.4 million, respectively, mainly attributable to increased traffic due to the Liquor Mart closures. Operating and non-operating expenses increased by \$2.4 million or 1.7% due to the impacts of new collective agreements, increased technology initiative delivery expenses, and higher regulatory costs.

Management Discussion and Analysis

of financial condition and results of operations as at March 31, 2024

LIQUOR OPERATIONS CONTINUED

2024 (in thousands)	BEER	READY-TO-DRINK	SPIRITS	WINE	TOTAL
Stores	\$ 67,416	\$ 40,266	\$ 212,417	\$ 121,067	\$ 441,166
Liquor Vendors	16,543	13,451	49,022	15,573	94,589
Licensees	213,096	65,202	25,228	3,851	307,377
Specialty Wine Stores	-	143	163	21,123	21,429
Total Sales	297,055	119,062	286,830	161,614	864,561
Cost of Sales	178,604	55,600	104,591	74,012	412,806
Gross Profit	\$ 118,451	\$ 63,462	\$ 182,239	\$ 87,602	\$ 451,755

2023 (in thousands)	BEER	READY-TO-DRINK	SPIRITS	WINE	TOTAL
Stores	\$ 71,823	\$ 41,240	\$ 221,576	\$ 127,160	\$ 461,799
Liquor Vendors	16,899	12,268	47,928	14,785	91,880
Licensees	213,290	57,146	24,871	4,249	299,556
Specialty Wine Stores	-	153	127	20,792	21,072
Total Sales	302,012	110,807	294,502	166,986	874,307
Cost of Sales	180,090	52,982	109,459	77,410	419,941
Gross Profit	\$ 121,922	\$ 57,825	\$ 185,043	\$ 89,576	\$ 454,366

Volume Sales (in millions of litres)	BEER	READY-TO-DRINK	SPIRITS	WINE
2024	64.5	18.0	7.7	10.2
2023	65.5	17.3	8.2	11.1
2022	69.6	14.8	8.0	11.4
2021	74.3	12.1	8.1	12.3
2020	70.9	7.8	7.6	12.0

Lottery



The Province of Manitoba is a member of the WCLC, a non-profit organization authorized to manage, conduct and operate lottery and gaming-related activities in the Prairie provinces and the territories. The Corporation distributes and sells tickets for national lotteries operated by the ILC and regional lottery gaming products operated by the WCLC. As the province's sole distributor of lottery products, the Corporation is responsible for the development and maintenance of a network of more than 930 private retail outlets across Manitoba and for marketing a selection of breakopen tickets through those outlets, charitable organizations, and casinos across the province. The Corporation continues to be the exclusive supplier of bingo paper to Manitoba's charitable and non-profit licensed bingo operators. The ILC and WCLC lottery gaming products are available on Manitoba's online gaming platform, PlayNow.com, and the share of profit from these products is presented separately in the Online Gaming segment.

In 2023-24, the share of the profit of the WCLC considered to be part of the lottery operating segment was \$53.5 million, a decrease of \$6.9 million or 11.4% from last year's \$60.4 million. There is a strong link between jackpot levels and the sale of lottery products. The overall decrease was mainly attributable to LOTTO MAX, where the number of \$70 million jackpot draws decreased from 18 in the prior year to seven in 2023-24 and the available MAXMILLIONS prizes of \$193 million were lower than the record \$865 million available last year. There was a partial offset from increased LOTTO 6/49 sales with a full year of the Gold Ball feature driving jackpot levels higher.

Online Gaming



The Corporation provides Manitoba players with online gaming through PlayNow.com. PlayNow is the province's only regulated online gaming site, and provides customers a safe and reputable site featuring extensive responsible gaming measures. The platform was developed by BCLC, who the Corporation has partnered with to provide Manitoba players with casino games, lottery products, bingo, poker, and live sports betting opportunities.

Online Gaming generated comprehensive income of \$45.2 million in 2023-24, a decrease of \$7.9 million or 14.9% from the \$53.1 million earned in the prior year.

Revenue generated by Online Gaming was \$74.9 million in the current year, a decrease of \$0.5 million or 0.7% from the revenue of \$75.4 million generated in 2022-23. While sports wagering increased in the year, mainly attributable to enhanced promotions and strategic partnerships, the percentage hold decreased and resulted in a decrease in revenue. Revenue in other lines remained relatively stable after significant growth during the pandemic when many new players were introduced to PlayNow. Cost of sales increased \$0.5 million from the prior year and include direct expenses associated with the operation and maintenance of the online gaming platform. The share of the profit of WCLC earned through the sale of lottery products on PlayNow.com was \$9.4 million, a decrease of \$1.8 million or 16.1% from the \$11.2 million earned in the prior year, and follows the trends as described in the Lottery segment.

Video Lotto



The Corporation is responsible for the operation and maintenance of Manitoba’s VLTs. VLTs are located at First Nations communities, licensed establishments, veterans’ organizations, and Assiniboia Downs. The operation of VLTs provides annual commissions and contributions to all VLT siteholders who operate equipment on their premises.

Video Lotto comprehensive income of \$199.0 million in 2023-24 increased \$5.5 million or 2.8% from the comprehensive income of \$193.5 million in the prior year.

During the year, Video Lotto generated revenue of \$342.1 million, an increase of \$17.5 million or 5.4% from the revenue of \$324.6 million earned in 2022-23. The main drivers of the increase include the ongoing refresh of VLT machines, the rollout of additional new VLT games, and the continued post-pandemic recovery of bars and restaurants.

The operation of VLTs provided annual commissions and contributions of \$116.4 million to VLT siteholders during 2023-24, an increase of \$7.8 million from the \$108.6 million of support provided in the prior year. Included in the total commissions and contributions amount is \$60.1 million of support to First Nations communities. First Nations VLT siteholders retain 90% of net win from the VLTs. Of that 90%, 5% represents the actual service component provided to the Corporation for hosting the terminals and the other 85% is provided as a contribution to promote sustainable social and economic benefits and opportunities within First Nations communities. Licensed beverage room VLT siteholders operate under a tiered structure whereby they retain between 17.5% and 22.0% of the net win from VLTs. Of this amount, 10% represents the actual service component provided by the siteholders to the Corporation for hosting the terminals and the balance represents a contribution to promote tourism in the province. This support totaled \$53.3 million in the year. The commissions and contributions rate provided to veterans’ organizations allows these siteholders to retain 30% of net win from the VLTs. Support to veterans’ organizations totaled \$3.0 million in 2023-24.

VLT COMMISSIONS & CONTRIBUTIONS (in millions)

	FIRST NATIONS	LICENSED BEVERAGE ROOMS	VETERANS’ ORGANIZATIONS	TOTAL
2024	\$ 60.1	\$ 53.3	\$ 3.0	\$ 116.4
2023	54.3	51.5	2.8	108.6
2022	34.4	35.1	1.6	71.1
2021	23.2	21.1	0.8	45.1
2020	63.3	50.9	3.2	117.4

Management Discussion and Analysis

of financial condition and results of operations as at March 31, 2024

VIDEO LOTTO CONTINUED

Total operating and non-operating expenses increased by \$4.2 million or 18.7% when compared to 2022-23. This is mainly due to increased depreciation and related interest expense attributable to the purchase of new VLT machines and an upgrade to the VLT central management system.

FIRST NATIONS CASINOS AND SHARK CLUB GAMING CENTRE

The Corporation maintains conduct and management authority over First Nations casinos and the Shark Club Gaming Centre as the agent appointed to act as such for the gaming regime of the province. As authorized by the gaming agreements, all costs of gaming supplies are recovered on an annual basis. Capital costs of gaming equipment, funded by the Corporation, are recovered over a five-year term.

During the 2023-24 year, the Corporation purchased gaming equipment in the amount of \$0.8 million for Shark Club Gaming Centre's gaming floor refresh project. The purchases of gaming equipment for Aseneskak Casino and South Beach Casino during the year remain in work in progress, and will be capitalized as conduct and management assets in 2024-25.

MLC HOLDINGS INC.

The Corporation's consolidated financial statements include the results of MLC Holdings Inc., a controlled entity established to purchase certain capital assets for lease to the Corporation at cost. The management and oversight of MLC Holdings Inc. is consolidated within the Corporation's operations, and the Board reviews and approves capital purchases through the annual business planning and budget process. To support capital initiatives in the 2023-24 year, MLC Holdings Inc. acquired \$54.4 million in capital assets for lease to the Corporation.

Management Discussion and Analysis

of financial condition and results of operations as at March 31, 2024

SOCIAL RESPONSIBILITY

The Corporation is committed to encouraging the responsible use of its products and services and embeds social responsibility values and principles throughout all business operations. To support this commitment *The Manitoba Liquor and Lotteries Corporation Act* requires that 2% of annual anticipated consolidated net income and comprehensive income fund social responsibility initiatives throughout the province.

The Corporation's social responsibility programs focus on helping customers make lower-risk and informed decisions related to product use, providing funding for addiction treatment and support programs, developing responsible product and service delivery training for staff, and funding research related to harm minimization approaches and product use outcomes. In addition, social responsibility considerations are also applied in the development of new processes, the introduction of new liquor and gaming products, business partner relationships, and all marketing campaigns produced by the Corporation.

Each year, all funds allocated by the Corporation to social responsibility initiatives are for the exclusive use of related programs. Due to the timing of implementation or the readiness of funding recipients, some funds may be carried forward to the following year. When funds are carried forward, they continue to be strictly available for use in supporting social responsibility programs. Of the 2023-24 committed amount, \$0.3 million was unspent and carried forward, reserved for social responsibility initiatives in the 2024-25 year.

(in thousands)	2024	2023
Funding support	\$ 10,816	\$ 9,414
Internal research and program evaluation	229	197
Operating and consumer awareness	2,313	3,613
Prior year funding spent in current year	(284)	(808)
Funding carried forward to future years	286	284
	<u>\$ 13,360</u>	<u>\$ 12,700</u>

For more information on the Corporation's commitment to the responsible use of its products, please visit www.mbl.ca.

COMMUNITY SUPPORT

The Corporation supports a wide range of charitable, non-profit, and community groups in meaningful, impactful ways that add lasting value to the lives of Manitobans through various sponsorship and donations programs. During the year, the Corporation provided \$3.1 million in financial support, a \$1.7 million increase over the prior year, with most of the increase in the sports category:

(in thousands)	2024	2023
Sports	\$ 1,241	\$ 234
Arts, Culture & Community	1,147	846
Special Manitoba Events	225	-
Health	153	119
Diversity & Inclusion	145	97
Key Business Partners	100	57
Social Cause	87	24
Sustainability	21	23
	<u>\$ 3,119</u>	<u>\$ 1,400</u>

For more information on the Corporation's community support programs, please visit www.mbl.ca.

LIQUIDITY AND CAPITAL RESOURCES

Operating activities during the 2023-24 year provided the Corporation with \$795.5 million in cash flows compared to \$789.1 million in the prior year, an increase of \$6.4 million or 0.8%.

Cash spent on property and equipment and intangible assets in 2023-24 totaled \$58.7 million as compared to the \$51.7 million spent in the prior year. The ongoing replacement of old and obsolete VLT machines involved buying 964 new machines during the year. Video Lotto also completed a major upgrade to the VLT central management system to ensure the continued integrity of the gaming environment. The casinos upgraded electronic gaming devices through the purchase of 288 new machines, and work continued on an ongoing project to replace end-of-life HVAC equipment. Renovations and racking improvements occurred at several Liquor Marts, providing customers with a modern and convenient shopping experience and addressing accessibility issues.

The Corporation finances capital expenditures through a combination of working capital and long-term debt. All long-term debt is payable to the Province of Manitoba at rates established by the Minister of Finance at the time of issue. Borrowing is authorized under *The Manitoba Liquor and Lotteries Corporation Act* and *The Appropriation Act*. The Corporation submits annual requests for necessary borrowing authority under *The Appropriation Act* to fund new capital projects related to its operations, as well as to provide funding to acquire capital assets related to the conduct and management agreements with First Nations casinos. Debt service costs on advances drawn to purchase gaming equipment for First Nations casinos are fully recovered over a five-year term, consistent with the recovery of the capital costs of the gaming equipment purchased.

During 2023-24, proceeds of long-term debt received were \$56.9 million as compared to the \$58.1 million of proceeds received in the prior year. Most long-term debt has fixed interest rates and is repayable in monthly instalments.

Cash distributions to the Province of Manitoba in the year resulted in an outflow of \$704.9 million compared to \$750.8 million in 2022-23. These distributions support the Province's programs and services such as health care, education, social services, housing, and infrastructure.

CORPORATE GOVERNANCE

Corporate governance is the practice of ensuring an organization is accountable and conducts itself within the applicable legal framework and through an established system of by-laws, policies, processes, and structures by which the long-term goals and strategic plans of the Corporation are guided. The corporate governance structure specifies the distribution of authority and accountability among the different levels of the Corporation, particularly at the government, board of directors, and executive management levels. It outlines the best practices and guiding principles for making decisions on corporate affairs and provides a mechanism for accountability in relation to those decisions.

The Corporation reports on its progress to the government on a quarterly and annual basis to meet various legislative requirements. In accordance with the requirements of *The Manitoba Liquor and Lotteries Corporation Act*, an annual report is prepared that includes the externally audited consolidated financial statements. Other reporting includes quarterly financial statements; an annual business plan outlining goals and objectives, key performance measures, and planned expenditures as required under the provisions of *The Crown Corporations Governance and Accountability Act* and a schedule of compensation that is prepared in accordance with the requirements of *The Public Sector Compensation Disclosure Act*.

Management Discussion and Analysis

of financial condition and results of operations as at March 31, 2024

RISK MANAGEMENT

The Corporation continues to use and enhance its enterprise risk management framework to effectively embed risk management practices into key organizational processes.

By establishing a consistent approach for assessing and managing its business risks, the Corporation can effectively address the impact of internal and external factors and events on the achievement of its business goals and objectives.

In the normal course of business, the Corporation is exposed to several risks. These risks and the actions taken to mitigate them are discussed below.

Strategic Risks

Strategic risks include external environment forces and events, risks impacting the effective allocation of resources, risks that major initiatives are not aligned with the Corporation's goals and objectives and are not being carried out effectively, risks of ineffective relationships with key stakeholders, and risks to reputation.

The Corporation researches, recognizes and understands changes to its external environment through market analysis and formalized strategic planning for its key lines of business and corporate functions. Management engages in rigorous annual business planning and budgeting activities. Management has established a formal project methodology and is dedicated to developing and maintaining effective communication processes with its key stakeholders. The Corporation is committed to be a good corporate citizen through its various sustainability, corporate responsibility, and social responsibility programs and initiatives.

Operational Risks

Operational risks include risks that the operations of the Corporation are not efficient, do not meet customer needs, do not effectively manage

product quality, do not protect product or service integrity, and do not safeguard the Corporation's significant monetary assets.

The Corporation has established appropriate functional areas and developed processes to effectively provide, promote and deliver products and services to customers; recruit, develop and retain resources to meet current and future operational needs; manage hazards; and manage information technology operations in order to achieve its goals and objectives. Management regularly reviews and assesses the amount of risk present in operating units, large scale projects, and specific business processes and develops action plans to support continuous improvement.

As the Corporation continues to leverage technological opportunities to support its business, various tactics have been developed to manage the risks associated with new technologies. These include the development of formal technology strategies, architectures, and roadmaps to help guide future direction.

Financial Risks

Financial risks include risks that cash flows and financial information are not efficiently and effectively managed or safeguarded which can compromise financial integrity and decision-making ability of the Corporation.

The Corporation's exposure to interest-rate risk is substantially limited due to the use of fixed-rate, long-term debt. Credit risk due to the inability or unwillingness of a counterparty to fulfill its payment obligations, while low, is mitigated through the Corporation's centralized credit management and collection practices. The Corporation manages its liquidity risk through effective cash and long-term debt management. The Corporation is exposed to currency risk through liquor inventory purchase transactions that require settlement in foreign currencies, which is mitigated by the policy of adjusting purchase or selling prices to maintain approved liquor profit margins.

Management Discussion and Analysis

of financial condition and results of operations as at March 31, 2024

Governance and Compliance Risks

Governance and compliance risks include the risks of acts of fraud or corruption; the failure to comply with regulatory or contractual requirements; and that business objectives are being pursued in an unmanaged environment that does not encourage integrity, ethical values and competence.

The Corporation is committed to having an effective control environment through the establishment and maintenance of its corporate governance model, policies and procedures, regulatory compliance programs, and audit controls. Management regularly reviews the appropriateness and effectiveness of control activities embedded within processes and takes corrective action to strengthen its system of internal controls.

WHISTLEBLOWER REPORT

As per *The Public Interest Disclosure (Whistleblower Protection) Act*, the Corporation maintains a whistleblower protection policy through which employees can report serious and significant wrongdoings, as defined by the act, observed in the workplace without fear of reprisal.

No disclosures were submitted to the designated officer during the 2023-24 year.

FUTURE OUTLOOK

The Corporation's allocation to the Province of Manitoba is budgeted to be \$715.0 million in the 2024-25 year. This represents a decrease of \$17.5 million or 2.4% from the \$732.5 million allocation to the Province of Manitoba in the 2023-24 year. While revenues are budgeted to increase in 2024-25, net income is expected to be lower mainly due to the impacts of collective agreement increases and higher technology costs, and 2023-24 included a one-time gain on the sale of the land and building at 830 Empress Street in Winnipeg.

In 2024-25, Cannabis Operations will focus on technology initiatives, including the automation of its federal cannabis tracking requirements and the automation and enhancement of cannabis performance metrics and reporting. Work will also continue to streamline processes to enhance service delivery for retail partners.

In the upcoming year, Liquor Operations will focus on the development of a revised pricing model. A redesigned, more agile and transparent pricing structure will enable growth of both revenue and gross margin, meet the evolving needs of customers and partners, and improve efficiencies. Liquor Mart store development activities will continue in the 2024-25 year, with renovations, racking, and fixtures improvements at several stores with the goal of enhancing the shopping experience for customers.

Investment in modern gaming equipment will continue in 2024-25. Approximately 500 new VLTs are expected to be purchased as the replacement of obsolete machines continues. At the casinos, approximately 60 new electronic gaming devices will be purchased to replace outdated ones, with a goal of providing customers with new and exciting experiences. A phased project to replace end-of-life HVAC equipment at the Casinos of Winnipeg will continue, lowering operating and maintenance costs and reducing our carbon footprint. Online gaming is anticipating the rollout of a new app developed by BCLC for casino-style games, which will provide users enhanced functionality and convenience compared to the browser-based PlayNow website.

To compete with a challenging job market, the Corporation will also look to evaluate compensation, retention, and recruitment strategies. Cybersecurity, disaster recovery and business continuity planning will be a focus to prevent disruptions and ensure organizational resilience during unexpected adversity. The organization will continue to strive towards reducing its environmental footprint, building upon recent successes in reducing greenhouse gas emissions, in alignment with the goal of net-zero emissions by 2050.

Manitoba Liquor and Lotteries Corporation

Consolidated Financial Statements

Management Report

The accompanying consolidated financial statements are the responsibility of management and have been prepared in accordance with the accounting policies stated in the consolidated financial statements. Management has prepared the consolidated financial statements in accordance with International Financial Reporting Standards. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available. The financial information presented elsewhere in the annual report is consistent with that in the consolidated financial statements unless otherwise stated.

Management is responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for Manitoba Liquor and Lotteries Corporation. Management designed such internal controls, or caused them to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards.

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

The responsibility of Ernst & Young LLP is to express an independent opinion on whether the consolidated financial statements are fairly stated in accordance with International Financial Reporting Standards. The independent auditor's report outlines the scope of the audit examination and provides the audit opinion.

The board meets with management and Ernst & Young LLP to satisfy itself that each group has properly discharged its respective responsibilities and to review the consolidated financial statements before approving them. The board has reviewed and approved the consolidated financial statements for the fiscal year ended March 31, 2024.

Original signed by
GERRY SUL
President & Chief Executive Officer

Original signed by
IAN URQUHART
Chief Financial Officer

Independent Auditor's Report

To the Board of Directors of Manitoba Liquor and Lotteries Corporation

Opinion

We have audited the consolidated financial statements of **Manitoba Liquor and Lotteries Corporation** [the "Corporation"], which comprise the consolidated statement of financial position as at March 31, 2024, and the consolidated statement of net income, comprehensive income and equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ["IFRS"].

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, in the Corporation's Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and those charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP

*Chartered Professional Accountants
Winnipeg, Canada
June 24, 2024*

	NOTES	2024	2023
Assets			
Current assets			
Cash		\$ 50,914	\$ 41,789
Trade and other receivables	4	52,542	50,391
Inventories	5	59,010	64,388
Prepayments	6	6,256	4,783
		<u>168,722</u>	<u>161,351</u>
Non-current assets			
Other receivable	7	8,631	8,631
Property and equipment, net	8	352,135	333,631
Right-of-use assets, net	9	60,284	64,701
Intangible assets, net	10	8,562	4,687
		<u>429,612</u>	<u>411,650</u>
Total assets		<u>\$ 598,334</u>	<u>\$ 573,001</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	11	\$ 141,034	\$ 133,651
Contract liabilities	12	13,583	13,993
Payable to the Province of Manitoba		64,466	36,907
Current portion of long-term debt	13	55,290	61,789
Current portion of lease liabilities	9	8,492	7,968
		<u>282,865</u>	<u>254,308</u>
Non-current liabilities			
Long-term debt	13	248,750	248,237
Lease liabilities	9	61,719	65,456
		<u>310,469</u>	<u>313,693</u>
Commitments and contingencies	17		
Equity			
Retained earnings		5,000	5,000
Total liabilities and equity		<u>\$ 598,334</u>	<u>\$ 573,001</u>

(see accompanying notes to the consolidated financial statements)

On behalf of the Board

Original signed by
JEFF TRAEGER
*Director & Chair of the
Board of Directors*

Original signed by
TANNIS MINDELL
*Director & Chair of the
Audit & Finance Committee*

Manitoba Liquor and Lotteries Corporation
**Consolidated Statement of Net Income,
 Comprehensive Income and Equity**

For the year ended March 31
 (in thousands of Canadian dollars)

	NOTES	2024	2023
Revenue	14	\$ 1,692,029	\$ 1,645,508
Cost of sales	14	675,095	660,365
		<u>1,016,934</u>	<u>985,143</u>
Operating expenses	14	262,620	239,043
Depreciation and amortization		45,714	43,313
Goods and Services Tax		8,266	6,876
		<u>316,600</u>	<u>289,232</u>
Operating income		700,334	695,911
Share of profit of Western Canada Lottery Corporation	15	62,950	71,565
Interest expense		(12,718)	(11,344)
Interest income		2,190	1,653
		<u>752,756</u>	<u>757,785</u>
Income before allocations and payments		752,756	757,785
Allocations and payments	16	20,290	16,878
		<u>732,466</u>	<u>740,907</u>
Net income and comprehensive income		732,466	740,907
Equity, beginning of the year		5,000	5,000
Allocation to the Province of Manitoba		(732,466)	(740,907)
		<u>5,000</u>	<u>5,000</u>
Equity, end of the year		\$ 5,000	\$ 5,000

(see accompanying notes to the consolidated financial statements)

	2024	2023
Operating activities		
Net income and comprehensive income	\$ 732,466	\$ 740,907
Add (deduct):		
Depreciation related to property and equipment	32,912	31,683
Depreciation on assets related to Conduct and Management agreements	536	602
Depreciation related to right-of-use assets	10,464	8,917
Amortization related to intangible assets	2,338	2,713
Interest on financing activities	12,718	11,344
Gain on disposal of assets held for sale	(4,394)	(6,233)
Gain on disposal of property and equipment	(316)	(463)
Loss on disposal of intangible assets	-	283
	<u>786,724</u>	<u>789,753</u>
Changes in non-cash working capital items:		
Decrease (increase) in trade and other receivables	(2,151)	545
Decrease (increase) in inventories	5,378	(7,225)
Increase in prepayments	(1,473)	(291)
Increase in trade and other payables	7,383	5,481
Increase (decrease) in contract liabilities	(410)	865
Cash provided by operating activities	<u>795,451</u>	<u>789,128</u>
Investing activities		
Purchase of property and equipment	(52,480)	(51,140)
Purchase of intangible assets	(6,213)	(598)
Proceeds from disposal of assets held for sale	4,676	23,349
Proceeds from disposal of property and equipment	562	617
Cash used in investing activities	<u>(53,455)</u>	<u>(27,772)</u>
Financing activities		
Cash distributions to the Province of Manitoba:		
Current year	(693,000)	(734,000)
Prior year	(11,907)	(16,828)
Proceeds from long-term debt	56,900	58,100
Payment of principal and interest on long-term debt	(72,748)	(66,433)
Payment of principal and interest on lease liabilities	(12,116)	(9,957)
Cash used in financing activities	<u>(732,871)</u>	<u>(769,118)</u>
Net increase (decrease) in cash during the year	9,125	(7,762)
Cash, beginning of the year	41,789	49,551
Cash, end of the year	<u>\$ 50,914</u>	<u>\$ 41,789</u>

1. Background

By consent of the Legislative Assembly of Manitoba, *The Manitoba Liquor and Lotteries Corporation Act* was enacted on December 5, 2013 and came into force on April 1, 2014. Under *The Manitoba Liquor and Lotteries Corporation Act*, Manitoba Liquor and Lotteries Corporation (the Corporation) was established as a Crown corporation.

The registered office of the Corporation is located at Unit A, 1555 Buffalo Place, Winnipeg, Manitoba.

2. Material Accounting Policies

(A) Basis of presentation

The consolidated financial statements of the Corporation for the year ended March 31, 2024 were authorized for issue by the Board of Directors on June 24, 2024.

These consolidated financial statements were prepared on a going concern basis using historical cost, except for certain financial instruments that are reported at fair value. The consolidated financial statements are presented in Canadian dollars, the functional currency of the Corporation, and all values are rounded to the nearest thousand dollars (\$000) except where otherwise indicated.

(B) Statement of compliance

The consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB).

(C) Basis of consolidation

The consolidated financial statements combine the accounts of the Corporation and MLC Holdings Inc. This controlled entity was established to purchase capital assets, which are leased to the Corporation at cost.

MLC Holdings Inc. has been fully consolidated since the date of inception and will continue to be consolidated until the date when control ceases. The financial statements of MLC Holdings Inc. are prepared for the same reporting period as the Corporation using consistent accounting policies. All intercompany transactions and accounts have been eliminated on consolidation.

(D) Western Canada Lottery Corporation

The Western Canada Lottery Corporation (WCLC) was incorporated without share capital under Part II of the *Canada Corporations Act* on May 13, 1974. The provincial governments of Manitoba, Saskatchewan and Alberta are members in the WCLC, and the Yukon Territory, the Northwest Territories and Nunavut participate with the provinces as associate members in the sale of gaming products. Each province and territory has appointed a lottery organization to assist the WCLC with the distribution of gaming products in its jurisdiction (the Corporation for the Province of Manitoba).

The Corporation has significant influence, but not control, over the financial and operating policies of the WCLC and therefore accounts for its share of the results of the operations of the WCLC (considered an associate) using the equity method. The financial statements of the WCLC are prepared for the same reporting period and the Corporation's share of the profits calculated based on relative sales levels by jurisdiction is disclosed in note 15.

(E) First Nations Casinos and Shark Club Gaming Centre

The Government of Manitoba has overall control over gaming in Manitoba in accordance with the requirements of the Criminal Code of Canada and has appointed the Corporation to act as its agent in the Conduct and Management (C&M) of the gaming regime.

Through a selection process, the Government of Manitoba has provided certain First Nations the opportunity to operate casinos, with the Corporation maintaining the C&M authority over these casinos. The Corporation recovers all direct gaming-related expenses from First Nations Casinos and provides general administrative and compliance services upon request on a fee-for-service basis.

The Government of Manitoba has provided the TN Arena Limited Partnership the opportunity to establish the Shark Club Gaming Centre, with the Corporation maintaining the C&M authority over this gaming centre. As part of this authority, the Corporation recovers all direct gaming-related expenses. In addition, the Corporation has entered into an agreement with the owner to perform management services on their behalf with respect to the gaming activity of the gaming centre.

(F) PlayNow online gaming platform

The Corporation entered into an agreement with British Columbia Lottery Corporation (BCLC) to develop a Manitoba version of their online gaming platform, PlayNow, which became operational in Manitoba in January 2013. BCLC is responsible for the overall direction and day-to-day operations of the PlayNow platform, with the Corporation maintaining C&M authority. BCLC and the Corporation collaborate on marketing initiatives, which are carried out in Manitoba on a fee-for-service basis.

(G) Foreign currency translation

The functional currency is the currency of the primary economic environment in which the Corporation operates and is normally the

currency in which the Corporation generates and expends cash. Each entity determines its own functional currency and items included in the financial statements are measured using that functional currency. The functional currency and presentation currency of the Corporation is the Canadian dollar (CAD).

Foreign currency transactions are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate at the reporting date and all differences are recorded in the consolidated statement of net income, comprehensive income and equity. Non-monetary assets and liabilities and revenue and expenses that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date the fair value is determined.

(H) Financial instruments

Financial instruments are recognized in the consolidated statement of financial position when the Corporation becomes a party to the contractual terms of the instrument, which represents its trade date. With the exception of trade receivables that do not contain a significant financing component or for which the Corporation has applied the practical expedient, all financial instruments are initially measured at fair value adjusted for directly attributable transaction costs. Trade receivables that do not contain a significant financing component or for which the Corporation has applied the practical expedient are measured at the transaction price. Upon initial recognition, the Corporation designates its financial instruments as subsequently measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss.

The financial assets of the Corporation include cash and trade and other receivables. The financial liabilities of the Corporation include trade and other payables, contract liabilities, payable to the Province of Manitoba, lease liabilities and long-term debt.

(i) Fair value through profit or loss

Cash is classified as fair value through profit or loss and is measured at fair value. Any gains or losses arising on the revaluation to fair value are recorded in the consolidated statement of net income, comprehensive income and equity.

(ii) Amortized cost

Trade and other receivables are subsequently measured at amortized cost using the effective interest rate method, less impairment as they are held to collect contractual cash flows of principal and interest on specified dates. Any gains or losses and any losses arising from impairment are recognized in the consolidated statement of net income, comprehensive income and equity.

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Any gains or losses are recognized in the consolidated statement of net income, comprehensive income and equity.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Corporation has transferred its rights to receive cash flows from the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing financial liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. Any difference in the respective carrying amounts of the financial liability is recognized in the consolidated statement of net income, comprehensive income and equity.

(I) Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and any accumulated impairment losses. Cost includes expenditures directly attributable to the acquisition of the assets. Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost can be reliably measured. If the costs of a certain component of property and equipment are significant in relation to the total cost of the asset, these are accounted for and depreciated separately. All other repairs and maintenance costs are charged to the consolidated statement of net income, comprehensive income and equity as incurred.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs associated with the borrowing of funds.

Depreciation is charged to the consolidated statement of net income, comprehensive income and equity based on cost, less estimated residual value, on a straight-line basis over the estimated useful life of the asset as follows:

Furniture and equipment	3 to 40 years
Gaming equipment	5 to 8 years
Assets related to C&M agreements	5 to 7 years
Parking lots and roads	15 to 25 years
Leasehold improvements	Over the remaining term of the lease
Major building components	5 to 50 years
Building structures	40 to 50 years

The assets' residual values, useful lives and methods of depreciation are reviewed at each fiscal year-end and are adjusted prospectively, if appropriate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated statement of net income, comprehensive income and equity when the asset is derecognized.

(J) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date based on whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

The Corporation recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee on the date that the underlying asset is available for use. Exceptions include leases of low-value assets, short-term leases (those with a lease term of 12 months or less), and variable leases where payment is linked to future performance or use. Payments related to low-value and short-term leases are recorded as an operating expense in the consolidated statement of net income, comprehensive income and equity on a straight-line basis over the term of the lease. Variable leases consist of leases for certain gaming equipment and are recorded in cost of sales in the consolidated statement of net income, comprehensive income and equity.

The lease liability is initially measured at the present value of lease payments to be made over the lease term and includes fixed payments, net of any lease incentives. The Corporation uses judgment in determining the appropriate lease term on a lease-by-lease basis and includes renewal options where it is reasonably certain the lease will be renewed. The present value of lease payments is calculated using the Corporation's incremental borrowing rate at the lease commencement date, unless the interest rate implicit in the lease is readily determinable.

Subsequent to initial measurement, lease liabilities are measured at amortized cost using the effective interest rate method. Lease liabilities are remeasured for any changes in lease terms, changes in future lease payments due to a change in the rate or index associated with those payments, or any lease contract modifications that do not result in the recognition of a separate lease. Lease payments are apportioned between finance charges and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized within interest expense in the consolidated statement of net income, comprehensive income and equity.

Right-of-use assets are initially measured at the amount of the corresponding lease liability plus any significant initial direct costs and decommissioning costs. Subsequent to initial measurement, right-of-use assets are measured at cost, net of accumulated depreciation, and are adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter period of the lease term and the estimated useful life of the underlying asset. Right-of-use assets are subject to impairment, as described in note 2(m)(ii).

For sale and leaseback transactions, the Corporation assesses the substance of the transaction and whether control of the asset has been transferred to the purchaser. If the transaction is determined to be a sale, the underlying asset is derecognized and a right-of-use asset is recognized at the proportion of the previous carrying amount as it relates to the right of use retained by the Corporation. Any residual amount is recognized as a gain on sale and leaseback of assets in the consolidated statement of net income, comprehensive income and equity.

(K) Intangible assets

Acquired intangible assets of the Corporation consist of finite-life computer software. Intangible assets acquired separately are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is charged

to the consolidated statement of net income, comprehensive income and equity on a straight-line basis over the estimated useful life of the asset as follows:

Computer software	3 to 15 years
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The assets' useful lives and methods of amortization are reviewed at each fiscal year-end and adjusted prospectively, if appropriate. Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of net income, comprehensive income and equity when the asset is derecognized.

(L) Inventories

Inventories consist of goods for resale and consumable supplies and are valued at the lower of average cost and net realizable value. Costs incurred in bringing each product to the distribution centre or warehouse location are accounted for as the purchase cost assigned on a weighted average basis and consist of the purchase price, import duties and freight. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Inventory write-downs are reversed if the estimated calculations of the recoverable amount change. Write-downs are reversed only to the extent that the carrying value does not exceed the carrying value that would have been determined if no write-down had been recognized.

(M) Impairment

(i) Trade and other receivables

The Corporation assesses at each reporting date whether to recognize a loss allowance for expected credit losses (ECLs) for a financial asset or group of financial assets not held at fair value through profit or loss. If there is

objective evidence that an ECL exists, the loss is recognized in the consolidated statement of net income, comprehensive income and equity. The ECL is estimated as the difference between the contractual cash flows due in accordance with the contract and all cash flows the Corporation expects to receive.

The Corporation applies a simplified approach in calculating ECLs where changes in credit risk are not tracked, and loss allowances are based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(ii) Non-financial assets

The Corporation assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, the asset's recoverable amount is estimated. For the purposes of impairment testing, non-financial assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, the cash-generating unit (CGU).

The recoverable amount of a non-financial asset or CGU is the greater of its fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses, if applicable, are recognized in the consolidated statement of net income, comprehensive income and equity.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Impairment loss reversals are recognized in the consolidated statement of net income, comprehensive income and equity in a manner consistent with the originally recognized impairment loss.

(N) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. The expense relating to any provision is presented in the consolidated statement of net income, comprehensive income and equity net of any reimbursement and, if the effect of the time value of money is material, is discounted using a rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase to the provision due to the passage of time is recognized as a finance cost.

(O) Pension plans

In accordance with the provisions of *The Civil Service Superannuation Act (CSSA)*, employees of the Corporation are eligible for pension benefits. Plan members are required to contribute to the multi-employer Civil Service Superannuation Fund (the Fund) at prescribed rates for defined benefits and will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The Corporation is required

to match contributions contributed to the Fund by the employees at prescribed rates, which are recorded as an operating expense. Under the CSSA, the Corporation has no further pension liability. Based on limited information available from the Fund, the Corporation has judged this information to be insufficient to properly allocate any potential pension plan deficits and is therefore not able to reliably determine its participation in any potential future deficit. As a result, the Corporation expenses contributions made to the pension plan as if the plan was a defined contribution plan.

For employees whose annual earnings exceed the limit under the Fund, a pension liability is established. This liability is determined actuarially on an annual basis. Actuarial gains and losses are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to operating expenses in the period in which they occur.

The Corporation also makes contributions for certain employees and officers to a money purchase pension plan at prescribed rates, which are recorded as an operating expense.

(P) Revenue recognition

Revenue from contracts with customers is recognized at an amount equal to the transaction price allocated to the specific distinct performance obligation when the performance obligation is satisfied. Revenue from contracts with customers is evaluated and separated into distinct performance obligations when there is a distinct good or service to be transferred in the future. The Corporation assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent and has generally concluded that it is acting as principal in all of its revenue arrangements, with the exception of the agency relationships described below, as it typically controls the goods or services before transfer to the customer.

Revenue from product sales is recognized when the significant rewards of ownership of the products have passed to the buyer, usually on the delivery of products. Lottery revenue is recognized as of the date of the draw with the

exception of instant game revenue, which is recorded at the time the ticket is activated by the retailer via the online accounting system for sale to customers. Video lottery and other gaming revenue are recognized at the time of play, net of prizes paid. Other revenue sources are discussed below.

(i) Promotional allowances

Promotional allowances include the value of food, beverages, gaming free play, and other items provided on a complimentary basis to casino patrons. The value of these complimentary items is included in gross revenue and then deducted as a promotional allowance to arrive at net revenue.

The Corporation also operates a loyalty points program whereby patrons can earn points based upon their level of play on certain casino games. Points can be redeemed for gaming free play and certain goods and services provided by the casinos. Where a revenue transaction includes points awarded under the program, the revenue allocated to the points is deferred based on the fair value of the awards, which is assigned as \$0.01 per point earned, and recognized as revenue when the points are redeemed and the Corporation fulfills its obligation to supply the awards.

(ii) Third-party AIR MILES® program

The Corporation participates in the third-party AIR MILES® program, which allows customers to earn AIR MILES® points when they purchase products in the Corporation's retail liquor stores. The redemption of points by customers is the responsibility of the third-party AIR MILES® program. Consideration received is recorded net of related expenses as the Corporation is acting as an agent for the AIR MILES® program.

(iii) Micro-producer direct sales

The Corporation provides micro-producers who manufacture liquor products on-site in a Manitoba location the opportunity to sell their product directly to customers at the location where it is produced. Under this arrangement, the manufacturers remain the primary obligor

responsible to fulfill the promise to deliver the goods upon completion of the sale transaction. Due to the economic substance of the arrangement, the Corporation is acting as agent for these direct sales and records revenue net of related expenses.

(iv) Contract balances

A contract asset is the right to consideration in exchange for goods or services transferred to the customer, and a contract asset is recognized for the earned consideration that is conditional if performance is complete before payment is received or becomes due. A receivable represents the Corporation's right to an amount of consideration that is unconditional, meaning that only the passage of time is required before payment of the consideration is due.

A contract liability is the obligation to transfer goods or services to a customer for which the Corporation has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognized as revenue when the Corporation performs under the contract and are disclosed in note 12.

(Q) Goods and Services Tax

In lieu of Goods and Services Tax (GST) on lottery and gaming revenue, the Corporation forgoes claiming input tax credits and pays an additional 5% GST on gaming expenditures, including retailer commissions. Total GST is reported as GST expense in the consolidated statement of net income, comprehensive income and equity.

The Corporation collects GST on liquor and cannabis sales, as well as applicable entertainment, food and beverage, and casino retail store operations. An input tax credit is claimed for GST paid on non-gaming expenditures.

(R) Assets held for sale

Assets held for sale are presented separately in the consolidated statement of financial position when the Corporation is committed to selling the assets, an active plan of sale has commenced, and the sale is expected to be completed within 12 months. Immediately before the initial

classification of the assets as held for sale, the carrying amounts of the assets are measured in accordance with the applicable accounting policy. Assets held for sale are subsequently measured at the lower of their carrying amount and fair value less cost to sell.

(s) Changes in accounting policies

During the year, the Corporation chose to adopt the following standards:

(i) Definition of accounting estimates – Amendments to IAS 8

Amendments to *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* were issued in February 2021 and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments to IAS 8 are effective for annual periods beginning on or after January 1, 2023. The adoption of these amendments did not have a material impact on the Corporation's consolidated financial statements.

(ii) Disclosure of accounting policies – Amendments to IAS 1 and IFRS Practice Statement 2

Amendments to *IAS 1 Presentation of Financial Statements* and *IFRS Practice Statement 2 Making Materiality Judgements* were issued in February 2021 and provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. They also clarify how to distinguish changes in accounting policies from changes in accounting estimates. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023, while the amendments to IFRS Practice Statement 2 do not have an effective date as they provide non-mandatory guidance. The adoption of these amendments did not have a material impact on the Corporation's consolidated financial statements.

(T) Standards issued but not yet effective

The following standards, which are reasonably expected to be applicable to the Corporation, have been issued but were not yet effective at the date of issuance of the consolidated financial statements.

(i) Lease liability in a sale-and-leaseback – Amendments to IFRS 16

Amendments to *IFRS 16 Leases* were issued in September 2022 and specify the requirements used in measuring the lease liability arising from a sale-and-leaseback transaction to ensure the seller-lessee does not recognize any portion of the gain or loss that relates to the right-of-use it retains. The amendments to IFRS 16 are effective for annual periods beginning on or after January 1, 2024 and must be applied retrospectively to the date of initial application of IFRS 16. The adoption of these amendments is not expected to have a material impact on the Corporation's consolidated financial statements.

(ii) Classification of liabilities as Current or Non-current – Amendments to IAS 1

Amendments to *IAS 1 Presentation of Financial Statements* were issued in January 2020 and October 2022 specifying the requirements for classifying liabilities as current or non-current. These amendments clarify what is meant by a right to defer settlement; clarify that classification is based on rights that exist at the end of the reporting period; and specify that classification is not impacted by expectations of whether the entity will exercise its right to defer settlement. The amendments also introduce a requirement to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2024 and must be applied retrospectively. The adoption of these amendments is not expected to have a material impact on the Corporation's consolidated financial statements.

3. Significant Accounting Estimates and Assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements. Actual results could differ from those estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts recognized in the consolidated financial statements of the Corporation are discussed below.

(A) Determination of useful lives for tangible and intangible assets

The Corporation has based the determination of the useful lives of tangible and intangible assets on a detailed review of all empirical data for the different asset classes. The Corporation annually reviews the validity of the useful lives applied to the different asset classes based on current circumstances and considers the impact of any external or internal changes in the Corporation's environment, which may indicate the requirement to reconsider these useful lives.

(B) Leases

The Corporation has based the determination of the lease terms for right-of-use assets on a detailed review of all facts and circumstances for each lease. The Corporation uses judgment in determining the incremental borrowing rate applicable to each lease, which is used in the calculation of the value of the right-of-use asset and lease liability. The periods covered by renewal options are included in the lease term only if it is reasonably certain that the lease will be renewed. The Corporation annually reviews the validity of the lease term for each right-of-use asset based on current circumstances and considers the impact of any external or internal changes in the Corporation's environment, which may indicate the requirement to reconsider the lease term applied.

(C) Revenue from contracts with customers

(i) Loyalty points program

The Corporation operates a program whereby patrons can earn points based upon their level of play on certain casino games. Points can be redeemed for gaming free play and certain goods and services provided by the casinos. The future redemption liability is included in contract liabilities and is based on an assessment of anticipated point redemptions and point value. The Corporation adjusts the estimated liability based on redemption experience and additional points earned and any adjustments are recorded in the consolidated statement of net income, comprehensive income and equity.

(ii) Principal versus agent considerations

The Corporation participates in the third-party AIR MILES® program, which allows customers to earn AIR MILES® points when they purchase products in the Corporation's retail liquor stores. The redemption of points by customers is the responsibility of the third-party AIR MILES® program; therefore, no contract liability remains. The Corporation has concluded it is acting as agent under this arrangement and consideration received is recorded net of related expenses.

The Corporation has concluded it is acting as agent under an arrangement that allows micro-producers who manufacture liquor products on-site in a Manitoba location to sell product directly to customers at the location where it is produced. As a result, revenue is recorded net of related expenses under this agency relationship.

(iii) Other consideration and obligations

The Corporation is required to make several other estimates and judgments including the determination of the nature of performance obligations under its contracts, the assessment of the amount of variable consideration stemming from its performance obligations and whether a significant financing component exists in any of its contracts with customers.

In addition to the gaming loyalty points program, other distinct performance obligations have been identified where consideration has been received and a future obligation to be satisfied by the Corporation exists. The performance obligations relating to these revenues remain as an outstanding

contract liability until the performance obligation has been satisfied. The majority of contracts with customers are settled immediately or through commercial sales with 30-day credit terms; therefore, the Corporation has concluded that no significant financing components exist.

4. Trade and Other Receivables

	2024	2023
Trade	\$ 36,342	\$ 33,477
British Columbia Lottery Corporation	6,031	5,767
Western Canada Lottery Corporation	10,169	11,147
	<u>\$ 52,542</u>	<u>\$ 50,391</u>

The Corporation's exposure to credit risk related to trade and other receivables is disclosed in note 18(d).

5. Inventories

	2024	2023
Warehouse	\$ 37,234	\$ 42,757
Retail locations	21,339	21,210
Consumable supplies	437	421
	<u>\$ 59,010</u>	<u>\$ 64,388</u>

The amount of unpaid and unrecorded Customs and Excise duties on owned merchandise held in bond is \$6,037 at the end of the 2024 fiscal year (2023 – \$6,287).

6. Prepayments

	2024	2023
Maintenance contracts	\$ 4,880	\$ 3,529
Deposits and other	1,170	1,102
Insurance	206	152
	<u>\$ 6,256</u>	<u>\$ 4,783</u>

7. Other Receivable

The amount in other receivable relates to a loan receivable from a third party. The loan carries an interest rate of 3.25% and has a maturity date of June 14, 2032.

8. Property and Equipment

COST	Land	Buildings, parking lots and roads	Leasehold improvements	Gaming equipment	Furniture and equipment	Assets related to C&M agreements	Work in progress (WIP)	Total
April 1, 2022	\$ 25,370	\$ 370,871	\$ 57,807	\$ 216,952	\$ 124,117	\$ 33,228	\$ 11,806	\$ 839,431
Additions	-	5,783	1,100	20,270	4,620	27	19,340	51,140
Transfers from WIP	-	5,233	186	595	187	-	(6,201)	-
Disposals	-	(243)	(192)	(32,111)	(11,129)	(345)	-	(44,020)
March 31, 2023	25,370	381,644	58,901	205,706	117,795	32,910	24,225	846,551
Additions	-	3,379	3,253	25,034	5,213	23	15,578	52,480
Transfers from WIP	-	742	67	9,347	691	787	(11,634)	-
Reclassified as held for sale	(102)	(4,234)	-	-	-	-	-	(4,336)
Disposals	-	(145)	-	(27,479)	(4,054)	(2,499)	-	(34,177)
March 31, 2024	\$ 25,268	\$ 381,386	\$ 62,221	\$ 212,608	\$ 119,645	\$ 31,221	\$ 28,169	\$ 860,518

DEPRECIATION	Land	Buildings, parking lots and roads	Leasehold improvements	Gaming equipment	Furniture and equipment	Assets related to C&M agreements	Work in progress (WIP)	Total
April 1, 2022	\$ -	\$ 172,760	\$ 23,292	\$ 194,328	\$ 101,857	\$ 32,264	\$ -	\$ 524,501
Depreciation	-	12,374	4,027	9,344	5,938	602	-	32,285
Disposals	-	(197)	(192)	(32,111)	(11,021)	(345)	-	(43,866)
March 31, 2023	-	184,937	27,127	171,561	96,774	32,521	-	512,920
Depreciation	-	11,771	4,173	11,063	5,905	536	-	33,448
Reclassified as held for sale	-	(4,054)	-	-	-	-	-	(4,054)
Disposals	-	(144)	-	(27,458)	(3,830)	(2,499)	-	(33,931)
March 31, 2024	\$ -	\$ 192,510	\$ 31,300	\$ 155,166	\$ 98,849	\$ 30,558	\$ -	\$ 508,383

NET BOOK VALUE

March 31, 2024	\$ 25,268	\$ 188,876	\$ 30,921	\$ 57,442	\$ 20,796	\$ 663	\$ 28,169	\$ 352,135
March 31, 2023	25,370	196,707	31,774	34,145	21,021	389	24,225	333,631

Capital assets related to C&M agreements consist primarily of the cost of the gaming equipment and related computer equipment for the First Nations Casinos and Shark Club Gaming Centre.

Property and equipment not yet in use is classified as work in progress and is stated at cost. No depreciation is recorded for these assets.

The amount of borrowing costs capitalized during the 2024 fiscal year was \$1,283 (2023 – \$550). The weighted average rate used to determine

the amount of borrowing costs eligible for capitalization was 6.28%, the effective interest rate of the specific borrowing.

Assets reclassified as held for sale relate to the land and building at 830 Empress Street in Winnipeg, Manitoba, which were offered for sale during the 2024 fiscal year. The sale was finalized during the year for net proceeds of \$4,676, resulting in a gain on disposal of \$4,394 recorded in the sundry category within operating expenses in note 14.

9. Leases

The Corporation has entered into lease contracts for the use of various land, buildings, and equipment used in its operations, which have remaining lease terms ranging from 1 to 19 years.

The Corporation's right-of-use (ROU) assets are grouped into categories consistent with property and equipment, and consist of the following:

COST	ROU Buildings	ROU Equipment	Total
April 1, 2022	\$ 87,788	\$ 1,843	\$ 89,631
Additions	10,978	-	10,978
Disposals	(1,104)	-	(1,104)
March 31, 2023	97,662	1,843	99,505
Additions	6,047	-	6,047
Disposals	-	-	-
March 31, 2024	\$ 103,709	\$ 1,843	\$ 105,552
DEPRECIATION			
April 1, 2022	\$ 26,454	\$ 537	\$ 26,991
Depreciation	8,795	122	8,917
Disposals	(1,104)	-	(1,104)
March 31, 2023	34,145	659	34,804
Depreciation	10,342	122	10,464
Disposals	-	-	-
March 31, 2024	\$ 44,487	\$ 781	\$ 45,268
NET BOOK VALUE			
March 31, 2024	\$ 59,222	\$ 1,062	\$ 60,284
March 31, 2023	63,517	1,184	64,701

The carrying values of lease liabilities are as follows:

April 1, 2022	\$ 67,031
Additions and extensions	14,136
Payments	(9,957)
Interest on lease liabilities	2,214
March 31, 2023	73,424
Additions and extensions	6,047
Payments	(12,116)
Interest on lease liabilities	2,856
March 31, 2024	\$ 70,211

Current portion of lease liabilities	\$ 8,492
Lease liabilities	61,719
	\$ 70,211

Payments for leases of low-value assets and short-term leases related to certain buildings and equipment in the 2024 fiscal year were \$1,188 (2023 – \$644) and are recorded in operating expenses. Variable lease payments in the 2024 fiscal year were \$11,930 (2023 – \$11,838) and are recorded in cost of sales.

In 2023, the Corporation entered into a rental agreement for office space upon the sale of 1555 Buffalo Place in Winnipeg, Manitoba. This sale-and-leaseback transaction resulted in a gain of \$6,233 recorded in the sundry category within operating expenses in note 14.

10. Intangible Assets

COST	Computer software – acquired
April 1, 2022	\$ 58,567
Additions	598
Disposals	(4,170)
March 31, 2023	54,995
Additions	6,213
Disposals	(988)
March 31, 2024	\$ 60,220

AMORTIZATION	
April 1, 2022	\$ 51,482
Amortization	2,713
Disposals	(3,887)
March 31, 2023	50,308
Amortization	2,338
Disposals	(988)
March 31, 2024	\$ 51,658

NET BOOK VALUE	
March 31, 2024	\$ 8,562
March 31, 2023	4,687

11. Trade and Other Payables

	2024	2023
Trade	\$ 85,348	\$ 86,652
Employee benefits	41,297	36,247
Jackpot liability	9,307	6,489
Goods and Services Tax	2,446	1,508
Manitoba Retail Sales Tax	2,636	2,755
	\$ 141,034	\$ 133,651

12. Contract Liabilities

	2024	2023
Unearned revenue	\$ 6,285	\$ 6,860
Loyalty points program liability	2,862	3,005
Gift card liability	4,163	3,875
Other contract liabilities	273	253
	<u>\$ 13,583</u>	<u>\$ 13,993</u>

Revenue recognized in the 2024 fiscal year that was included in contract liabilities at the beginning of the year was \$9,645 (2023 – \$9,845).

13. Long-term Debt

	2024	2023
Province of Manitoba, bearing interest at rates ranging from 1.25% to 5.10%, repayable in monthly principal instalments ranging from \$2 to \$600 plus interest with maturity dates ranging from June 30, 2024 to March 31, 2054.	\$ 278,384	\$ 282,951
Province of Manitoba, bearing interest at the prevailing Royal Bank Prime Rate less 0.75%, interest only payable quarterly. No fixed repayment schedule and maturity date.	25,656	27,075
	<u>304,040</u>	<u>310,026</u>
Less current portion of long-term debt	55,290	61,789
	<u>\$ 248,750</u>	<u>\$ 248,237</u>

All long-term debt is unsecured and the fair market value as at March 31, 2024 is \$292,154.

The Corporation's exposure to liquidity risk related to long-term debt is disclosed in note 18(c).

14. Revenue, Cost of Sales and Expenses By Nature

The Corporation's revenue consists of the following:

	2024	2023
Liquor sales	\$ 864,561	\$ 874,307
Cannabis sales	153,611	130,868
VLT	339,080	321,777
Casino and other gaming	228,821	213,329
Online gaming	74,860	75,434
Non-gaming revenue	31,096	29,793
	<u>\$ 1,692,029</u>	<u>\$ 1,645,508</u>

The Corporation's cost of sales consists of the following:

	2024	2023
Liquor cost of sales	\$ 412,806	\$ 419,941
Cannabis cost of sales	110,134	96,931
VLT commissions	32,575	31,059
First Nations allocation	56,760	51,285
Tourism contribution	27,041	26,261
Casino and other gaming direct expenses	7,845	7,594
Online gaming direct expenses	21,503	21,006
Non-gaming cost of sales	6,431	6,288
	<u>\$ 675,095</u>	<u>\$ 660,365</u>

First Nations VLT siteholders receive an allocation of VLT revenue to provide sustainable social and economic benefits and opportunities within the siteholders' communities in Manitoba. The Corporation also provides contributions towards supporting tourism in Manitoba through the VLT program.

Casino and other gaming direct expenses consist primarily of costs associated with the operation and maintenance of the Corporation's electronic gaming equipment and table games equipment.

Online gaming direct expenses consist primarily of costs associated with the operation and maintenance of the PlayNow online gaming platform.

Non-gaming revenue and cost of sales consist primarily of revenue and costs associated with the Corporation's entertainment, food and beverage, and casino retail store operations, and unredeemed liquor container deposits.

The Corporation's operating expenses by their nature are as follows:

	2024	2023
Employee benefits	\$ 169,243	\$ 159,539
Bank charges	4,214	4,278
Community support	3,119	1,400
Consultant and professional fees	1,472	1,562
Freight and delivery	4,943	5,856
Grants in lieu of taxes	6,231	6,439
Learning and development	794	706
Maintenance	17,459	17,250
Marketing and public awareness	14,617	8,618
Rents	1,008	466
Sundry (notes 8 and 9)	(991)	(1,305)
Supplies and equipment	3,972	4,272
Technology systems and support	28,948	22,082
Telecommunications	2,667	2,600
Transportation and vehicles	1,372	1,134
Utilities	3,552	4,146
	<u>\$ 262,620</u>	<u>\$ 239,043</u>

15. Share of Profit of WCLC

	2024	2023
Revenue	\$ 261,640	\$ 267,960
Prizes, commissions and other cost of sales	186,746	186,922
WCLC partner equalization	9,013	6,667
Payment to Government of Canada	2,931	2,806
Profit	<u>\$ 62,950</u>	<u>\$ 71,565</u>

The WCLC earned revenue in the 2024 fiscal year in the amount of \$1,497,730 (2023 – \$1,571,114), of which the Corporation's share calculated based on relative sales levels by jurisdiction is 17% (2023 – 17%). The WCLC's total profit for the 2024 fiscal year was \$467,733 (2023 – \$517,894), of which the Corporation's share is 13% (2023 – 14%).

The Province of Manitoba is a member in the WCLC. An agreement is in place with the Provinces of Alberta and Saskatchewan where the Corporation provides economic benefit equalization specific to salary costs of head office employees residing in Manitoba.

Effective January 1, 1980, the Government of Canada terminated its involvement in lotteries. In return, the ten provinces are to contribute an annual sum of \$24,000, adjusted for inflation, to the federal government.

16. Allocations and Payments

	2024	2023
Social responsibility funding	\$ 13,360	\$ 12,700
LGCA funding and Crown Services Secretariat levy	6,383	3,661
Other community funding	547	517
	<u>\$ 20,290</u>	<u>\$ 16,878</u>

Social responsibility funding includes amounts paid to the Addictions Foundation of Manitoba and other organizations for their research and programming that promote responsible gaming and responsible liquor and cannabis consumption. The Corporation is required to allocate 2% of annual anticipated consolidated net income and comprehensive income to social responsibility initiatives. Any liability associated with this funding is included in trade and other payables.

The Corporation provides funding to the Liquor, Gaming and Cannabis Authority of Manitoba (LGCA) through the payment of annual licence fees for employees, electronic gaming devices and retail liquor locations, as well as additional amounts directed to be paid under *The Liquor, Gaming and Cannabis Control Act*. During the 2023 fiscal year, the Corporation also provided funding to the Crown Services Secretariat through the payment of an annual levy.

The Corporation provides funding to various charitable and community organizations throughout Manitoba.

17. Commitments and Contingencies

(A) Legal claims

Incidental to the nature of its business, the Corporation is defending various pending legal actions and claims. Management is of the opinion that the appropriate adjustments have been made in the accounts, and the outcome of these claims either cannot be determined or will not have a material adverse effect on the financial position of the Corporation.

(B) Purchase commitments

At the end of the 2024 fiscal year, the Corporation had purchase commitments of \$1,653 related to property and equipment and intangible assets.

18. Financial Instruments

The Corporation is exposed to interest rate, currency, liquidity and credit risks arising from financial assets and liabilities. The Corporation's objectives in managing these risks are to protect from volatility and to minimize exposure from fluctuations in market rates, and it does so through a combination of a system of internal and disclosure controls, effective cash management strategies and sound business practices.

Risk management policies have been established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The Corporation's management oversees the management of these risks in accordance with the risk management policies and framework approved by the Board of Directors.

(A) Interest rate risk

Interest rate risk is the risk to the Corporation's income that arises from fluctuations in interest rates and the degree of volatility of these rates. The Corporation does not use derivative instruments to reduce its exposure to interest rate risk, though risks associated with interest rate fluctuations are mitigated based on 92% (2023 – 91%) of long-term debt having a fixed interest rate.

(B) Currency risk

The Corporation is exposed to currency risk through liquor inventory purchase transactions that require settlement in foreign currencies. Exposure to fluctuations in exchange rates is mitigated by the policy of adjusting purchase or selling prices to maintain approved liquor profit margins. Purchases denominated in foreign currencies during the 2024 fiscal year were \$8,562 (2023 – \$9,334). Accordingly, a 10% increase or decrease in the exchange rate between the Canadian dollar and other foreign currencies would result in a total increase or decrease of \$856 (2023 – \$933), assuming the inventory purchased had been sold by the end of the year.

(C) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulties in meeting its financial liability obligations. The Corporation manages this risk through effective cash and long-term debt management. Trade and other payables are due within one year and a significant portion of the existing long-term debt is repayable in monthly installments. Liquidity risk is further mitigated by collection terms on trade and other receivables being set at less than or equal to the payment terms of trade and other payables.

The table below summarizes the maturity profile of the Corporation's financial liabilities as at year-end based on contractual undiscounted payments.

2024	On demand	Less than 1 year	1 year	2 years	3 years	4 years	5 years	> 5 years
Trade and other payables	\$ 9,307	\$ 131,727	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contract liabilities	7,232	6,351	-	-	-	-	-	-
Payable to the Province of Manitoba	-	64,466	-	-	-	-	-	-
Long-term debt	-	55,290	45,483	36,638	28,358	25,996	20,132	92,143
Lease liabilities	-	10,883	10,378	8,998	7,269	6,116	5,255	39,006
	\$ 16,539	\$ 268,717	\$ 55,861	\$ 45,636	\$ 35,627	\$ 32,112	\$ 25,387	\$ 131,149

2023	On demand	Less than 1 year	1 year	2 years	3 years	4 years	5 years	> 5 years
Trade and other payables	\$ 6,489	\$ 127,162	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contract liabilities	7,056	6,937	-	-	-	-	-	-
Payable to the Province of Manitoba	-	36,907	-	-	-	-	-	-
Long-term debt	-	61,789	46,390	36,584	27,738	19,458	18,193	99,874
Lease liabilities	-	10,409	10,096	9,600	8,251	6,568	5,610	41,968
	\$ 13,545	\$ 243,204	\$ 56,486	\$ 46,184	\$ 35,989	\$ 26,026	\$ 23,803	\$ 141,842

(D) Credit risk

Credit risk is the risk to the Corporation that a counterparty will fail to perform its obligations or pay amounts due, causing a financial loss. The Corporation mitigates this risk through centralized credit management and collection practices and, where applicable, the establishment of ECLs for non-collectible amounts, which are netted against trade and other receivables. Trade receivables are non-interest bearing and generally have 30-day terms. The Corporation applies a simplified approach in evaluating the ECLs associated with trade and other receivables by calculating a loss allowance based on historical losses, as well as forward-looking information such as economic conditions. The ECL allowance for trade and other receivables for the 2024 fiscal year is \$5,866 (2023 – \$5,763). The maximum credit risk exposure is the carrying value of each class of financial asset disclosed in note 4.

The aging of trade and other receivables at the end of the 2024 fiscal year is as follows:

Current	\$ 58,347
Past due as follows:	
Within 30 days	36
31 to 60 days	9
61 to 90 days	-
Over 90 days	16
Expected credit losses	(5,866)
	<u>\$ 52,542</u>

(E) Capital management

The Corporation’s capital consists of long-term debt and equity. The Corporation’s objectives when managing its capital structure are to continue its ability to meet its financial obligations and to finance growth and capital expenditures. These objectives are considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget and have remained unchanged over the fiscal years presented.

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

(F) Fair value

The fair value of the Corporation’s financial instruments on initial recognition is the transaction price, which is the value of the consideration given or received. Financial instruments recognized at fair value must be classified in one of the following three fair value hierarchy levels:

Level 1 - measurement based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - measurement based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - measurement based on inputs that are not observable (supported by little or no market activity) and that are significant to the fair value of the assets or liabilities.

The Corporation's financial instruments consist of cash, trade and other receivables, trade and other payables, contract liabilities, payable to the Province of Manitoba, lease liabilities, and long-term debt. Unless otherwise stated, the fair value of the Corporation's financial instruments approximates their carrying value.

Financial instruments recorded at fair value, classified using the fair value hierarchy, are as follows:

2024	Level 1	Level 2	Level 3	Total
Cash	\$ 50,914	\$ -	\$ -	\$ 50,914
	\$ 50,914	\$ -	\$ -	\$ 50,914

2023	Level 1	Level 2	Level 3	Total
Cash	\$ 41,789	\$ -	\$ -	\$ 41,789
	\$ 41,789	\$ -	\$ -	\$ 41,789

19. Related Party Disclosures

The Corporation is related to various other government agencies, ministries, and Crown corporations under the common control of the Government of Manitoba. All transactions with these related parties are in the normal course of operations and are measured at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at year-end are unsecured and settlement occurs in cash. These transactions include long-term debt with the Province of Manitoba as disclosed in note 13.

Compensation of key management personnel of the Corporation, which is recognized as an operating expense during the year, is as follows:

	2024	2023
Short-term employee benefits	\$ 2,197	\$ 2,500
Post-employment pension and medical benefits	159	178
	\$ 2,356	\$ 2,678

20. Comparative Figures

Comparative figures are presented where available. The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the current year's consolidated financial statements.

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