

**ANNUAL REPORT
2022-2023**

STRENGTHENING the ALBERTA EXPERIENCE



AGLC
Choices Albertans can trust.



STRENGTHENING the ALBERTA EXPERIENCE

The Alberta experience is unlike any other. Our province is infused with a deep sense of pride, community spirit and resilience that sets us apart. Cultivating our province's strength and ensuring that Albertans have access to the best experiences possible are part of everything we do at AGLC. This means delivering ***Choices Albertans can trust.***

As both a regulator and facilitator for the private sector, we've created a framework that supports economic growth and positions businesses to deliver innovative gaming, liquor and cannabis products and entertainment options. We believe in promoting moderation and educating Albertans on how to enjoy responsibly. Our goal is to empower Albertans to make informed choices when they're placing a bet on the big game, stopping by their local liquor store, or stepping into a cannabis retailer.

At the heart of the Alberta experience is a strong sense of community. It's as familiar as the sound of cheering after your team scores and then buying a 50/50 ticket to support a local charity. Our unique charitable gaming model and flexible fundraising options ensure that the causes that matter to our communities receive support to make a difference.

Making a difference doesn't stop with our support for businesses and charities. We are committed to constant innovation and refining our operations to ensure we maximize revenue for the province to support valued programs and services that Albertans rely on every day. Strengthening the Alberta experience, in every way possible, is part of every decision we make and every idea we pursue to support a more vibrant Alberta.

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LAND ACKNOWLEDGMENT

AGLC respectfully acknowledges that we operate on the traditional and ancestral territory of many peoples, including the Indigenous peoples of the Treaties 4, 6, 7, 8 and 10 regions, and the Métis Settlements and Six Regions of the Métis Nation of Alberta. We respect the histories, languages and cultures of First Nations, Métis, Inuit and all First Peoples of Canada, whose presence continues to enrich our communities.

Host First Nations policy
book aligned with

74

**Truth and Reconciliation
Calls to Action** with Host
First Nations working group.

ACCOUNTABILITY STATEMENT

AGLC's Annual Report for the year ended March 31, 2023 was prepared under the Board's direction in accordance with the *Sustainable Fiscal Planning and Reporting Act* and ministerial guidelines established pursuant to the *Gaming, Liquor and Cannabis Act* and the Gaming, Liquor and Cannabis Regulation. All material, economic or fiscal implications of which we are aware have been considered in the preparation of this report.

Original signed by

Kandice Machado
Chief Executive Officer

Original signed by

Nick Knight
Vice President, Corporate Services
and Chief Financial Officer

PUBLIC INTEREST DISCLOSURE

There were no disclosures reported this past year.



MESSAGES
from the BOARD
CHAIR and CEO

MESSAGE from the BOARD CHAIR



For nearly two years, we changed how we socialized, celebrated and conducted business. In our first full year of operations post-pandemic, I was inspired by the commitment to recovery that infused AGLC’s work. When the doors opened up to the events, experiences and entertainment that our province is known for, we were ready to serve. AGLC’s board, leadership and team members’ commitment to customer centricity and collaboration delivered outstanding results. Despite global events beyond our control and rising costs across all industries, we’ve worked to set the right conditions, so AGLC and our stakeholders were able to show up for Albertans.

The cornerstone of setting up the right regulatory and business conditions is the relationships we build with our stakeholders. Through a shared understanding of working together to keep Albertans safe and to help industry thrive, we have consistently collaborated and addressed the needs of the gaming, liquor and cannabis industries. Our oversight is done through the lens of maximizing economic impact, supporting stakeholder success and promoting social responsibility. Recognizing that as consumer tastes and preferences change, we must adapt to the marketplace by providing the balance, resilience and strength that are the components of a vibrant Alberta.

We worked to prioritize red tape reduction, coming in at 41 per cent reduction for the year and exceeding our target by 8 per cent. Our efforts to reduce red tape go hand in hand with our work to be a modern regulator with a focus on evolving our policies, educating consumers and increasing legal market share, particularly in the growing industries of cannabis and online gambling.

This approach has been fundamental in enhancing AGLC’s ability to deliver innovative, customer-centric solutions that result in profitable business growth and job creation for Albertans. This year marks a record high number of liquor products available for Albertans, with almost 12 per cent of those products made in Alberta and an increase of 25 per cent in cannabis products. The gaming industry also celebrated the opening of a fifth racing entertainment centre and has continued to expand the legal online gambling offerings through Play Alberta including adding new gaming vendors and expanding sports betting.

AGLC’s remarkable contribution of nearly \$2.4 billion to the general revenue fund, along with our unrivaled charitable gaming model and variety of gaming, liquor and cannabis options, truly exemplify our vital role in Alberta. Empowering our stakeholders to create new products for Albertans to enjoy or seeing charitable groups achieve massive fundraising goals are all a part of the Alberta experience. And within those experiences, AGLC provides the guidance, education and framework that strengthens them.

Our organization will continue to intentionally balance developing a dynamic business landscape and protecting Albertans. We will remain ready and willing to respond to change while delivering benefits to Albertans. AGLC plays a vital role as a catalyst for business growth, a reliable source of revenue and a promoter of community enrichment. We will remain committed to strengthening the Alberta experience by fostering an environment that nurtures the innovation and resilience that sets our province apart.

AGLC is steadfast in balancing access and social responsibility to provide choices Albertans can trust.

Original signed by

Len Rhodes
Board Chair

MESSAGE from the CEO



Over the past year, AGLC has reimagined the way we do business to serve Albertans. The longer-lasting impacts of COVID-19 on our stakeholders, rising interest rates and inflationary pressures challenged AGLC to embrace change and be responsive in new ways. In all facets of our business, we worked to strengthen the Alberta experience, by adding value to the services Albertans rely on, the causes they believe in and the entertainment choices they enjoy.

Our ability to think differently and provide value to Albertans comes down to the wealth of knowledge, expertise and commitment that our AGLC team demonstrates. This year, I am particularly proud of the innovation that guided our team to foster a customer-centric culture. Our intentional conversations and touchpoints with stakeholders have

been the driving force behind our commitment to being a modern regulator. I'd like to thank all our team members who show up for Albertans and whose day-to-day work is the reason why we have so many achievements to celebrate.

As a direct revenue generator, AGLC worked to be a catalyst for economic growth. We contributed almost \$2.4 billion dollars to the province's general revenue fund, embedding our work into the foundational services Albertans rely on. Achieving a 93 per cent stakeholder satisfaction score, along with positive feedback on AGLC's role in helping businesses achieve their goals, is a testament to how our organizational strength translates to excellent service for our stakeholders. Our responsiveness to industry is the cornerstone of facilitating business growth that ultimately benefits all Albertans.

Achieving a landmark 41 per cent reduction in red tape truly exemplifies our commitment to Alberta businesses and charitable groups. Reducing red tape means that businesses can provide new products and experiences for customers, and that charitable groups can continue providing vital support to our communities. That same commitment has continued to shape our one-of-a-kind charitable gaming model, which supported \$384 million in fundraising for charitable causes, including \$73.3 million earned by Host First Nation communities.

As the only organization of its kind in Canada, AGLC's oversight of the gaming, liquor and cannabis industries positions us to find efficiencies that promote business growth while also balancing public health and safety. Our combined industry perspective not only makes us an incredibly efficient regulator, but also ensures that balancing our responsibilities is in our DNA. Through our GameSense, DrinkSense and CannabisSense programs, we championed moderation and education as a central part of the products and experiences Albertans enjoy, achieving unprecedented public awareness of these programs.

AGLC's goal is to see people succeed, in our organization as employees, in their service to Alberta's communities and in supporting business growth across the province. Looking ahead, investing in our people and building a compelling employee experience will equip AGLC for the continued evolution of our business. This investment in our internal knowledge and technology to support our team is pivotal to achieving our strategic goals to continue providing choices Albertans can trust and service they can rely on. With policy changes that support stakeholders, regulated products for consumers and industry responsiveness, we will remain committed to striking a balance that strengthens the Alberta experience for all.

Original signed by

Kandice Machado
Chief Executive Officer



ABOUT OUR ORGANIZATION

STRUCTURE

BOARD OF DIRECTORS

Len Rhodes, Chair		
Jack Fujino	Maureen Moneta ¹	Tongjie (TJ) Zhang
Patti Grier	Vincent Vavrek	Wayne Drysdale ²
Elan Harper	Angela Tu Weissenberger	W. Kent Breedlove ³

Biographies of the board members are available online at aglc.ca.

CHIEF EXECUTIVE OFFICER

Kandice Machado⁴

DIVISIONS⁵

Corporate Services	Information Technology	Human Resources
Public Engagement <ul style="list-style-type: none">• Policy and Public Affairs• Regulatory Services		Business Development <ul style="list-style-type: none">• Liquor and Cannabis• Gaming

Notes:

1. Appointed April 6, 2022.
2. Appointed May 13, 2023.
3. Term ended May 12, 2023.
4. AGLC's Chief Executive Officer is a non-voting member of the Board.
5. Divisional structure reflects organizational structure as at March 31, 2023.

PURPOSE

AGLC is the Crown commercial enterprise that oversees the gaming, liquor and cannabis industries in Alberta. We uphold a commitment to balancing choice and social responsibility to provide choices Albertans can trust.

Vision

Strengthen Alberta through its leading-edge gaming, liquor and cannabis industries.

Mission

Create an environment for responsible choices to deliver economic and social benefits to Albertans.

Values



Integrity

We hold ourselves to a high standard. That means operating fairly and honourably with colleagues, customers and stakeholders, even when no one is watching.



Respect

We listen and empower. Our culture adapts and ensures all are heard to build a vibrant Alberta. And when we misstep, we take accountability.



Collaboration

We harness the power of multiple minds and ideas. By breaking down internal and external boundaries to work together, we amplify our achievements.



Innovation

We are always reinventing. The first answer is not always the best answer, so we let our curiosity continuously challenge the status quo.



Inclusion

We embrace the power of diversity. Each of our unique talents, experiences and relationships come together to form one stronger AGLC.

Supporting a more vibrant Alberta

Every day the things we do and the choices we make support a more vibrant Alberta. From providing access to a wide variety of products, to giving back to communities, charities and non-profits, our choices give Albertans the support to do the things they enjoy. Through our actions and choices, we're working towards a better future; a stronger, safer and more vibrant province for all Albertans.

OUR STORY

Conducting ourselves with respect goes beyond the walls of our building and into how we operate in Alberta. As an organization, we are proud to be part of communities across the province. Collaborating on the growth of our industries and championing retailers, liquor stores and gaming venues, while also working with charitable groups on fundraisers and events for the many causes that contribute to a thriving Alberta.

We continuously strive to do the right thing, which means looking at how we conduct our business. AGLC has embarked on a journey to formalize our commitment to steward environmental, social and governance risks and opportunities by establishing a Corporate Sustainability framework that provides transparency to employees, stakeholders and Albertans.

Environmental impacts

AGLC strives to minimize its environmental footprint and foster sustainable practices. Recognizing the importance of environmental stewardship, energy efficiency, water and waste reduction and environmental compliance are at the forefront of our service delivery.

AGLC is developing a **comprehensive recycling strategy** that focuses on maximizing the recycling potential of material in and around the organization. This will divert those materials from landfills and increase their reusability.

As part of our commitment to energy conservation, AGLC is **implementing a significant upgrade by transitioning to LED lighting** in our St. Albert office and parking lot. This will help us maximize energy efficiency and reduce our carbon footprint.

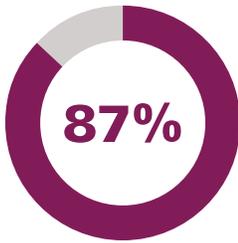
Zero fines or sanctions for non-compliance with environmental laws and regulations.



Employees

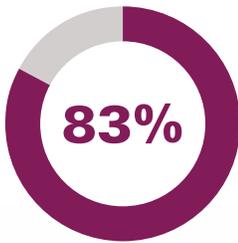
Our employees are the backbone of our organization and our most valuable asset. We strive to create a community where our employees feel valued, respected and can show-up as their authentic selves. This is embedded in our commitment to diversity, equity and inclusion. We believe that a healthy and positive work culture translates into outstanding service to our stakeholders while providing Albertans with choices they can trust.

86% of AGLC employees participated in the 2023 Employee Engagement Survey. While we saw a decrease in some results, we saw significant positive results in the areas of:



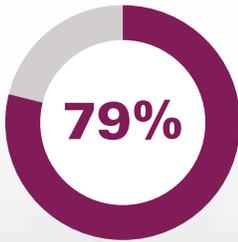
Safety

favourable rating indicating a **high level of satisfaction regarding critical aspects of employee-well being and safety.**



Team Engagement

favourable rating pointing to a **strong team dynamic and high-levels of engagement** among teams at AGLC.



Diversity and Inclusion

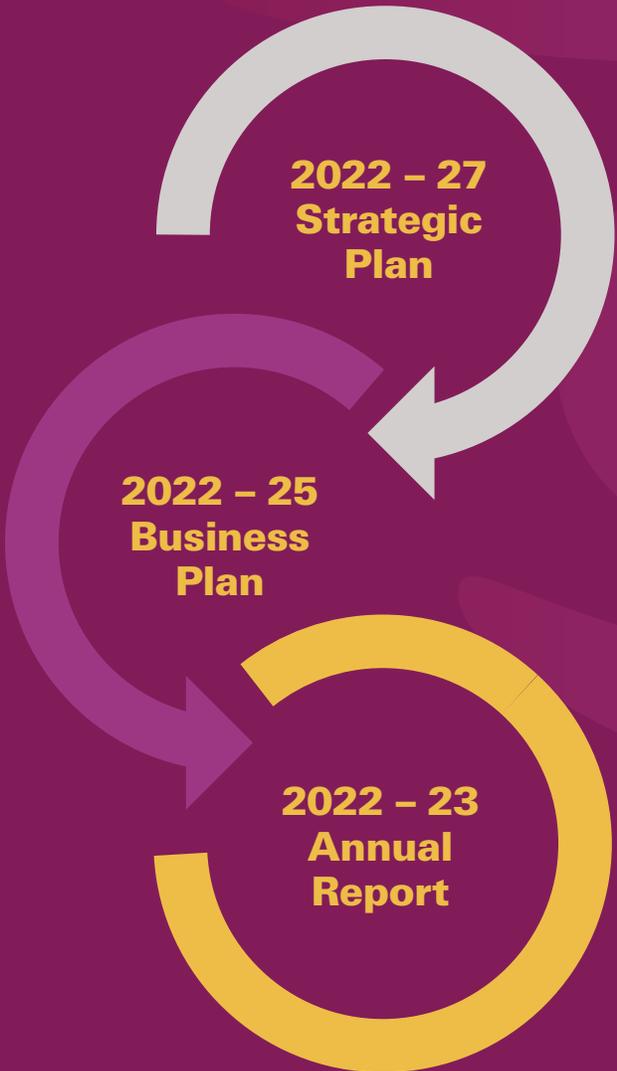
favourable rating reflecting the **emphasis placed on fostering a culture of respect and inclusivity** among team members and colleagues.



2023 marked the **seventh time** AGLC was selected as one of **Alberta's Top Employers.**



OUR STRATEGIC SNAPSHOT



2022 – 27 Strategic Plan

The **strategic plan** outlines AGLC's family of strategies: Customer and Industry, Digital, and People. The strategic focus is to continue strengthening Alberta to be at the forefront of industry advancements while stewarding a balanced environment where stakeholders thrive and the interests of Albertans are protected.

2022 – 25 Business Plan

The **business plan** outlines specific actions that will advance both strategic direction and core day-to-day business operations. The plan also upholds transparency and accountability by communicating AGLC's priorities and ensuring delivery of commitments.

2022 – 23 Annual Report

AGLC reports on the delivery of our business plan priorities including fiscal and operational accomplishments that further industry advancements and contribute to communities and experiences in Alberta.



**Empowering
Business
Development**

**Delivering
Consumer
Choice**

**Promoting Safe
and Responsible
Experiences**

**Enriching
Communities**

STRENGTHENING **the ALBERTA** **EXPERIENCE**

EMPOWERING BUSINESS DEVELOPMENT

AGLC supports the Government of Alberta’s commitment to diversifying our provincial economy by creating, business-friendly policies that continue to attract job-creating investments.

Economic activity is generated in communities across Alberta through independent operators and retailers who serve their local communities as gaming providers, liquor store operators and cannabis retailers. Through business-friendly policies, AGLC supports the gaming, liquor and cannabis industries so businesses can thrive and continue to invest in Alberta.

41% of red tape reduced (GOA target 33%).

At the end of 2023, **10,216** pieces of red tape have been removed since inception of the Red Tape Reduction initiative.

8,867 Gaming	1,174 Liquor	118 Cannabis	59 multiple business lines/not categorized
			

Two policy changes alone generated an additional **\$3.0M+** of new revenue in the province.

Number of businesses positively impacted: **12,800+**



Industry satisfaction



92%
Liquor Licensees and Agencies



96%
Charitable Gaming Licensees



95%
Gaming Retailers and Operators

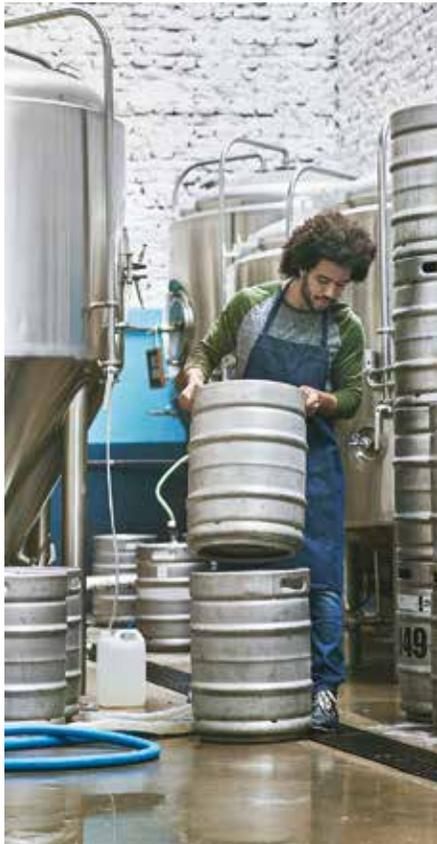


84%
Cannabis Licensees



93%
Overall Stakeholder Satisfaction

AGLC remains dedicated to reducing barriers for our industry stakeholders to support economic growth and a more vibrant Alberta.



Liquor

Ongoing expansion of Alberta's liquor manufacturing industry reflects the recurring investments made in the province.

- The number of Alberta-made liquor manufacturers reached record highs.
- 11.9% increase in Alberta-made liquor products.
- 70% of Albertans feel it is important to find Alberta-made liquor products.



Gaming

Fostering growth in the gaming industry for stakeholders by expanding reach and accessibility for players.

- Alberta's fifth racing entertainment centre, Track on 2, opened in Lacombe County, Alberta.
- Two Calgary casinos relocated.
- 14 VLTS launched in Edmonton's International Airport.
- Play Alberta added 2 gaming providers and 125 new games.



Cannabis

Increasing access to quality products through legitimate channels continues to grow the legal market share.

- Alberta has achieved the highest number of retail stores per person in Canada.
- 27% of licensed cannabis producers are Alberta based.
- 25.3% growth in cannabis products available.
- Legal market share experienced year-over-year growth.

DELIVERING CONSUMER CHOICE

As the gaming, liquor and cannabis industries continue to expand, so do consumer choices. AGLC focuses on providing and facilitating access to a wide range of safe products and experiences, which empowers consumers in communities across Alberta to make purchasing decisions based on their preferences.

Gaming

- 19** traditional casinos
- 5** Host First Nation casinos
- 5** racing entertainment centres
- 2,849** lottery ticket centres
- 754** VLT locations
- 1** online gaming platform (Play Alberta)

Liquor

- 5,539** licensed restaurants, bars, lounges
- 2,418** licensed liquor retailers
- 33,628** liquor products available
- 8,227** liquor products made in Alberta

Cannabis

- 2,085** cannabis products available
- 756** licensed cannabis stores
- 143** contracts with licensed producers of cannabis (38 contracts with Alberta-based licensed producers)

91% of Albertans are **satisfied with lottery products.**

81% of Albertans are **satisfied with products in casinos.**

108% increase in Albertans signing up for the **Winner's Edge program** compared to last year.

90% of Albertans who purchased liquor at a restaurant, lounge or bar are **satisfied with the hours of service.**

92% of Albertans are **satisfied with the selection of products in liquor stores.**

89% of Albertans who purchase cannabis are **satisfied with product variety.**

86% of Albertans are **satisfied with the accessibility to purchase cannabis.**

PROMOTING SAFE and RESPONSIBLE EXPERIENCES



AGLC strives to create a safe and regulated environment for Albertans to enjoy gaming, liquor and cannabis products and experiences. This is achieved through:

- A dedicated regulatory and policy environment that maintains our commitment to industry compliance.
- Fostering a responsible use approach with an emphasis on public awareness and education to reduce related harms and to promote a culture of moderation.

83%

of Albertans trust AGLC to manage gaming, liquor and cannabis activities in Alberta. We are proud to offer choices Albertans can trust.

	 Gaming	 Liquor	 Cannabis
ACTIONS:	4,662 inspections conducted resulting in	20,643 inspections conducted resulting in	4,944 inspections conducted resulting in
RESULTS:	99% compliance rate	99% compliance rate	98% compliance rate

AGLC’s Due Diligence unit conducts investigations to determine eligibility of an applicant to hold or continue to hold a registration, licence or approval.

In 2023, AGLC received **1,417¹** due diligence disclosures which were processed.



Note:

1. 268 gaming, 194 cannabis retail stores and 955 cannabis representatives.

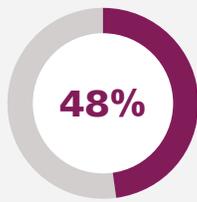
AGLC offers a range of social responsibility programs aimed at empowering both Albertans and industry.

In 2023, **AGLC** spent
\$9.6 million
 on social responsibly
 programs and initiatives.



GameSenseAB.ca

GameSense provides players with information on responsible gambling so they have the knowledge they need to make informed decisions.



of Albertans
are aware of
 GameSense.

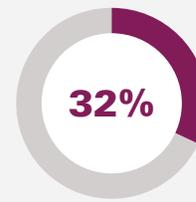


of Albertans who
 gamble, **gamble**
 responsibly.



CannabisSense.ca

CannabisSense educates Albertans on how to understand cannabis, identify legal products and how to consume in moderation.



of Albertans
are aware of
 CannabisSense.



DrinkSenseAB.ca

DrinkSense provides facts about liquor to help Albertans make informed choices about alcohol.



of Albertans
are aware of
 DrinkSense.



of Albertans
 who drink, **drink**
 responsibly.



Dry 9 aims to support pregnant people and supporters in their decision to not drink any alcohol throughout their pregnancy.

A record breaking
1,381
people signed-up
to do a Dry9
 (936 pregnancy
 sign-ups and 445
 supporter sign-ups).

Dry9 celebrated
 5 years and
5,000+
 sign-ups.



Training Programs

AGLC's **SMART Training Programs** are designed to help gaming, liquor and cannabis industry workers understand their social responsibilities and duty of care obligations so they can provide safe, responsible service at Alberta's licensed premises. AGLC requires all workers in licensed premises to have SMART Training certification for the work they do.

72,486

SMART Training **certificates**
were issued in 2022-23.

BEST BAR NONE



A good night out starts here

Best Bar None (BBN) aims to reduce alcohol-related harms by raising the safety standards of operations in licensed premises.

181

venues **accredited.**

ENRICHING COMMUNITIES

AGLC is dedicated to making a positive impact and contributing to communities. Through various initiatives and partnerships, AGLC is committed to building resilient communities that thrive and provide Albertans with support and opportunities to succeed.



Education



Housing



Social Services



Healthcare



Community Development



Infrastructure

\$2.4 billion

to **Alberta's General Revenue Fund** that supports projects and initiatives Albertans rely on.

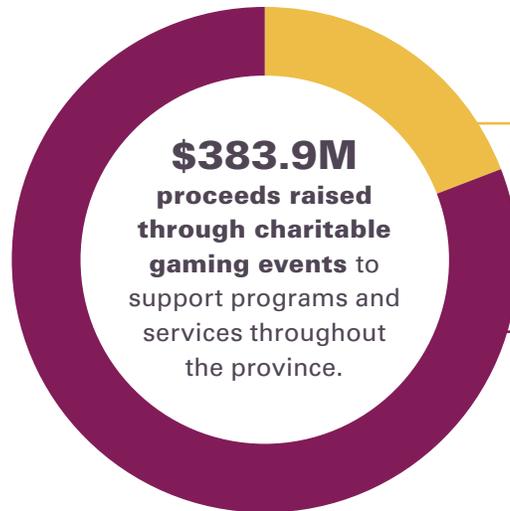
\$137.9 million

allocated from Alberta's General Revenue Fund to the **First Nations Development Fund**.

Did you know?

Alberta is the only province that licenses charities to conduct and manage casino events which supports

19,193 charitable organizations.



\$73.3M

funds raised by
Host First Nation
charities.

\$310.6M

funds raised by
charitable
organizations.

Programs and services that support:



Youth
and older
adults



Social and
community
development
programs



Sports



Donations



Cultural



Business,
employment,
research



Training/
education

In 2023, AGLC collaborated with stakeholders to reduce redundancy by ensuring the Charitable Gaming Policy Handbook reflects current processes and updated eligibility policies to provide charities with expanded flexibility to spend charitable gaming proceeds.



AGLC conducts information sessions with charitable organizations in Alberta, specifically tailored to enhance their comprehension of charitable gaming policies, regulations and guidelines while enabling them to navigate the process effectively.

118 webinars held with
representatives from
647 organizations.

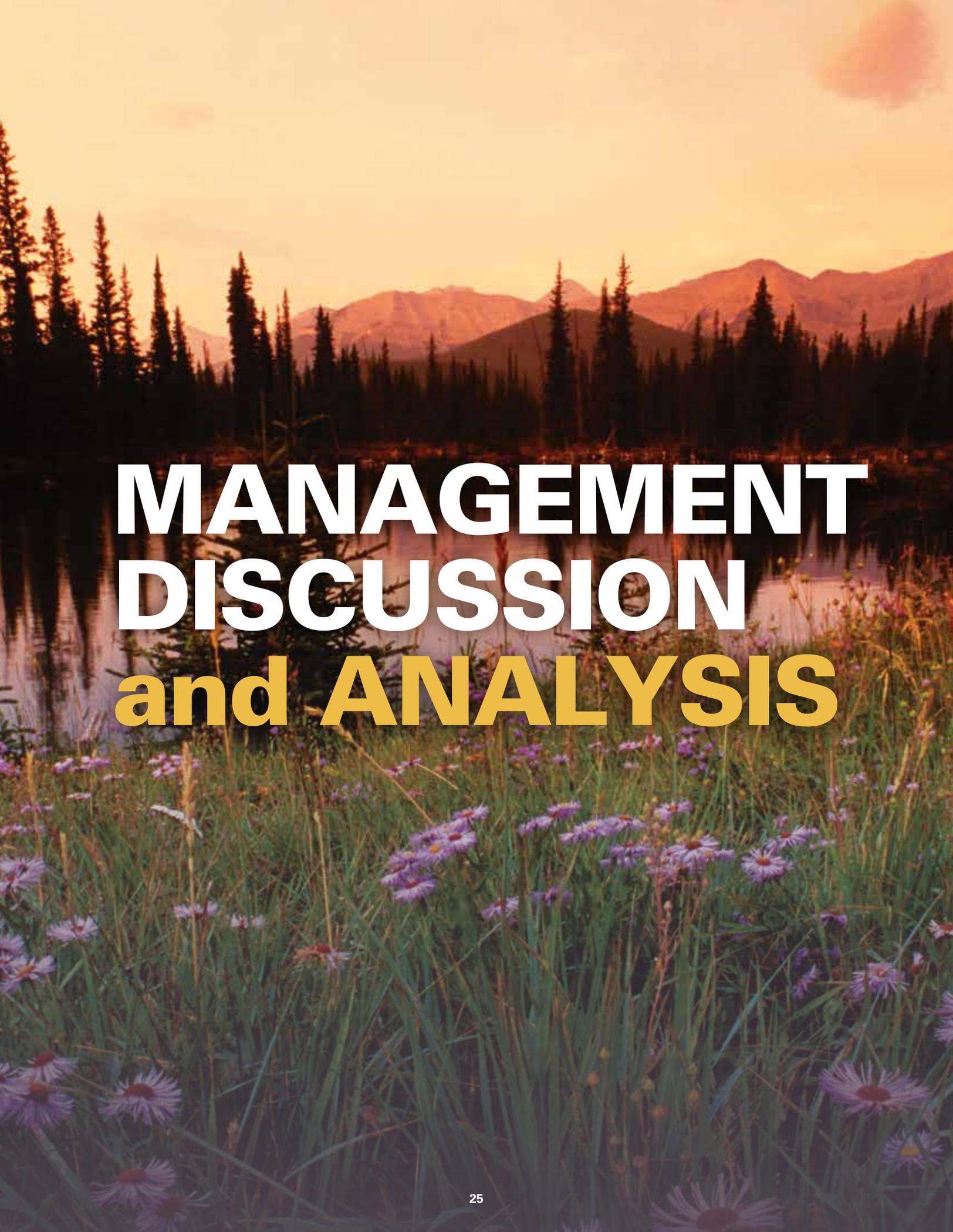


United Way
Alberta Capital Region

AGLC and United Way collaborate to address poverty and support programs that benefit children, families and seniors. Since 1982, AGLC staff have raised

\$968,406.47

Our goal is to reach \$1,000,000 by the end of the 2023 campaign.



MANAGEMENT DISCUSSION and ANALYSIS

INTRODUCTION

The management discussion and analysis section describes AGLC’s mandate and provides additional details regarding the gaming, liquor and cannabis lines of business. The information included is the best known at the time of publication and should be read in conjunction with the audited financial statements and notes for the year ended March 31, 2023.

Mandate

AGLC is responsible for:



Regulating Alberta’s charitable gaming activities, promoting responsible player experiences, conducting and managing provincial gaming and lottery activities, innovating the player gaming experience and operating Alberta’s only regulated online gambling website, PlayAlberta.ca.



Regulating the manufacture, importation, sale, purchase, possession, storage, transportation and use of liquor; overseeing a stable liquor distribution network; and promoting responsible consumption of liquor in Alberta.



Regulating Alberta’s non-medical cannabis industry, distributing cannabis and promoting responsible and informed cannabis use.

In 2023, Albertans witnessed the highest levels of inflation in decades. To address the challenges and mitigate their potential impact on the economy, the Bank of Canada progressively increased its benchmark interest rate. In less than a year, the interest rate rose from a low of 0.25 per cent to reach 4.5 per cent, the highest level since 2007.

Despite these challenging economic conditions, gaming and cannabis experienced notable growth. Slots and VLTs played a significant role in generating positive growth for the gaming business largely due to the removal of public health restrictions. Cannabis growth was primarily driven by the expanding legal market share and growing popularity of extract and vape product categories.

While there was a slight uptick in liquor sales compared to last year, both liquor volume and net revenue declined below anticipated levels. Several factors may have contributed to this outcome including the impact of changing consumer behaviours and preferences. Consumer preferences in the alcohol industry can be influenced by various factors such as health consciousness, shifting tastes and evolving social trends. Changes in consumer behaviour, including a shift towards healthier lifestyles or a higher demand for low and no-alcohol offerings, could have led to a decline below expectations.

In 2023, AGLC contributed \$2.4 billion from gaming, liquor and cannabis operations to the General Revenue Fund.

PERFORMANCE MEASURES UPDATE

The following table summarizes AGLC's performance against the 2022-25 Business Plan.

Performance measures	Target	Actual
Gaming net operating income (in thousands of dollars)	\$1,468,048	\$1,553,562
Liquor net operating income (in thousands of dollars)	\$849,907	\$825,104
Cannabis net operating income ¹ (in thousands of dollars)	\$6,848	\$18,032
Stakeholder satisfaction	93%	93%
Compliance charitable gaming activities ²	98%	99%
Compliance liquor licensees ²	99%	99%
Compliance cannabis licensees ²	98%	98%
Responsible gamblers	96%	97%
Responsible drinkers	89%	89%
GameSense awareness	34%	48%
DrinkSense awareness	32%	40%
CannabisSense awareness	— ³	32%
Reputation index ⁴	84%	77%

Notes:

1. Does not include cannabis tax revenue collected by the Government of Alberta.
2. Calculated by total inspections during the fiscal year, minus incidents resulting in penalties, divided by total inspections during the fiscal year.
3. CannabisSense targets will be set once a baseline has been established with at least two full years of results. 2023 was the second year of baseline collection.
4. The Reputation Index is calculated by averaging six separate dimensions (emotional appeal, financial performance, vision and leadership, workplace, social responsibility, and products and services).



GAMING OPERATIONS

Gaming model

Legal gaming in Alberta includes slot terminals (slots) and video lottery terminals (VLTs), online gambling (Play Alberta), bingo, lottery tickets, raffles and pull tickets. AGLC provides equipment to retail operators through slots supplied to casinos and Racing Entertainment Centres (RECs), VLTs provided to casinos and licensed premises and lottery ticket terminals made available to various retail outlets. Retail operators earn commission reflective of the services they provide. Alberta also has a unique charitable gaming model and is the only province in Canada where charitable organizations are licensed to conduct and manage casino events.

On average, slots and VLTs are **programmed to pay out**

92%

of all credits wagered.

This is averaged over the lifetime of a gaming device and represents the outcomes of millions of individual bets.

Slot terminals

As at March 31

	2023	2022	2021	
	Deployed as of March 31, 2023	Deployed as of March 31, 2022	Deployed as of March 31, 2021	Active as of December 12, 2020
Casinos				
Edmonton	5,046	5,056	5,121	4,096
Calgary	4,625	4,701	4,709	3,596
Other	3,250	3,272	3,307	2,472
Racing Entertainment Centre	1,523	1,462	1,465	1,084
TOTAL	14,444	14,491	14,602	11,248

Slot net sales

As at March 31

Net sales for slots in 2023 increased by 37.8 per cent in comparison to 2022 mainly due to reduced health restrictions compared to the prior year.

	2023		2022		2021	
	in thousands of dollars	% of net sales	in thousands of dollars	% of net sales	in thousands of dollars	% of net sales
Traditional casinos	\$767,677	63.9%	\$545,071	62.5%	\$301,257	61.0%
Host First Nation casinos	344,746	28.7%	261,984	30.1%	153,989	31.2%
Racing Entertainment Centres	88,955	7.4%	64,739	7.4%	38,258	7.8%
TOTAL	\$1,201,378		\$871,794		\$493,504	

Video lottery terminals (VLTs)

As at March 31

	2023	2022	2021	
	Deployed as of March 31, 2023	Deployed as of March 31, 2022	Deployed as of March 31, 2021	Active as of December 12, 2020
Within distributed network¹				
Number of operating VLTs	5,914	5,854	5,896	5,375
VLT retail locations	754	770	770	734
Gaming entertainment centres ²	67	68	70	70
Within casinos				
Number of operating VLTs	473	462	464	370

Notes:

1. Distributed network includes bars, pubs and gaming entertainment centres.
2. Included in the total number of retail locations. Gaming Entertainment Centre refers to a Class A Minors Prohibited licensed premises with 15 to 49 VLTs installed.

VLT net sales

As at March 31

Net sales for VLTs in 2023 increased by 36.4 per cent compared to 2022. Similar to slot results, the increase is mainly due to reduced health restrictions compared to the prior year.

	2023		2022		2021	
	in thousands of dollars	% of net sales	in thousands of dollars	% of net sales	in thousands of dollars	% of net sales
Distributed network ¹	\$501,458	91.9%	\$367,455	91.8%	\$248,989	92.9%
Casinos	44,151	8.1%	32,606	8.2%	19,022	7.1%
TOTAL	\$545,609		\$400,061		\$268,011	

Online gambling net sales

As at March 31

AGLC's online gambling platform, Play Alberta, offers five distinct gaming experiences for players. Play Alberta has maintained its popularity and continues to attract a strong user base following the removal of public health restrictions and a return of players to gaming venues. A total of \$4.4 billion in bets were placed on Play Alberta across all games in 2023, which was an increase of 22.2 per cent compared to 2022. The sustained appeal of the platform can be attributed to enhancements and new games added to the platform.

In 2023, Play Alberta saw an increase of

46%

in registered signups compared to 2022, indicating a growing interest among Albertans in legal online gambling.

 **PLAYALBERTA**

	2023		2022		2021	
	in thousands of dollars	% of net sales	in thousands of dollars	% of net sales	in thousands of dollars	% of net sales
Casino	\$127,112	70.8%	\$107,481	74.2%	\$31,825	86.0%
Instants	18,079	10.1%	15,731	10.9%	4,739	12.8%
Live Dealer	13,922	7.8%	9,568	6.5%	463	1.2%
Lottery ²	14,920	8.3%	9,398	6.5%	-	-
Sports	5,638	3.0%	2,700	1.9%	-	-
TOTAL	\$179,671		\$144,878		\$37,027	

Notes:

1. Distributed network includes bars, pubs, airport and gaming entertainment centres.
2. Classified in share of income from Western Canada Lottery Corporation in the financial statements.

Lottery ticket centres

As at March 31

The province of Alberta is a member of the Western Canada Lottery Corporation (WCLC), a non-profit organization authorized to manage, conduct and operate lottery and gaming-related activities for its members, the provincial governments of Alberta, Saskatchewan and Manitoba. Yukon, Northwest Territories and Nunavut participate as associate members. AGLC distributes and sells tickets for national lotteries operated by the Interprovincial Lottery Corporation and lottery gaming products operated by WCLC. As the province's sole distributor of lottery products, AGLC is responsible for the development and maintenance of the network of Lotto Spot locations in Alberta as follows:

	2023	2022	2021
Number of lottery ticket centres	2,849	2,856	2,849

Lottery net sales

As at March 31

Net sales for lottery remained relatively consistent over the three-year period.

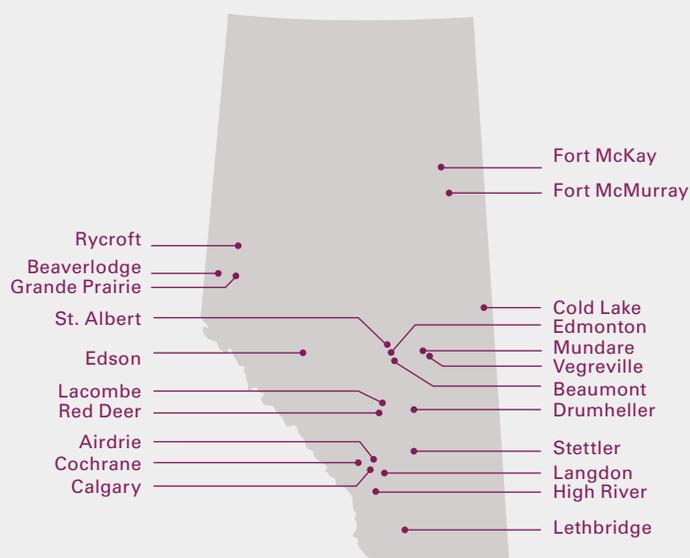
	2023	2022	2021
Lottery net sales ¹	\$978,449	\$973,780	\$963,772

As of March 31, Alberta had 54 winners of over \$1 million which totalled \$170,683,811 in payouts, with the largest single win being \$70M.



On October 21, 2022, Mitchel Dyck became Alberta's largest Lotto Max winner ever with a jackpot of \$70 million.

Cities and towns in Alberta where winning tickets over \$1 million dollars were sold.



Note:

1. In thousands of dollars. Excludes ticket sales made on PlayAlberta.ca.

Charitable gaming model

The Criminal Code of Canada requires that groups participating in charitable gaming are charitable or religious in nature and that the proceeds from gaming activities be directed to charitable or religious purposes.

Eligible organizations may apply for charitable gaming licences to conduct and manage events. The criteria used to determine eligibility generally includes: aid of distress, advancement of education, advancement of religion and other purposes beneficial to the community. Once approved, AGLC grants licences, monitors compliance with governing policies and oversees the utilization of charitable gaming funds to ensure funding is used in adherence to regulation.

Other than fees for licences, administration and trustee services for charitable proceeds from traditional casino events, AGLC does not receive any revenue from charitable gaming. The groups pay private sector suppliers for the cost of products and services they obtain to conduct their events.

Host First Nation (HFN) casinos operate in parallel to traditional casinos, whereby a HFN is the casino facility operator. A dedicated HFN licensed charity, as a separate and distinct organization, conducts and manages charitable casino events at each HFN facility.

Charitable organizations in Alberta earned \$383.9 million to support programs and services for Albertans.

Charitable gaming proceeds

As at March 31 (in thousands of dollars)

	Bingos ¹	Casinos	Pull tickets ²	Raffles ³	2023	2022	2021
Charity licences ⁴	724	3,388	153	14,928	19,193	13,338	5,766
Total gross proceeds	\$ 108,713	\$ 1,212,133	\$ 83,933	\$ 273,335	\$ 1,678,114	\$ 1,271,528	\$ 495,508
Prize/winnings	(71,200)	(964,465)	(58,499)	(112,640)	(1,206,804)	(900,655)	(318,480)
Expenses ⁵	(23,044)	(160,290)	(15,993)	(55,762)	(255,089)	(185,431)	(86,782)
	(94,244)	(1,124,755)	(74,492)	(168,402)	(1,461,893)	(1,086,086)	(405,262)
Net proceeds	\$ 14,469	\$ 87,378	\$ 9,441	\$ 104,933	\$ 216,221	\$ 185,442	\$ 90,246
Electronic gaming proceeds	-	167,648	-	-	167,648	121,098	46,821
KENO proceeds	70	10	-	-	80	70	128
Total proceeds to charity⁶	\$ 14,539	\$ 255,036	\$ 9,441	\$ 104,933	\$ 383,949	\$ 306,610	\$ 137,195

Notes:

1. Includes current year information for bingo events conducted at licensed bingo facilities and prior year data for bingo events conducted at community bingo facilities. Does not include community bingos with gross sales under \$2,500.
2. Includes current year information for pull tickets sold at licensed bingo facilities and prior year information for pull tickets sold at all other locations.
3. Includes prior year information for raffles with gross sales over \$20,000 and current year information for raffles with gross sales of \$20,000 and less.
4. Bingo and pull ticket licences are generally in effect for two years. Licences for casinos and raffles are generally issued for a single event.
5. Includes event fees/expenses (including licence fees) and pool expenses.
6. Includes data for HFN casinos. Data is collected from many sources and may be based on the current year and/or prior year and, therefore, does not reconcile with AGLC financial statements.



LIQUOR OPERATIONS

Liquor model

Alberta stands out as one of two provinces in Canada that have implemented a fully privatized liquor retail model. As part of our model, liquor retail is managed by private industry.

Alberta has an open listing process for liquor products enabling industry to choose what products to list. AGLC manages warehousing and delivery through a private logistics provider where a majority of manufacturers and suppliers sell liquor products to licensees on consignment through AGLC.

All licensees pay the same wholesale price which includes the manufacturers' invoice price, federal customs and excise duties (where applicable), AGLC's markup, recycling costs, bottle depot and GST. AGLC retains the revenue from the markup and remits it to the General Revenue Fund (less operating expenses). The remaining fees and tax are remitted to the appropriate entities.

Alberta reached a **historic milestone** with a record-breaking

257

licensed liquor manufacturers in the province.

Liquor licences¹

As at March 31

	2023	2022	2021
Class A (restaurants/bars/lounges/ taprooms)	5,539	5,452	5,309
Class B (sports stadiums/ convention centres/racetracks)	1,062	958	835
Class C (private clubs/military or police canteens)	762	759	758
Class D (retail stores/delivery services/ hotel off-sales)	2,418	2,413	2,352
Class E (breweries/distilleries)	257	236	213
Class F (fermentation/winemaking facilities)	27	27	25
TOTAL	10,065	9,845	9,492

8,227
liquor products were
produced in Alberta.

Liquor products available

As at March 31

(approximate number of stock keeping units (SKUs))

	2023	2022	2021
Wine	16,349	14,701	14,103
Spirits	7,181	6,039	5,528
Beer	8,200	7,652	6,819
Refreshment beverages ²	1,898	1,655	1,319
TOTAL	33,628	30,047	27,769

Notes:

1. Please refer to aglc.ca for detailed information regarding liquor licences in Alberta.
2. Includes coolers, ciders, kombucha and ready-to-drink (RTD) beverages.

Liquor sales

As at March 31

Overall, liquor sales increased 1.6 per cent in 2023 compared to 2022. All liquor categories experienced increases in sales despite a drop in volumes sold due to the product mix purchased by consumers. Market share of each category has remained consistent with beer continuing to be the market leader.

	2023	2022	2021	2023	2022	2021
	in thousands of dollars			in hectolitres, hL		
Beer	\$ 943,344	\$ 932,120	\$ 951,896	2,189,809	2,233,147	2,352,229
Spirits	933,641	909,451	907,086	299,984	303,380	313,168
Wine	636,960	636,943	647,502	412,790	430,522	466,639
Refreshment beverages ¹	294,606	285,972	276,516	567,550	573,567	558,088
TOTAL	\$ 2,808,551	\$ 2,764,486	\$ 2,783,000	3,470,133	3,540,616	3,690,124



Note:

1. Includes coolers, ciders, kombucha and ready-to-drink (RTD) beverages.



CANNABIS OPERATIONS

Cannabis model

Alberta has a private model for non-medical cannabis retail sales. All cannabis retailers must be licensed by AGLC, undergo extensive mandatory background checks, and are subject to government regulations and AGLC licensing terms and conditions.

Licensed producers are regulated by Health Canada.

Cannabis retail stores

As at March 31

	2023	2022	2021
Licensed cannabis retail stores	756	756	602

Cannabis products available

As at March 31
(number of SKUs)

	2023	2022	2021
Dried flower	550	420	403
Vape	342	303	256
Pre-roll	401	333	251
Edibles	218	190	77
Oil/spray	44	59	61
Extract	258	132	56
Beverage	73	66	29
Capsule/soft gel	41	24	29
Beverage (non-liquid)	11	16	20
Seed	7	19	13
Milled flower	81	23	2
Topical	59	79	20
TOTAL	2,085	1,664	1,217



Cannabis sales

As at March 31

AGLC, alongside the federal and provincial governments, works with licensed producers to ensure pricing is competitive with the goal of increasing legal market share and ultimately reducing the illegal market share.

Cannabis sales in 2023 increased by 12.9 per cent in comparison to 2022. Overall sales growth was driven primarily due to extract and vape product categories. Both categories have grown in popularity and licensed producers are making more products available. Despite the decline in dried flower sales in comparison to 2022, the category continues to be the market leader with 33.4 per cent share of sales derived from this category.

AGLC implemented the first markup on cannabis products on February 25, 2022. The **6.0% markup contributed to**

\$35.0M
of net revenue in 2023.

	2023	2022	2021	2023	2022	2021
	in thousands of dollars			in kilograms ¹		
Dried flower	\$206,886	\$226,528	\$237,913	59,121	59,490	51,414
Pre-roll	131,789	120,874	91,361	25,465	21,704	12,543
Vape	127,574	103,946	79,157	19,018	12,824	6,132
Extract	73,372	28,940	12,008	20,569	5,781	1,696
Edible	28,514	23,993	17,090	8,126	5,997	4,152
Milled flower	23,902	15,726	2,585	7,939	5,265	838
Oil/spray	9,185	11,492	15,645	330	477	988
Beverage	7,843	6,406	3,867	1,931	6,418	4,717
Capsule/soft gel	6,620	6,001	5,733	621	478	322
Topical	2,628	3,261	2,054	702	795	151
Beverage (non-liquid)	426	773	1,780	45	51	65
Seed	139	366	387	26	49	44
TOTAL	\$618,878	\$548,306	\$469,580	143,893	119,329	83,062

Note:

1. Sales in kg is calculated using dried cannabis equivalent for each product.

MANAGING ENTERPRISE RISK

Risk Management Program

The Enterprise Risk Management (ERM) Program is a responsibility shared by all AGLC employees. The program supports the achievement of AGLC’s strategic plan by encouraging a collaborative risk management approach that proactively identifies, manages and monitors risks.

The ERM Program, coupled with the shared responsibility, continues to ensure the gaming, liquor and cannabis business lines deliver long-term benefits for Albertans.

TOP RISKS:

<h4>Workforce</h4> <p>Attracting, developing and retaining employees with the necessary skills and aptitude is crucial for AGLC to meet both current and future operational needs. Economic and employment conditions across Canada have intensified competition among employers.</p> <p>To proactively address and mitigate these concerns, AGLC is focusing on enhancing the employee experience through our People Strategy. This strategy aims to empower employees through meaningful work, growth opportunities and a supportive leadership environment. In today’s market and beyond, these elements are important factors in employee decision-making.</p>	<h4>Market Dynamics</h4> <p>Economic conditions, shifts in consumer behaviour and new technology drive our market dynamics risk. These factors play a significant role in determining investment decisions related to gaming, liquor and cannabis products and experiences.</p> <p>To proactively manage this risk, AGLC continues to prioritize industry collaboration, benefits for stakeholders and protection for consumers through execution of its Customer and Industry Strategies. AGLC will continue to cultivate agility to respond to any opportunities and challenges in the gaming, liquor and cannabis sectors.</p>	<h4>Information Technology and Cyber Security</h4> <p>The pace of technology adoption, reliance on multiple platforms and the need for seamless integration, influences our information technology (IT) and cyber security risk.</p> <p>To proactively manage this risk, our Digital Strategy will deliver modernized IT services along with new technology and processes that protect AGLC while safeguarding industry integrity.</p>
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FUTURE OUTLOOK

2022-23 was characterized by the dual impact of high inflation and rising interest rates, presenting a challenging economic environment for Alberta. While Canada's inflation has receded from its peak of 8.1 per cent in June 2022, based on Government of Alberta's economic outlook, it's anticipated that increased interest rates, coupled with stabilizing geopolitical conditions, will likely lead to a return to the 2 per cent inflation target by 2024.

Although the Alberta economy cannot completely evade the challenges faced by the broader economic landscape, the province's strong performance in natural resources and agriculture, along with population growth, position it favourably compared to other regions. As a result, the gaming, liquor and cannabis industries are still expected to continue their strong performance.

Gaming operations is forecasting continued growth driven by the recovery of the traditional gaming industry, combined with the expansion of online gambling activities. The addition of the online gambling revenue stream, along with its continued expansion, highlights the future of gaming. Innovation and development of new business opportunities, along with continued expansion of market reach through non-traditional gaming platforms, will allow AGLC to solidify the business, maximize returns and ultimately invest back to communities.

In line with the growth of gaming operations, efforts are being made to enhance GameSense. New brochures and marketing campaigns were launched that highlight the importance of understanding sports betting and playing responsibly. The option for people to register for the self-exclusion program online has also been implemented allowing AGLC to better serve Albertans looking to take a break from gambling while furthering AGLC's commitment to reduce red tape and increase accessibility. A positive play scale is also in development that will help patrons self-assess, self-reflect and educate themselves on responsible gambling.

Liquor operations is expecting to see inflationary pressures and demography play a role in determining liquor demand. The liquor line of business is a stable and mature industry, with sales and consumption significantly influenced by seasonality and shifting consumer preferences. A liquor model modernization review will ensure the evolution and growth of businesses within the liquor industry.

AGLC's DrinkSense, Dry9 and Best Bar None social responsibility programs are trusted resources that promote awareness and a culture of moderation in Alberta. A mass media campaign for DrinkSense is planned with the goal to make the program more relevant while promoting moderate alcohol consumption. In addition, updated campaigns are planned to raise awareness of our Dry 9 programs and the dangers of driving under the influence.

The increasing capture of the illicit cannabis market and the growing demand for cannabis products are key factors that contribute to forecasted growth in cannabis operations. Advancing cannabis market opportunities, such as farmgate sales, will also contribute to positive growth in cannabis while ensuring competitive pricing and improved accessibility. As cannabis market opportunities continue to evolve, they will be closely monitored to ensure Alberta's market delivers a wide selection of legal, high-quality products and continued safe access.

To provide Albertans with research-based information on cannabis, AGLC oversees the CannabisSense social responsibility program. This program is designed to help Albertans understand the basics of cannabis, how to consume in moderation and the health risks of this product. Since its launch last year, CannabisSense has experienced significant and notable growth in awareness.

In light of the evolving business landscapes, maintaining a balanced regulatory environment continues to be vital in ensuring the stability, safety and growth of our industries. AGLC emphasizes the significance of collaboration with stakeholders to ensure choice is balanced with social responsibility. By remaining flexible and adaptable, AGLC can proactively address emerging pressures and ensure stable revenue streams to support various programs and initiatives that positively impact communities across Alberta.

AGLC aims to foster economic growth, business opportunities and consumer choice by adapting to new social and economic realities. AGLC is currently in the process of implementing its comprehensive five-year strategic plan. This strategic plan serves as a roadmap for the organization, outlining key objectives and initiatives to be undertaken over the five-year period. By executing this plan, AGLC aims to enhance its operations, improve services and achieve its strategic outcomes. The implementation of the strategic plan reflects AGLC's commitment to continuous improvement and proactive decision-making to better serve the needs of Albertans and contribute to the overall growth and development of the gaming, liquor and cannabis industries.



FINANCIAL STATEMENTS

Statement of Management’s Responsibility for Financial Reporting

The accompanying financial statements of the Alberta Gaming, Liquor and Cannabis Commission (AGLC) have been prepared by management and approved by AGLC’s Board (Board). The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Management is responsible for the integrity and fairness of the financial statements. Where required, management has made informed judgments and estimates regarding the expected future effects of current events and transactions with appropriate consideration to materiality. In the opinion of management, the financial statements have been properly prepared and fairly represent the financial position, operational results and cash flows of AGLC.

Management has developed and implemented appropriate systems of internal controls and supporting procedures which have been designed to provide reasonable assurance that assets are protected; transactions are properly authorized, executed and recorded; and the financial statements are free from material misstatements. AGLC maintains a team of internal auditors whose functions include an ongoing review of internal controls and their applications. The Director, Internal Audit, has direct and unrestricted access of the Audit and Finance Committee.

The Board, assisted by the Audit and Finance Committee, is responsible for overseeing management in performance of its financial reporting duties. The Audit and Finance Committee meets regularly with management and external auditors to review the scope and findings of audits and to satisfy itself that the committee’s responsibility has been properly discharged. The Audit and Finance Committee has reviewed the financial statements and has recommended their approval by the Board.

The Office of the Auditor General of Alberta performs an independent external audit of these financial statements and prepared an Independent Auditor’s Report, which is presented as part of the financial statements. The Independent Auditor’s Report outlines the scope of the audit examination and provides the audit opinion.

Original signed by

Original signed by

Kandice Machado

Nick Knight

Chief Executive Officer

Vice President, Corporate Services
and Chief Financial Officer

Independent Auditor's Report

To the Members of Alberta Gaming, Liquor and Cannabis Commission

Report on the Financial Statements

Opinion

I have audited the financial statements of Alberta Gaming, Liquor and Cannabis Commission (the Commission), which comprise the statement of financial position as at March 31, 2023, and the statements of net income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2023, and its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Commission in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

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

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

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Commission'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 an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the 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 my 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 my 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 Commission'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 Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I 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 I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

May 24, 2023
Edmonton, Alberta

STATEMENT OF FINANCIAL POSITION

As at March 31
(in thousands of dollars)

	Note	2023	2022
ASSETS			
Current Assets			
Cash and cash equivalents	5	\$ 134,731	\$ 194,469
Trade and other receivables		32,438	26,710
Lease receivables	10	3,901	3,798
Inventories and prepaid expenses	6	92,840	86,866
		<u>263,910</u>	<u>311,843</u>
Non-Current Assets			
Property and equipment	7	291,614	241,639
Intangible assets	8	63,310	60,706
Investment properties	9	132,813	137,472
Lease receivables	10	3,563	7,464
Right-of-use assets	10	1,614	5,063
Net defined benefit pension asset	12	19,580	-
Investment in Western Canada Lottery Corporation	16	38,833	35,024
		<u>551,327</u>	<u>487,368</u>
		<u>\$ 815,237</u>	<u>\$ 799,211</u>
TOTAL ASSETS			
LIABILITIES			
Current Liabilities			
Trade and other payables		\$ 247,978	\$ 262,700
Lease liabilities	10	5,120	6,681
		<u>253,098</u>	<u>269,381</u>
Non-Current Liabilities			
Due to General Revenue Fund	11	331,974	344,219
Lease liabilities	10	3,947	9,767
Net defined benefit pension liability	12	-	7,164
		<u>335,921</u>	<u>361,150</u>
EQUITY			
Retained surplus		161,600	131,600
Accumulated other comprehensive income	12	64,618	37,080
		<u>226,218</u>	<u>168,680</u>
		<u>\$ 815,237</u>	<u>\$ 799,211</u>
TOTAL LIABILITIES AND EQUITY			

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

Approved by
BOARD

Original signed by

Vincent Vavrek
Audit and Finance Committee Chair

MANAGEMENT

Original signed by

Kandice Machado
Chief Executive Officer

STATEMENT OF NET INCOME

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

	Note	2023	2022
Cannabis revenue		\$ 618,878	\$ 548,306
Cannabis cost of sales		(558,453)	(511,303)
Cannabis net revenue	13	60,425	37,003
Gaming net sales		1,911,738	1,407,335
Commissions and federal payments		(480,458)	(352,003)
Gaming net revenue	13	1,431,280	1,055,332
Liquor net revenue	13	850,412	876,677
Net Revenue		2,342,117	1,969,012
Operating expenses	14	(322,145)	(277,929)
Profit from Operations		2,019,972	1,691,083
Other revenue	15	23,857	18,681
Share of income from Western Canada Lottery Corporation	16	352,869	344,718
Net Income	13	2,396,698	2,054,482
Net income allocation to General Revenue Fund	11	(2,366,698)	(2,029,482)
Net Income after Allocation	11	\$ 30,000	\$ 25,000

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

STATEMENT OF COMPREHENSIVE INCOME

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

	Note	2023	2022
Net income	13	\$ 2,396,698	\$ 2,054,482
Other Comprehensive Income			
Net actuarial gain	12	27,538	36,377
Comprehensive Income		\$ 2,424,236	\$ 2,090,859

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

STATEMENT OF CHANGES IN EQUITY

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

	Note	2023	2022
Retained Surplus			
Retained surplus, beginning of year		\$ 131,600	\$ 106,600
Net income after allocation		30,000	25,000
Retained surplus, end of year		161,600	131,600
Accumulated Other Comprehensive Income			
Accumulated other comprehensive income, beginning of year		37,080	703
Other comprehensive income	12	27,538	36,377
Accumulated other comprehensive income, end of year		64,618	37,080
Total Equity		\$ 226,218	\$ 168,680

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

STATEMENT OF CASH FLOWS

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

	2023	2022
Cash Flows from Operating Activities		
Comprehensive income	\$ 2,424,236	\$ 2,090,859
Share of income from Western Canada Lottery Corporation	(352,869)	(344,718)
Amortization	72,664	72,380
Lease interest expense	157	236
Lease interest income	(124)	(172)
Loss on disposal of non-current assets	1,193	509
Decrease in net defined benefit pension liability	(7,164)	(33,692)
Increase in net defined benefit pension asset	(19,580)	-
Net change in non-cash working capital items:		
Increase in trade and other receivables	(5,728)	(14,277)
Increase in inventories and prepaid expenses	(5,974)	(5,947)
(Decrease) increase in trade and other payables	(14,722)	67,328
	2,092,089	1,832,506
Transfers to General Revenue Fund	(2,378,943)	(2,100,507)
Net Cash Used in Operating Activities	(286,854)	(268,001)
Cash Flows from Investing Activities		
Purchase of property and equipment	(106,753)	(66,766)
Purchase of intangible assets	(12,149)	(9,903)
Additions to investment properties	(269)	(777)
Net proceeds on disposal of non-current assets	263	149
Rental payments received	3,922	3,866
Advances received from Western Canada Lottery Corporation	349,060	339,913
Net Cash Provided by Investing Activities	234,074	266,482
Cash Flows from Financing Activities		
Lease payments	(6,958)	(6,974)
Net Cash Used in Financing Activities	(6,958)	(6,974)
Net Decrease in Cash and Cash Equivalents during the year	(59,738)	(8,493)
Cash and Cash Equivalents, beginning of year	194,469	202,962
Cash and Cash Equivalents, end of year	\$ 134,731	\$ 194,469
Supplemental Cash Flow Information		
Interest received	\$ 3,974	\$ 822

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

NOTES TO THE FINANCIAL STATEMENTS

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

1. Nature of Operations

The Alberta Gaming, Liquor and Cannabis Commission (AGLC) operates under the authority of the *Gaming, Liquor and Cannabis Act (Act)*, Revised Statutes of Alberta 2000, Chapter G-1. Under the Act, AGLC was established as a provincial Crown corporation governed by the Board appointed by the Lieutenant General in Council.

The objectives of AGLC are:

- a) to administer the Act;
- b) to conduct and manage provincial lotteries (gaming activities) for the Government of Alberta;
- c) to carry out functions respecting gaming delegated to it by the Lieutenant Governor in Council under the Criminal Code;
- d) to control, in accordance with the Act, the manufacture, import, sale, purchase, possession, storage, transportation, use and consumption of liquor;
- e) to control, in accordance with the Act, the import, purchase, giving, possession, storage, transportation and use of cannabis;
- f) to distribute, or control the distribution, of cannabis in accordance with this Act;
- g) to sell, or control the sale, of cannabis in accordance with this Act;
- h) to generate revenue for the Government of Alberta.

The registered office is located at 50 Corriveau Avenue, St. Albert, Alberta.

2. Basis of Presentation

a) Basis of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and related interpretations as issued by the IFRS Interpretation Committee (IFRIC).

These financial statements were authorized for issue by the Board on May 24, 2023.

b) Basis of Measurement

These financial statements have been prepared on a historical cost or amortized cost basis and are presented in Canadian dollars, the functional currency of AGLC. All values are rounded to the nearest thousand.

3. Significant Accounting Policies

a) Financial Instruments

Recognition and Measurement

Financial instruments are classified based on the business model for managing financial instruments and contractual cash flow characteristic of the financial instruments. They are recognized in the Statement of Financial Position when AGLC becomes a party to the contractual terms of the instrument, which represents its trade date.

All financial instruments are initially measured at fair value and are subsequently accounted for based on their classification. Transaction costs directly attributable to acquisition or issue of financial instruments (other than those at fair value through profit or loss) are added or subtracted from the fair value of financial instruments. Transaction costs directly attributable to acquisition or issue of financial instruments at fair value through profit or loss are recognized immediately in profit or loss.

AGLC's financial instruments are classified as following:

Cash and cash equivalents	Debt instrument at amortized cost
Trade and other receivables	Debt instrument at amortized cost
Trade and other payables	Other financial liabilities at amortized cost
Due to General Revenue Fund	Other financial liabilities at amortized cost

Derecognition

Financial assets are derecognized when the contractual cash flows from the assets expire or when AGLC transfers the right to receive the contractual cash flows of the assets. Financial liabilities are derecognized when the contractual obligation under the liability is discharged, cancelled, or it expires. Any differences in the carrying amounts of the financial instruments are recognized in the Statement of Net Income.

Impairment

Financial assets measured at amortized cost are assessed at each reporting date to determine where there is objective evidence of impairment. An expected credit loss impairment model is applied, where expected credit losses are the present value of all cash flows that AGLC expects to receive over the expected life of the financial asset. AGLC recognizes lifetime expected credit losses for trade and other receivables.

b) Inventories

Gaming parts and supplies and cannabis products held for sale are both measured at the lower of cost and net realizable value (NRV). The cost of inventories is determined on a weighted average basis and includes the purchase price, net of trade discounts received, plus other costs incurred in bringing the inventories to their present locations. Inventories are written down to their NRV when the cost of inventories is estimated not to be recoverable through sale or usage. Any write-down to NRV is recognized as expense in the period in which the write-down occurs.

Liquor inventories are held on behalf of liquor suppliers and/or agencies. As such, their value, as well as related duties and taxes, are not recorded in these financial statements.

c) Property and Equipment and Intangible Assets

Property and equipment and intangible assets are reported at cost less accumulated amortization. Where an asset is comprised of major components with different useful lives, the components are accounted for and amortized separately. Amortization begins when the asset is put into use, with no amortization calculated on assets under construction or development. Land is not amortized.

Costs related to software developed or obtained for internal use are capitalized if it is probable that future economic benefit will flow to AGLC and the cost can be reliability measured.

The estimated useful life of assets is reviewed annually for any changes in circumstances. The effects of any changes to the estimated useful life are accounted for on a prospective basis.

Gains and losses on the disposal of assets are recorded in the year of disposal.

Amortization is calculated on a straight-line basis over the estimated useful life of assets as follows:

Buildings	Up to 40 years
Leasehold improvements	Lease term
Equipment	Up to 15 years
Computer hardware	Up to 10 years
Gaming equipment and terminals	Up to 8 years
Computer software	Up to 15 years
Gaming software	5 years

d) Investment Properties

Investment properties are comprised of land, buildings or a combination of both and are held by AGLC to earn rental income. They include the liquor distribution and storage facility located at 2 Boudreau Road, leased to Connect Logistics Services Inc., and a warehouse located at 50 Corriveau Avenue. Both facilities are located in St. Albert.

Investment properties are initially recognized at cost and are subsequently carried at cost less accumulated amortization. Where an asset is comprised of major components with different useful lives, the components are accounted for and amortized separately. Amortization begins when the asset is put into use, with no amortization calculated on assets under construction or development. Land is not amortized.

The estimated useful life is reviewed on an annual basis for any changes in circumstances. The effects of any changes to the estimated useful life are accounted for on a prospective basis.

Gains and losses on the disposal of assets are recorded in the year of disposal.

Amortization is calculated on a straight-line basis over the estimated useful life of assets as follows:

Buildings	Up to 40 years
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e) Defined Benefit Pension Plan

AGLC participates in multi-employer defined benefit pension plans sponsored by the Province of Alberta: the Public Services Pension Plan (PSPP), the Management Employees Pension Plan (MEPP) and the Supplementary Retirement Plan (SRP) for Public Service Managers. The cost of providing benefits under the defined benefit plans is determined separately for each plan by independent actuaries based on applicable assumptions. An expense and associated liability for benefits earned are recognized in the period that employee services have been rendered. Under defined benefit pension plan accounting, AGLC must recognize its proportionate share, determined on an actuarial basis, of plan assets, obligations, remeasurement amounts and service costs.

For defined benefit pension plans, current benefit cost represents the actuarial present value of the benefits earned in the current period. Such cost is actuarially determined using the accrued benefit method prorated on service, a market interest rate, management’s best estimate of projected costs, and the expected years of service until retirement. The liability is the present value of the defined benefit obligation, which is determined by discounting the estimated future cash flows using a discount rate based on market yields of high-quality corporate bonds having terms to maturity that approximate the duration of the related benefit liability. Interest expense represents the amount required in each year to form the liability over the projected period to its future value. Remeasurement changes in benefit liabilities, composed of actuarial changes in assumptions and experience gains and losses, are recognized in other comprehensive income.

The net defined benefit pension liability, including the underlying assumptions for future salary increases, inflation rates and discount rates, is reviewed annually.

f) Investment in an Associate: Western Canada Lottery Corporation

Western Canada Lottery Corporation (WCLC) was incorporated without share capital under Part II of the *Canada Corporations Act* on April 16, 1974 and was continued under the *Canada Not-for-profit Corporations Act* on June 30, 2014. WCLC is authorized to manage, conduct, and operate lottery and gaming-related activities for its members – the Governments of Alberta, Saskatchewan, and Manitoba. Yukon, the Northwest Territories and Nunavut participate as associate members.

AGLC has significant influence, but no control or joint control, over the financial and operating policy decisions of WCLC. As a result, AGLC's investment in WCLC (considered an associate) is accounted for using the equity method of consolidation.

Under the equity method, the investment in WCLC is reported in the Statement of Financial Position at cost, including post-acquisition changes in AGLC's share of net assets of WCLC.

The Statement of Net Income reflects AGLC's share of the results of WCLC's operations. Where there has been a change recognized directly in the equity of WCLC, AGLC recognizes its share of any changes and discloses this, when applicable, in due to General Revenue Fund. Unrealized gains and losses resulting from transactions between AGLC and WCLC are eliminated to the extent of the interest in WCLC.

The financial statements for WCLC are prepared in accordance with IFRS, for the same reporting period as AGLC. Where necessary, adjustments are made to bring the accounting policies into conformity with those of AGLC.

If there were indicators that the investment in WCLC is impaired, AGLC would calculate the amount of impairment as the difference between the recoverable amount of WCLC and its carrying value. This difference would be recognized in net income from WCLC in the Statement of Net Income.

Upon any loss of significant influence over WCLC, AGLC would measure and recognize any remaining investment at its fair value. Any difference between the carrying amount of WCLC and the fair value of the investment and proceeds from disposal would be recognized in the Statement of Net Income.

g) Impairment of Non-Financial Assets

At each reporting date, if there are indicators that non-financial assets carried at amortized cost may be impaired, AGLC would complete a formal impairment assessment. For this purpose, non-financial assets would be grouped at the lowest level for which there are separately identifiable cash inflows, referred to as cash-generating units. An impairment loss is the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a cash generating unit's fair value less costs to sell and its value in use. Impairment losses would be recognized in the Statement of Net Income.

For previously impaired non-financial assets, an assessment is made annually to determine if there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, AGLC would estimate the recoverable amount. A previously recognized impairment loss would only be reversed if there has been a change in the assumptions used to determine the recoverable amount since the last impairment loss was recognized. An impairment loss would only be reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized in prior years. Such impairment loss reversal would be recognized in the Statement of Net Income, in a manner consistent with the originally recognized impairment loss.

h) Leases

As a Lessor

Leases in which AGLC assumes substantially all the risks and rewards of ownership are classified as financial leases, while all other leases are classified as operating leases. All leases with AGLC as a lessor (properties classified as investment properties) have been classified as operating leases, with lease income recognized in net income on a straight-line basis over the term of the lease. Expenses incurred in earning lease income are expensed as incurred.

As a Lessee

At inception of an arrangement, AGLC determines whether the arrangement is, or contains, a lease.

AGLC leases properties (offices, warehouses, and storage facilities) and vehicles. Contracts are typically made for fixed terms, but some may include extension options.

As a lessee, AGLC applies a single recognition and measurement approach for all leases, except for short-term leases, and recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to account for the present value of the future lease payments. Extension options are included in the assessment if AGLC is reasonably certain to exercise the options.

Right-of-use Assets

AGLC recognizes right-of-use assets at the commencement date of the lease when the underlying asset is available for use. Right-of-use assets are measured at cost, including the lease and non-lease components of the lease arrangement, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized and lease payments made at or before the commencement date. Right-of-use assets are amortized on a straight-line basis over the shorter of the lease term or the estimated useful lives of the assets, as follows:

Properties	Up to 5 years
Vehicles	Up to 3 years

The right-of-use assets are also subject to impairment as described in Note 3g.

Lease Liabilities

At the commencement date of the lease, AGLC recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments and incorporate the lease and non-lease components of the lease arrangement (including in-substance fixed payments).

In calculating the present value of lease payments, AGLC uses the interest rate implicit in the lease or its incremental borrowing rate (IBR) if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is reduced by the principal portion of the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, or a change in the lease payments.

Short-term Leases and Leases of Low value Assets

AGLC applies the short-term lease recognition exemption to its short-term leases (leases with a term of up to 12 months) of gaming equipment. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense over the lease term.

Subleases

AGLC has several property contracts which have been subleased to third parties. In these cases, AGLC as the original lessee, accounts for the original lease (the head lease) as a lessee and for the sublease as the lessor (intermediate lessor).

AGLC, as the intermediate lessor, recognizes lease receivables in the Statement of Financial Position and accounts for the head lease liability in accordance with the lessee accounting model.

i) Revenue from Contracts with Customers

AGLC's revenue is generated primarily from gaming activities (including revenue from slot terminals, video lottery terminals and online gambling), as well as the selling of liquor and cannabis. Revenue is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which AGLC expects to be entitled in exchange for those goods or services. AGLC has concluded that it is the principal in its revenue arrangements for gaming activities and cannabis and an agent for liquor transactions based on the control of goods or services before they are transferred to the customer.

The disclosures of significant accounting estimates, assumptions and critical judgments related to revenue from customers are provided in Note 4.

Gaming Revenue

Gaming revenue is comprised of one performance obligation which is honoring the outcome of the game played and making the appropriate payout. AGLC recognizes revenue from the gaming activities based on the net win or loss as it is determined since no further performance obligations exist. Payment from the customer is required to initiate the game play.

Player Engagement Program

AGLC administers and manages Winner's Edge, a Player Engagement Program (PEP), which allows players to accumulate loyalty points for slot terminal play that can be redeemed for free plays or additional ballots for designated promotional draws. PEP loyalty points give rise to a separate performance obligation, as they provide a material right to the player. A portion of the slot terminal transaction price is allocated to the PEP loyalty points awarded to customers, based on relative stand-alone selling price, and recognized as a contract liability until the PEP loyalty points are redeemed. Revenue is recognized upon redemption of PEP loyalty points by the customer.

When estimating the stand-alone selling price of the PEP loyalty points, AGLC considers the likelihood that the customer will redeem the loyalty points within the expiration period. AGLC updates its estimates of the points that will be redeemed monthly and any adjustments to the liability balance are recognized against revenue.

Sale of Liquor

In most cases, AGLC purchases liquor products from liquor suppliers and registered agencies to warehouse and distribute based on a consignment model, however Alberta-based manufacturers are also permitted to warehouse and distribute liquor products. As warehousing and distribution is managed by third-party providers and Alberta-based manufacturers, AGLC is acting as an agent in these arrangements. Revenue is recorded on a net basis, recognized at the point in time when control for the goods is provided to the third-party providers or Alberta-based manufacturers. Payment is required before the goods are transferred.

Sale of Cannabis

AGLC purchases cannabis products from licensed producers and is responsible for warehousing and distributing recreational cannabis products to licensed retailers. AGLC maintains direct control of cannabis products and thus is a principal in the arrangement and records revenue on a gross basis. Revenue from the sale of cannabis is recognized at the point in time when control of the goods is transferred to the customer on delivery. Payment is required before the goods are transferred.

j) Federal and Provincial Taxes

As a Government of Alberta entity, AGLC is exempt from paying Goods and Services Tax (GST) on purchases of taxable supplies and services related to liquor and cannabis operations.

As a provincial gaming authority, AGLC is a prescribed registrant under the Games of Chance (GST/HST) Regulations of the *Excise Tax Act*. AGLC is obligated to calculate and remit GST for gaming related operations pursuant to the *Excise Tax Act*.

k) Operating Expenses

Operating expenses are allocated against gaming, liquor and cannabis revenue sectors based on the nature of the expenses.

l) Allocation of Net Income

The Act requires AGLC to transfer the net income to the General Revenue Fund. Note 11 provides additional information regarding the amount due to the General Revenue Fund.

m) Contingent Liabilities and Provisions

Contingent liabilities are possible obligations that arise from past events whose existence will be confirmed by occurrence or non-occurrence of uncertain future events or are present obligations that are not recognized because it is not probable that settlement will require an outflow of economic benefits or because the amount of the obligation cannot be reliably measured.

Provisions are recognized if, as a result of a past event, AGLC has a present legal or constructive obligation, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Statement of Net Income, net of any reimbursement.

n) Future Accounting Policy Changes

Future accounting policy changes are based on standards issued, but not yet effective, up to the date of the issuance of the financial statements. The following information is of standards and interpretations issued, which may be relevant and applicable at a future date.

IAS 1 Presentation of Financial Statements – amendments effective for annual reporting periods starting on or after January 1, 2023. The first set of amendments clarify the presentation of liabilities in the statement of financial position and classification of liabilities based on contractual rights in place at the end of the reporting period. These amendments also introduce a definition of settlement to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The second set of amendments require entities to disclose their material accounting policy information rather than significant accounting policy information. The amendments provide guidance on how an entity can identify material accounting policy information and clarify that information may be material because of its nature, even if the related amounts are immaterial. Management is currently assessing the impact of the amendments.

IAS 8 Accounting Policies, Changes to Accounting Estimates and Errors – amendments effective for annual reporting periods starting on or after January 1, 2023. The amendments update the definition of accounting estimates and provide guidance to help entities distinguish between changes in accounting policies and changes in accounting estimates. Management is currently assessing the impact of the amendments.

4. Significant Accounting Estimates, Assumptions and Critical Judgments

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of AGLC's accounting policies and the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

For property and equipment, intangible assets and investment properties, judgment is used to estimate the useful life of the assets. The estimate is based on analysis of pertinent factors including the expected use of the asset and asset category.

For the provision for pension liability, judgment is used to estimate the underlying assumptions for future salary increases, inflation rates and discount rates.

When accounting for leases where the interest rate implicit in the lease cannot be readily determined, AGLC uses its IBR to measure lease liabilities. The IBR is the rate of interest that AGLC would have to pay to borrow funds over a similar term, and with a similar security, necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects an estimated rate that AGLC 'would have to pay'.

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 of assets and liabilities are described throughout these notes to the financial statements. AGLC based its assumptions and estimates on the best information available to management. Existing circumstances and assumptions about future development(s) may change due to market changes or circumstances, arising beyond the control of management. Such changes are reflected in the assumptions as they occur.

5. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, current balances in banks and deposits with the Government of Alberta, as well as funds under administration.

Demand deposits with the Government of Alberta are held in the Consolidated Liquidity Solution (CLS). Effective July 4, 2022, the CLS replaced the Consolidated Cash Investment Trust Fund (CCITF) as the Province's cash pooling structure, designed to enhance the effectiveness and efficiency of cash management. AGLC, as a CLS participant, is paid interest on monthly-basis on deposits at an interest rate based on a 12-week rolling average of the Province's 3-month cost of borrowing.

A total of \$19,278 (2022 - \$14,472) in funds under administration is comprised of proceeds from table games that AGLC holds on behalf of charities. AGLC manages the collection of these funds, as well as investment and distribution of the charities' share of proceeds/losses from table games at licensed charitable casino events.

The share of proceeds/losses from these table games allocated to charities is established in policy and by agreement between the participating charity and the relevant casino operator. These allocations are collected by AGLC and pooled by casino or region; these funds earn interest and are subject to administrative fees. At the end of the pooling period (quarterly), the net proceeds in each pool are distributed equally to each charity that held a licensed charitable casino event in the casino/region during the pooling period.

6. Inventories and Prepaid Expenses

	2023	2022
Gaming parts and supplies	\$ 11,861	\$ 12,277
Cannabis inventories	76,292	68,672
Total inventories	<u>88,153</u>	<u>80,949</u>
Prepaid expenses	4,687	5,917
	<u>\$ 92,840</u>	<u>\$ 86,866</u>

7. Property and Equipment

	2023					
	Land	Buildings and Leasehold Improvements	Equipment	Computer Hardware	Gaming Equipment and Terminals	Total
Cost, beginning of year	\$ 2,057	\$ 43,545	\$ 15,542	\$ 30,910	\$ 553,679	\$ 645,733
Additions	-	291	1,332	3,165	101,965	106,753
Disposals	-	(3)	(785)	(574)	(74,201)	(75,563)
Cost, end of year	2,057	43,833	16,089	33,501	581,443	676,923
Accumulated amortization, beginning of year	-	(27,786)	(11,152)	(25,657)	(339,499)	(404,094)
Additions	-	(2,305)	(1,618)	(2,361)	(49,038)	(55,322)
Disposals	-	2	785	574	72,746	74,107
Accumulated amortization, end of year	-	(30,089)	(11,985)	(27,444)	(315,791)	(385,309)
Net book value, end of year	\$ 2,057	\$ 13,744	\$ 4,104	\$ 6,057	\$ 265,652	\$ 291,614
	2022					
Cost, beginning of year	\$ 2,057	\$ 43,506	\$ 15,530	\$ 32,416	\$ 513,794	\$ 607,303
Additions	-	198	143	1,227	65,198	66,766
Disposals	-	(159)	(131)	(2,733)	(25,313)	(28,336)
Cost, end of year	2,057	43,545	15,542	30,910	553,679	645,733
Accumulated amortization, beginning of year	-	(25,575)	(9,734)	(24,682)	(317,391)	(377,382)
Additions	-	(2,347)	(1,549)	(3,707)	(47,089)	(54,692)
Disposals	-	136	131	2,732	24,981	27,980
Accumulated amortization, end of year	-	(27,786)	(11,152)	(25,657)	(339,499)	(404,094)
Net book value, end of year	\$ 2,057	\$ 15,759	\$ 4,390	\$ 5,253	\$ 214,180	\$ 241,639

Total cost includes \$41,251 (2022 - \$24,865) of assets classified as work in progress (under construction or development).

8. Intangible Assets

	2023		
	Computer Software	Gaming Software	Total
Cost, beginning of year	\$ 83,865	\$ 33,618	\$ 117,483
Additions	3,594	8,555	12,149
Disposals	-	-	-
Cost, end of year	87,459	42,173	129,632
Accumulated amortization, beginning of year	(34,443)	(22,334)	(56,777)
Additions	(5,919)	(3,626)	(9,545)
Disposals	-	-	-
Accumulated amortization, end of year	(40,362)	(25,960)	(66,322)
Net book value, end of year	\$ 47,097	\$ 16,213	\$ 63,310

	2022		
Cost, beginning of year	\$ 89,741	\$ 39,408	\$ 129,149
Additions	1,747	8,156	9,903
Disposals	(7,623)	(13,946)	(21,569)
Cost, end of year	83,865	33,618	117,483
Accumulated amortization, beginning of year	(35,695)	(32,652)	(68,347)
Additions	(6,370)	(3,327)	(9,697)
Disposals	7,622	13,645	21,267
Accumulated amortization, end of year	(34,443)	(22,334)	(56,777)
Net book value, end of year	\$ 49,422	\$ 11,284	\$ 60,706

Total cost includes \$13,105 (2022 - \$2,271) of assets classified as work in progress (under development).

9. Investment Properties

	2023		
	Land	Buildings	Total
Cost, beginning of year	\$ 22,746	\$ 152,490	\$ 175,236
Additions	-	269	269
Disposals	-	(3)	(3)
Cost, end of year	22,746	152,756	175,502
Accumulated amortization, beginning of year	-	(37,764)	(37,764)
Additions	-	(4,928)	(4,928)
Disposals	-	3	3
Accumulated amortization, end of year	-	(42,689)	(42,689)
Net book value, end of year	\$ 22,746	\$ 110,067	\$ 132,813

	2022		
	Land	Buildings	Total
Cost, beginning of year	\$ 22,746	\$ 151,831	\$ 174,577
Additions	-	777	777
Disposals	-	(118)	(118)
Cost, end of year	22,746	152,490	175,236
Accumulated amortization, beginning of year	-	(32,952)	(32,952)
Additions	-	(4,930)	(4,930)
Disposals	-	118	118
Accumulated amortization, end of year	-	(37,764)	(37,764)
Net book value, end of year	\$ 22,746	\$ 114,726	\$ 137,472

Total cost includes \$1,026 (2022 - \$756) of assets classified as work in progress (under construction).

Net loss from investment properties:

	2023	2022
Rental income derived from investment properties	\$ 3,810	\$ 3,805
Direct operating expenses (including repair and maintenance)	(4,005)	(4,184)
Net loss arising from investment properties	\$ (195)	\$ (379)

Currently monthly rental income for investment properties is \$318 (2022 - \$318).

Investment properties are recorded and reported at cost. On March 31, 2023, the estimated fair value of investment properties is \$206,885 (2022 - \$200,075). The fair value is based on a valuation performed by Bourgeois Brooke Chin Associates, an accredited independent valuator. Bourgeois Brooke Chin Associates has appropriate qualifications and recent experience in the valuation of similar properties. The fair value valuation was performed on the liquor distribution and storage facilities at 2 Boudreau Road and warehouse at 50 Corriveau Avenue using income, cost, and direct comparison approaches. Both properties are located in St. Albert, Alberta.

10. Leases

The carrying amounts of right-of-use assets during the period:

	2023	2022
Right-of-use assets, beginning of year	\$ 5,063	\$ 8,077
Additions	713	47
Adjustments	(1,293)	-
Amortization	(2,869)	(3,061)
Right-of-use assets, end of year	<u>\$ 1,614</u>	<u>\$ 5,063</u>

The carrying amounts of lease liabilities during the period:

	2023	2022
Lease liabilities, beginning of year	\$ 16,448	\$ 23,139
Additions	713	47
Adjustments	(1,293)	-
Lease payments	(6,958)	(6,974)
Interest expense	157	236
Principal component of lease payments	<u>(6,801)</u>	<u>(6,738)</u>
Lease liabilities, end of year	<u>\$ 9,067</u>	<u>\$ 16,448</u>
Current liabilities	\$ 5,120	\$ 6,681
Non-current liabilities	\$ 3,947	\$ 9,767

Undiscounted lease payments related to lease liabilities that are expected to be made over the next five fiscal years and thereafter are as follows:

2024	\$ 5,120
2025	3,543
2026	123
2027	80
2028	69
Thereafter	132
	<u>\$ 9,067</u>

The carrying amounts of lease receivables during the period:

	2023	2022
Lease receivables, beginning of year	\$ 11,262	\$ 14,956
Rental payments received	(3,922)	(3,866)
Interest income	124	172
Principal component of lease receivables	(3,798)	(3,694)
Lease receivables, end of year	\$ 7,464	\$ 11,262
Current assets	\$ 3,901	\$ 3,798
Non-current assets	\$ 3,563	\$ 7,464

Undiscounted lease payments related to lease receivables that are expected to be received over the next five fiscal years and thereafter are as follows:

2024	\$ 3,901
2025	3,332
2026	32
2027	33
2028	34
Thereafter	132
	\$ 7,464

The following amounts were recognized in the Statement of Net Income:

	2023	2022
Right-of-use assets: amortization	\$ (2,869)	\$ (3,061)
Interest expense	(157)	(236)
Interest income	124	172
Operating expenses: short-term leases	(27,246)	(22,202)
Component of net income	\$ (30,148)	\$ (25,327)

In 2023, AGLC had total cash outflows for all leases of \$34,204 (2022 - \$29,176), non-cash additions to right-of-use assets of \$713 (2022 - \$47) and non-cash additions to lease liabilities of \$713 (2022 - \$47).

11. Due to General Revenue Fund

The Act requires AGLC to transfer the net income, less allowance withheld for capital expenditures of \$30,000 (2022- \$25,000), as approved by the Minister of Treasury Board and Finance, to the General Revenue Fund. The amount below represents the portion of net income which has not been transferred to the General Revenue Fund.

	2023	2022
Due to General Revenue Fund, beginning of year	\$ 344,219	\$ 415,244
Net income allocation to General Revenue Fund	2,366,698	2,029,482
Transfers to General Revenue Fund	(2,378,943)	(2,100,507)
Due to General Revenue Fund, end of year	<u>\$ 331,974</u>	<u>\$ 344,219</u>

Amounts due to General Revenue Fund are unsecured, non-interest bearing and have no specific terms of repayment. AGLC does not expect to pay the total amount owing to General Revenue Fund during the next fiscal year.

12. Defined Benefit Pension Plan

Change in net defined benefit pension asset (liability)

	2023			
	PSPP	MEPP	SRP	Total
Change in Fair Value of Plan Assets				
Fair value of plan assets, beginning of year	\$ 223,072	\$ 76,652	\$ 1,287	\$ 301,011
Employer contributions	7,118	2,057	52	9,227
Benefits paid	(8,916)	(3,555)	(62)	(12,533)
Interest income	8,887	3,036	51	11,974
Actuarial loss on plan assets	(6,855)	(3,322)	(33)	(10,210)
Fair value of plan assets, end of year	<u>\$ 223,306</u>	<u>\$ 74,868</u>	<u>\$ 1,295</u>	<u>\$ 299,469</u>
Change in Defined Benefit Obligation				
Defined benefit obligation, beginning of year	\$ 225,737	\$ 80,887	\$ 1,551	\$ 308,175
Current service cost	6,957	2,719	48	9,724
Benefits paid	(8,916)	(3,555)	(62)	(12,533)
Interest expense	8,990	3,219	62	12,271
Actuarial gain on defined benefit obligation	(28,684)	(8,897)	(167)	(37,748)
Defined benefit obligation, end of year	<u>204,084</u>	<u>74,373</u>	<u>1,432</u>	<u>279,889</u>
Net defined benefit pension asset (liability) (a)	<u>\$ 19,222</u>	<u>\$ 495</u>	<u>\$ (137)</u>	<u>\$ 19,580</u>

(a) The effect of asset limitation and IAS minimum funding requirements is nil.

	2022			
	PSPP	MEPP	SRP	Total
Change in Fair Value of Plan Assets				
Fair value of plan assets, beginning of year	\$ 200,260	\$ 61,930	\$ 1,246	\$ 263,436
Employer contributions	7,760	1,900	24	9,684
Benefits paid	(8,587)	(3,368)	(58)	(12,013)
Interest income	6,595	2,019	42	8,656
Actuarial gain on plan assets	17,044	14,171	33	31,248
Fair value of plan assets, end of year	\$ 223,072	\$ 76,652	\$ 1,287	\$ 301,011

Change in Defined Benefit Obligation

Defined benefit obligation, beginning of year	\$ 228,513	\$ 74,067	\$ 1,712	\$ 304,292
Current service cost	8,062	2,897	40	10,999
Benefits paid	(8,587)	(3,368)	(58)	(12,013)
Interest expense	7,532	2,436	58	10,026
Actuarial (gain) loss on defined benefit obligation	(9,783)	4,855	(201)	(5,129)
Defined benefit obligation, end of year	225,737	80,887	1,551	308,175
Net defined benefit pension liability	\$ (2,665)	\$ (4,235)	\$ (264)	\$ (7,164)

Employer's portion of the net defined benefit pension asset (liability) is included in the Statement of Financial Position. The portions attributable to AGLC are 50% for PSPP, 50% for MEPP and 73% for SRP.

Accumulated Other Comprehensive Income

	2023			
	PSPP	MEPP	SRP	Total
Actuarial loss on plan assets	\$ 6,855	\$ 3,322	\$ 33	\$ 10,210
Actuarial gain on defined benefit obligation	(28,684)	(8,897)	(167)	(37,748)
Net actuarial gain	(21,829)	(5,575)	(134)	(27,538)
Accumulated other comprehensive income, beginning of year	(27,194)	(9,732)	(154)	(37,080)
Accumulated other comprehensive income, end of year	\$ (49,023)	\$ (15,307)	\$ (288)	\$ (64,618)

	2022			
Actuarial gain on plan assets	\$ (17,044)	\$ (14,171)	\$ (33)	\$ (31,248)
Actuarial (gain) loss on defined benefit obligation	(9,783)	4,855	(201)	(5,129)
Net actuarial gain	(26,827)	(9,316)	(234)	(36,377)
Accumulated other comprehensive (income) loss, beginning of year	(367)	(416)	80	(703)
Accumulated other comprehensive income, end of year	\$ (27,194)	\$ (9,732)	\$ (154)	\$ (37,080)

Pension Expense

	2023			
	PSPP	MEPP	SRP	Total
Current service cost	\$ 6,957	\$ 2,719	\$ 48	\$ 9,724
Interest expense	8,990	3,219	62	12,271
Interest income	(8,887)	(3,036)	(51)	(11,974)
Pension expense	\$ 7,060	\$ 2,902	\$ 59	\$ 10,021

	2022			
	PSPP	MEPP	SRP	Total
Current service cost	\$ 8,062	\$ 2,897	\$ 40	\$ 10,999
Interest expense	7,532	2,436	58	10,026
Interest income	(6,595)	(2,019)	(42)	(8,656)
Pension expense	\$ 8,999	\$ 3,314	\$ 56	\$ 12,369

Key Assumptions, Sensitivities and Risks

The principal assumptions used in the actuarial determinations of projected benefit obligations and the related net benefit expense are as follows:

	2023			2022		
	PSPP	MEPP	SRP	PSPP	MEPP	SRP
Discount rate	4.7%	4.7%	4.8%	4.0%	4.0%	4.0%
Inflation rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Average wage increases	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
AGLC's share of plan payroll	2.6%	2.4%	0.8%	2.7%	2.5%	0.9%
Date of the most recent actuarial valuation	Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2020
AGLC's expected contributions for the next period-all plans	\$ 8,941			\$ 10,066		

Additional assumptions are described in the valuation reports for each of the respective plans.

	2023			2022		
	PSPP	MEPP	SRP	PSPP	MEPP	SRP
Estimated sensitivity of liabilities to a 1% change in the discount rate	13.0%	13.7%	15.1%	14.0%	14.2%	16.2%
Estimated sensitivity of liabilities to a 1% change in the inflation rate	6.4%	6.8%	7.7%	6.7%	7.5%	8.2%

Economic Risk

Defined benefit plans are directly exposed to economic risks from plan assets invested in capital markets and indirectly with respect to measurement risk from assumptions based on economic factors, such as discount rates affected by volatile bond markets.

Demographic Risk

Demographic factors affect current and future benefit costs with respect to the amount and time horizon of expected payments due to factors such as workforce average age and earnings levels, attrition and retirement rates, mortality, and morbidity rates.

Multi-Employer Plan Funding Risk

In addition to economic and demographic risk factors, AGLC is exposed to funding risk in the multi-employer plans arising from:

- Legislative changes affecting eligibility for, and amount of, pension and related benefits; and
- Performance of plan assets affected by investment policies set by the responsible parties.

Because these plans are governed by legislation rather than contract, there is little flexibility for participants with respect to withdrawal from the plan, plan wind-up or amendments, and mandatory funding requirements.

13. Detailed Operating Results

Management monitors the operating results of the lines of business to make decisions about resource allocation and performance assessment.

	2023			
	Gaming (a)	Liquor	Cannabis	Total
Net revenue	\$ 1,431,280	\$ 850,412	\$ 60,425	\$ 2,342,117
Operating expenses	(234,996)	(37,838)	(49,311)	(322,145)
Profit from operations	1,196,284	812,574	11,114	2,019,972
Other revenue	4,409	12,530	6,918	23,857
Share of income from WCLC	352,869	-	-	352,869
Net income	\$ 1,553,562	\$ 825,104	\$ 18,032	\$ 2,396,698

	2022			
Net revenue	\$ 1,055,332	\$ 876,677	\$ 37,003	\$ 1,969,012
Operating expenses	(198,063)	(32,740)	(47,126)	(277,929)
Profit (loss) from operations	857,269	843,937	(10,123)	1,691,083
Other revenue	3,167	9,743	5,771	18,681
Share of income from WCLC	344,718	-	-	344,718
Net income (loss)	\$ 1,205,154	\$ 853,680	\$ (4,352)	\$ 2,054,482

(a) includes slot terminals, video lottery terminals and online gambling.

Gaming net revenue is comprised of the following:

	2023	2022
	Total	Total
Net sales	\$ 1,911,738	\$ 1,407,335
Commissions		
Operators/retailers	(298,616)	(219,939)
Charities	(166,911)	(121,067)
Federal tax expense (b)	(14,931)	(10,997)
Net revenue	\$ 1,431,280	\$ 1,055,332

(b) as prescribed by the Games of Chance (GST/HST) Regulations of the *Excise Tax Act* taxes are paid to the Government of Canada in lieu of the Goods and Services Tax (GST) based on a formula set out in the *Excise Tax Act*. This tax is in addition to the GST paid on the purchase of goods and services for which a credit is not allowed under the aforementioned formula.

14. Operating Expenses

	2023	2022
Salaries and benefits	\$ 108,009	\$ 105,112
Supplies and services		
Professional services and management fees	28,040	20,020
Hardware, software and cloud services	26,857	17,351
Marketing and communications	25,375	13,284
Goods and Services Tax	10,089	6,907
Equipment and vehicles	7,038	5,201
Property	5,084	4,804
Network and data management	4,023	3,664
Insurance, security and bank services	3,715	3,849
Travel, training and conferences	1,433	833
Miscellaneous	1,153	977
Shipping and supplies (recovery)	1,122	(25)
	113,929	76,865
Leased gaming equipment	27,246	22,202
Net interest in net defined benefit pension plan	297	1,370
Amortization	72,664	72,380
	\$ 322,145	\$ 277,929

15. Other Revenue

	2023	2022
Licences, fees and fines	\$ 14,062	\$ 12,234
Interest	3,974	822
Premises rentals	3,810	3,805
Liquor levies	1,330	808
Miscellaneous	1,177	843
Chargebacks and recoveries	697	678
Loss on disposal of non-current assets	(1,193)	(509)
	\$ 23,857	\$ 18,681

16. Investment in Western Canada Lottery Corporation

AGLC's interest in WCLC is based on Alberta's proportionate share of WCLC's revenues and expenses derived from the sale and operation of interprovincial lottery games.

The following tables present summarized financial information of AGLC's investment in WCLC.

	2023	2022
WCLC Statement of Financial Position		
Current assets	\$ 90,602	\$ 102,874
Property and equipment	36,493	33,353
Intangible assets	10,592	10,288
Employee benefits	7,591	4,602
	\$ 145,278	\$ 151,117
Current liabilities	\$ 127,732	\$ 138,354
Lease liability	2,753	3,364
Equity	14,793	9,399
	\$ 145,278	\$ 151,117
Alberta's Proportionate Share of Revenues and Expenses		
Net Lottery sales (a)	\$ 1,007,817	\$ 992,251
Direct expenses (a)	(604,926)	(597,901)
Gross income	402,891	394,350
Operating expenses	(38,193)	(36,444)
Interest and other income	4,389	1,955
Net income from operations	369,087	359,861
Federal tax expense (a)	(5,667)	(5,182)
Payment to federal government (b)	(10,551)	(9,961)
Share of income from WCLC	\$ 352,869	\$ 344,718

(a) Ticket lottery revenues are recognized as of the date of the draw, with exception of ZING game revenues which are recognized at the date activated for sale by the retailer. Prizes, commissions, and federal tax expenses related to ticket revenues are recognized on the same basis as related revenues.

(b) Payment made to the federal government resulting from an agreement between the provincial governments and the federal government on the withdrawal of the federal government from the lottery field. The payment made by WCLC on behalf of Alberta is based on current population statistics.

Statement of Change in Investment in WCLC

	2023	2022
Investment in WCLC, beginning of year	\$ 35,024	\$ 30,219
Share of income from WCLC	352,869	344,718
Advances received from WCLC	(349,060)	(339,913)
Investment in WCLC, end of year	\$ 38,833	\$ 35,024

17. Contractual Obligations

AGLC has various obligations under long-term contracts, including service contracts and operating leases. Undiscounted payments related to finance leases are disclosed in Note 10. The expected payments for these obligations for each of the next five fiscal years and thereafter are as follows:

2024	\$	43,353
2025		31,706
2026		19,483
2027		13,168
2028		11,863
Thereafter		13,139
	\$	<u>132,712</u>

18. Contingent Liabilities

AGLC has been named as a defendant in several legal actions and claims. While the outcome of these claims cannot be determined, management is of the opinion that the ultimate outcome is not expected to have material adverse effect in the financial position or operations of AGLC.

19. Salaries and Benefits

The following table discloses the amounts earned by the Board and Executive Members in the years ended March 31:

	2023				2022	
	Note	Base Salary (a)	Other Cash Benefits (b)	Other Non-Cash Benefits (c)	Total	Total
Chair of the Board		\$ 151	\$ -	\$ 4	\$ 155	\$ 169
Members of the Board	d	452	-	30	482	312
Chief Executive Officer	e	276	33	76	385	330
Executive Members						
Executive VP, Public Engagement & Chief Regulatory Officer	f	233	7	57	297	-
Executive VP, Business Development	f	145	4	37	186	-
VP, Liquor Services	g	35	361	3	399	225
VP, Regulatory Services	h	193	9	45	247	246
VP, Information Technology & Chief Information Officer		201	-	45	246	213
VP, Human Resources		190	2	42	234	653
VP, Policy & Public Affairs		182	1	41	224	216
VP, Corporate Services & Chief Financial Officer	i	131	35	32	198	223
VP, Gaming	j	182	3	40	225	-
VP, Gaming and Cannabis	k	5	-	-	5	208
VP, Liquor and Cannabis	l	11	-	3	14	-
Chief Operating Officer	m	-	-	-	-	21

- a) Consists of regular base pay, including acting pay. For Chair and members of the Board, it consists of remuneration paid, based on rates prescribed in the *Agencies, Boards and Commission Compensation Regulation*, for time spent on the business of the Board.
- b) Consists of vacation payouts, severance payments, honoraria, and personal spending account payments.
- c) Include AGLC's share of employee benefits and contributions/payments made on behalf of employees including pension, supplementary retirement plans, Workers Compensation Benefit, employment insurance, health care, dental coverage, group life insurance, short and long-term disability plans, professional memberships and tuition fees.
- d) At any given time, the Board consisted of no more than 8 members plus the Chair, whose remuneration is disclosed separately.
- e) Other cash benefits include automobile benefits of \$6 (2022 - \$6).
- f) Positions created on April 12, 2022.
- g) Other cash benefits include \$337 of severance benefits paid. Position eliminated on April 12, 2022.
- h) Occupancy of the position changed on April 12, 2022.
- i) Other cash benefits include \$23 of severance benefits paid. Occupancy of the position changed on November 14, 2022, and March 27, 2023.
- j) Position created on April 12, 2022. Occupancy of the position changed on July 25, 2022.
- k) Position eliminated on April 12, 2022.
- l) Position created on March 13, 2023.
- m) Position eliminated on April 15, 2021.

20. Financial Instruments and Risk Management

AGLC's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables and payables to the General Revenue Fund. The carrying values of AGLC's financial instruments approximate their fair values, unless otherwise noted.

AGLC is exposed to credit and liquidity risks from financial assets and liabilities. AGLC actively manages the exposure to these risks.

Credit risk represents the loss that would be recognized if parties holding financial assets of AGLC fail to honor their obligations or pay amounts due causing a financial loss. Credit risk is minimized as AGLC does not have significant exposure to any individual retail entity.

Liquidity risk is the risk that AGLC would encounter difficulties in meeting its financial obligations as they become due. The risk is reduced as the majority of AGLC's operational activities involve cash sales and short-term accounts receivables. AGLC relies on the funds generated from its operations to meet operating requirements and to finance capital investments. The risk is further mitigated by forecasting and assessing actual cash flow requirements on an ongoing basis.

21. Related Party Transactions

AGLC is a wholly owned Crown corporation of the Government of Alberta. All transactions with the Government of Alberta ministries, agencies and Crown corporations are in the normal course of operations and are measured at terms equivalent to those that prevail in arm's length transactions.

AGLC reports to the President of Treasury Board and Minister of Finance. Any ministry, department, fund or entity the Minister is responsible for is a related party to AGLC. These include:

- Department of Treasury Board and Finance
- Alberta Risk Management Fund
- General Revenue Fund

During the year AGLC made payments totaling \$525 (2022 - \$468) to the Alberta Risk Management Fund. Transactions with the General Revenue Fund are disclosed in Note 11.

WCLC, an associated entity as disclosed in Note 3f, is also a related party to AGLC. Details of transactions with WCLC are disclosed in Note 16. In addition to these transactions, AGLC received \$741 (2022 - \$743) in retailer service fees from WCLC.

Members of the AGLC Board and Executive Members are related parties to AGLC, their compensation is disclosed in Note 19.

22. Approved Budget

AGLC includes its annual budget in its business plan. On recommendation from the Board, the budget receives approval by the President of Treasury Board and Minister of Finance and becomes part of the fiscal plan of the Government of Alberta.

	2023
Cannabis revenue	\$ 556,426
Cannabis cost of sales	(504,983)
Cannabis net revenue	<u>51,443</u>
Gaming net sales	1,890,081
Commissions and federal payments	(487,397)
Gaming net revenue	<u>1,402,684</u>
Liquor net revenue	875,674
Net revenue	<u>2,329,801</u>
Operating expenses	(333,425)
Profit from operations	<u>1,996,376</u>
Other revenue	19,931
Share of income from Western Canada Lottery Corporation	308,496
Net income	<u>\$ 2,324,803</u>

23. Comparative Figures

Certain comparative figures have been reclassified to conform to the current presentation.





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