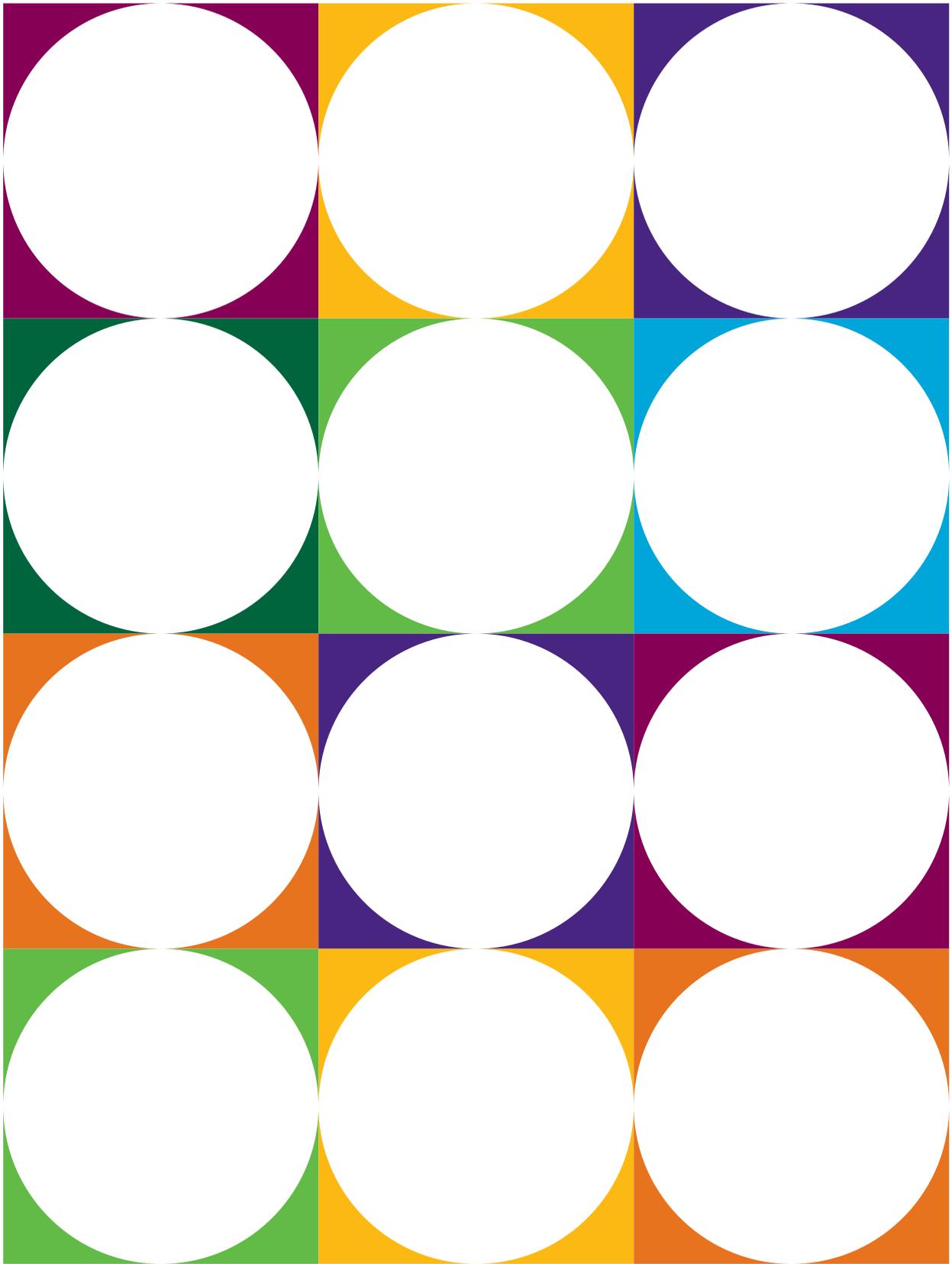


ANNUAL REPORT 2018-19

BALANCE





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WHO WE ARE

Alberta Gaming, Liquor and Cannabis¹ (AGLC) is the Crown commercial enterprise and agency that oversees the gaming, liquor, and cannabis industries in Alberta. We uphold a commitment to balancing choice and social responsibility to ensure choices Albertans can trust.

Visit [aglc.ca](https://www.aglc.ca) for more information.

1. On June 27, 2018, our full legal name was changed to Alberta Gaming, Liquor and Cannabis Commission.

BALANCE

We see how Albertans strive to balance family, work, and community every day. Our organization also strives for balance every day.

AGLC uses a balanced approach to provide choices Albertans can trust.

- Our activities to provide consumer choice and to generate revenues to benefit Albertans are balanced with programs and tools that encourage responsible use and reduce potential social harms.
- Our regulatory environment balances risks to public health and safety, integrity of operations, and revenues with a framework that enables economic growth in Alberta's gaming, liquor, and cannabis industries and reduces unnecessary barriers for business.

Every year, we solicit feedback from stakeholders and Albertans to ensure we have a balanced view of the needs of customers, businesses, and stakeholders.

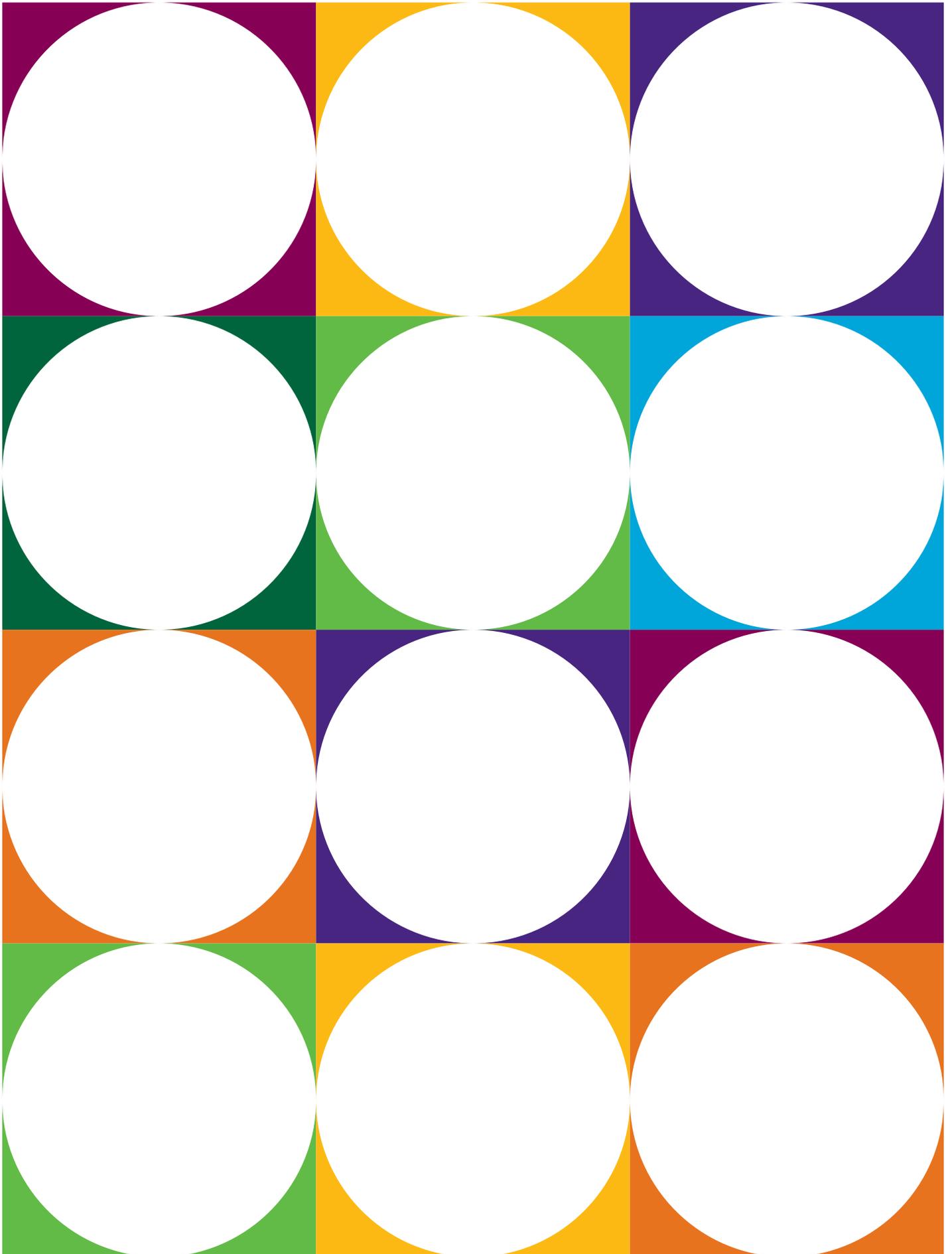
In 2018-19, we were able to apply our years of experience in the gaming and liquor industries to effectively extend our balanced approach to introduce cannabis sales to Albertans. Customers can, for the first time, legally purchase recreational cannabis products safely and we remain dedicated to keeping cannabis out of the hands of children and youth.

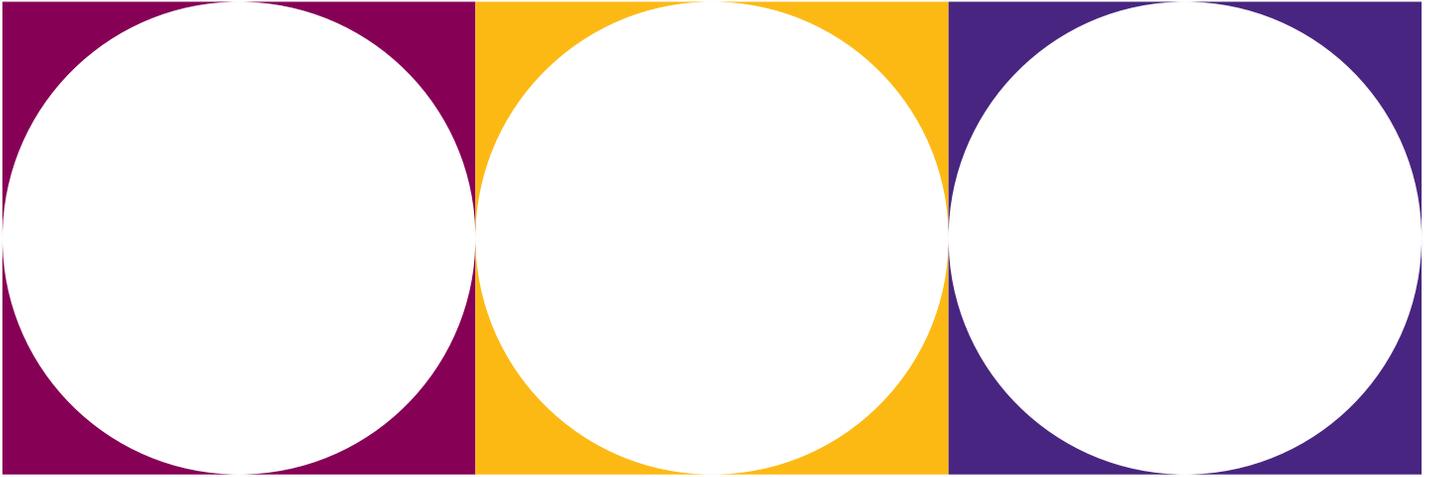
Our balanced approach also reaches our most important asset: our employees. We strive to create a healthy work environment that prioritizes work-life balance and fosters productivity. This empowers our employees so they can continue providing services that meet the needs of Albertans.

Please see pages 8, 9, 21, 39, and 49 for examples of how our balanced approach delivers benefits to Albertans.

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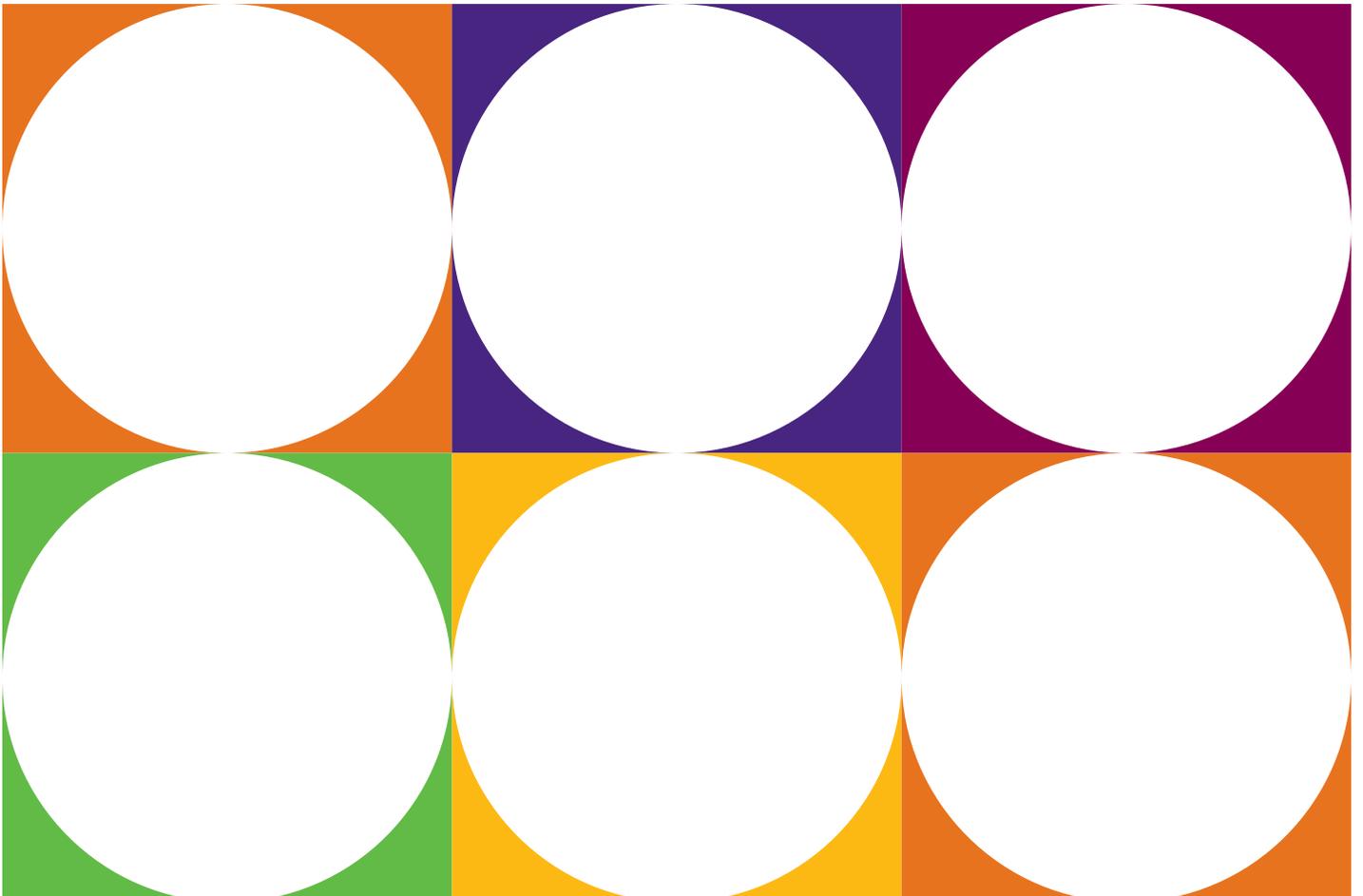
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YEAR AT A GLANCE

2018-19





We are proud to be one of Alberta's top employers

71% employee engagement

1,062 full and part-time employees



We generate revenue for the benefit of Albertans

\$1.4 billion net income from provincial lotteries transferred to the Alberta Lottery Fund

\$826 million net income from liquor, cannabis, and other operations allocated for transfer to the province's General Revenue Fund



We connect with our stakeholders

93% stakeholder satisfaction index

65,017 SMART training certifications issued

116 GAIN sessions provided in 40 communities



We are committed to maintaining and maximizing charitable gaming proceeds

19,455 charitable gaming event licences issued

\$347 million earned by charities through charitable gaming activities



We ensure the integrity of the gaming, liquor, and cannabis¹ industries

98% charitable gaming compliance rate **22,951** liquor inspections conducted
99% liquor compliance rate **934** cannabis inspections conducted
4,128 gaming inspections conducted



We promote responsible gambling experiences and liquor, and cannabis² consumption

97% of Albertans gamble responsibly **80%** of Albertans drink responsibly

GameSense

DrinkSense



We provide gaming, liquor, and cannabis choices Albertans can trust



19 traditional casinos



3 racing entertainment centres (RECs)³



5 Host First Nation casinos



22 bingo facilities



13,900 casino gaming terminals in casinos & RECs (13,095 in casinos, 805 in RECs)



5,973 vlts operating in 820 retail locations



2,792 lottery ticket centres



26,696 liquor products



5,506 licensed restaurants, bars, and lounges



2,255 licensed liquor retailers



158 Alberta liquor manufacturers



622 liquor agencies



75 cannabis retail stores



1 online cannabis store

Notes:

1. Cannabis compliance rates will be reported once a baseline has been established.
 2. Responsible cannabis use rates will be reported once a baseline has been established.

3. Northlands closed in January 2019. This licence was transferred to Century Mile which opened April 1st, 2019.

BALANCE

Sherbrooke Liquor is known for its extensive product selection including one of the world's best beer coolers. Sherbrooke is proud to be at the heart of a dedicated culture of people who love to share their passion for exceptional beer, wine and spirits.

“We're supportive of AGLC's balanced approach and ongoing modernization. We're looking forward to seeing innovative opportunities to assist in upgrading the liquor store experience as well as aiding stores to be both competitive and supportive of the local craft scene. In essence, balanced. AGLC's modernization of online liquor licences was also a huge achievement, making the process easier for both businesses and customers.

With the launch of the Liquor Distribution Centre we continue to see accuracy with our orders and deliveries on time as communicated to us. We also love getting that small business feel when we interact with AGLC, knowing many staff by a first name basis and never afraid to reach out with questions or concerns.

Alberta's open liquor model allows us to carry an immense variety of products. We're able to both meet the increased demand of Alberta made products plus, we can continue to support our customers' interests in international brands. We're proud to be a great supporter of both, particularly the small businesses because that's who we are, and we understand the passion and effort it takes to be successful.

Our staff is passionate about providing excellent customer service, promoting our extensive selection of products and sharing knowledge that helps customers be confident in their purchase whether it be for themselves or helping them be the hero of that certain special event.

We look forward to future opportunities that foster growth in Alberta through the diversification and innovation of the liquor market. Supporting a drive to increase quality and reducing restrictions will help the competitiveness of our industry.”

~ **David Owens**
Chief Operations Officer (COO)
Sherbrooke Liquor

BALANCE

Sobeys is a Canadian owned and operated company for 112 years with stores serving communities in every province. Sobeys liquor business started with their first location in Spruce Grove, Alberta in November 1995 and has expanded to 99 stores in Alberta, British Columbia, and Saskatchewan under their Sobeys, Safeway and Thrifty Foods brands.

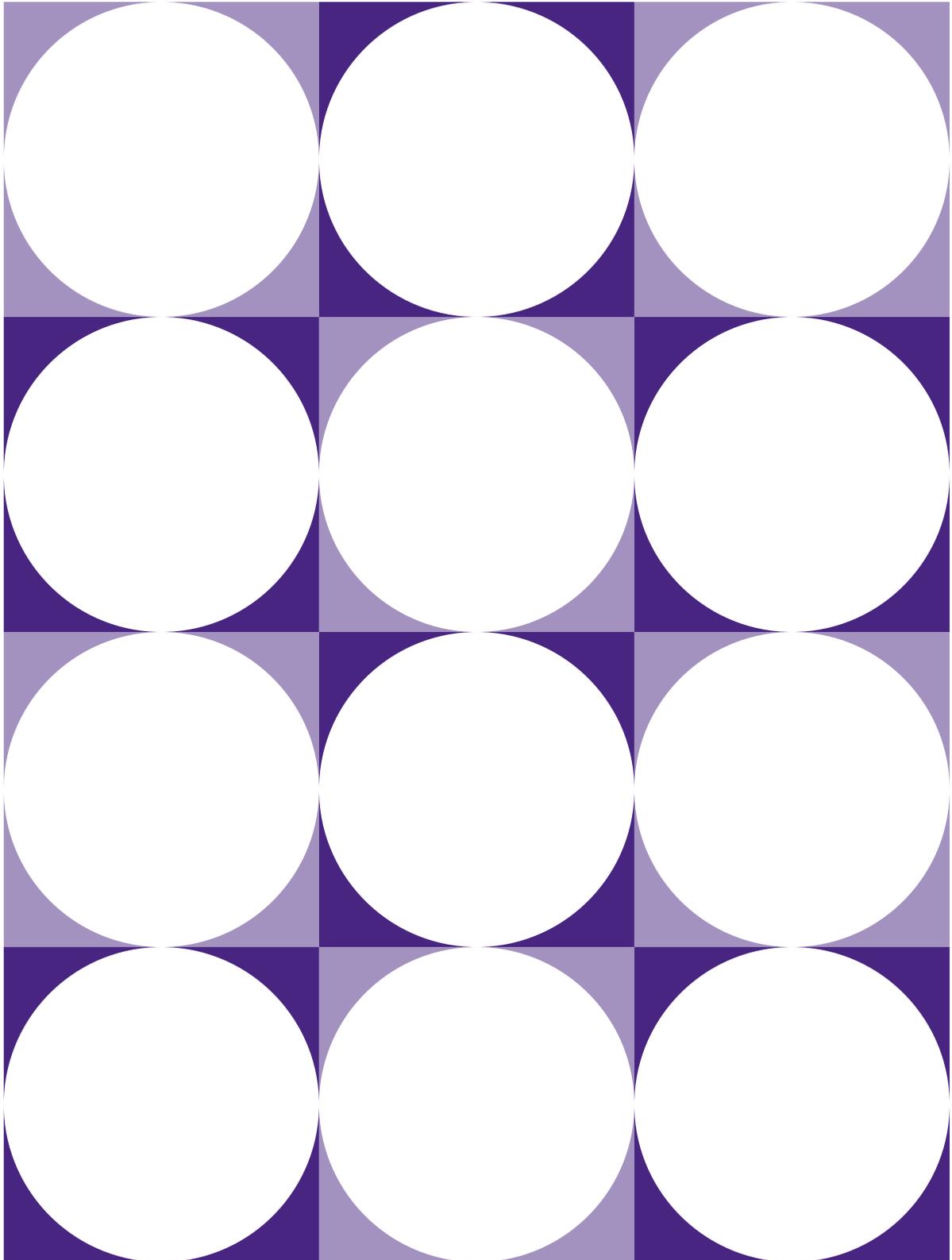
“Alberta’s private liquor model is one that successfully balances choice and convenience for consumers with social responsible retailing and provides a blue print for other provinces to strive towards.

The Province’s model allows for innovation in products, services, locations and assortments ranging from smaller stores with the everyday basics, to specialty and niche retailers specializing in certain categories or offers. As a family business, social responsibility and community support has always been a core value over our 112 year history operating to the highest standards.

With the investment in a new liquor distribution centre, AGLC is building on a best-in-class distribution system providing an unparalleled assortment of products while minimizing distribution costs and out of stocks. AGLC’s liquor distribution system provides great service, giving our retail stores confidence that we can get the products customers want, when they want it. This new distribution centre will allow for even more product availability, allowing Albertans choice and variety beyond what is available in any other retail network in Canada.

We want everyone to have an opportunity to participate in a healthy, growing, and responsible industry. AGLC has done an excellent job at bringing stakeholders together and ensuring all voices are heard so we can continue to evolve the industry in Alberta and continue to be best-in-class. As the industry continues to evolve, we need to ensure the balance remains.”

~ **Brent Newman**
Vice President, Liquor
Sobeys





ORGANIZATION

BOARD CHAIR AND PRESIDENT & CHIEF EXECUTIVE OFFICER MESSAGE

This past year was exceptional. We are so proud of how our employees, management team, and Board worked together to accomplish so much, including rollout of a player loyalty program, opening a state-of-the-art liquor warehouse and launching cannabis. We present this annual report as snapshot in time that celebrates our progress fulfilling our mission and providing choices Albertans can trust within the theme of balance.

Finding balance is instrumental to our work. Balance supports expanded choices and options for Albertans while upholding public health and safety. Balance enables business development while managing risk; and, it enables revenue generation within a framework that promotes responsible gambling experiences, as well as moderate liquor and cannabis consumption.

While the gaming, liquor, and cannabis industries are at different stages of evolution in our society, we see how all three share the need to balance both choice and social responsibility while generating revenues for the benefit of Albertans and we are proud of our role in making this happen. With our ongoing commitment to excellence in service to Alberta's gaming, liquor, and cannabis industries this past year saw AGLC realize considerable progress.

To support gaming, we delivered on our commitment to modernize technology and evolve a provincial player loyalty program in gaming facilities. Additionally, we commenced a review of the province's charitable gaming model, the first significant review since 2010. The review will help ensure Albertans, and their communities, continue to benefit from charitable gaming proceeds for years to come by examining challenges in the charitable gaming sector and identifying appropriate solutions. We also invited proposals for a safe and secure online gambling platform with tools for responsible play.

A major investment to support Alberta's liquor industry was celebrated with the opening of our new Liquor Distribution Centre. This increased our ability to efficiently handle product and provide a central hub for the growing number of liquor products entering the province. Liquor policy modernization efforts were also ongoing throughout the year.

We also successfully established a whole new line of business, cannabis, within a very short timeframe. Recreational cannabis became legal in Canada on October 17, 2018 and AGLC became Alberta's designated regulator of private retail cannabis licensing, distributor of cannabis, and operator of Alberta's online sales through albertacannabis.org. AGLC embraced this ground breaking leadership role and leveraged our established balanced approach to meet stakeholder expectations, including customer and business needs, while also safeguarding public health.

It is also important to note that the accomplishments made this past year were realized through a collaborative effort between our employees, Board, and stakeholders. Our employees provided outstanding customer service. Our Board provided effective governance to support ongoing policy and hearing panel office modernization. And, our stakeholders provided feedback throughout the year to improve processes.

We thank all employees, board members, and stakeholders for their contributions. By working together, we ultimately deliver social and economic benefits that support Alberta's bright future. Gaming, liquor, and cannabis industries support a diversified Alberta and we are optimistic about the potential of our industries.

As Alberta evolves, AGLC will evolve to meet Albertans' expectations. Our four strategic directions – **Responsible Growth, Effective Regulation, Culture of Moderation, and Organizational Strength** – were the foundation of the balanced lens used to make decisions and execute on our business priorities to realize our accomplishments. This will continue to be our strategic framework in fulfilling our mission of ensuring responsible gaming, liquor, and cannabis choices for the benefit of Albertans.

Original signed by

Gael MacLeod
Chair of the Board

Original signed by

Alain Maisonneuve
President and Chief Executive Officer

STRUCTURE

VISION

Driven by a balanced approach, AGLC will be a leader in creating gaming, liquor, and cannabis experiences trusted by Albertans.

MISSION

Ensuring responsible gaming, liquor, and cannabis choices for the benefit of Albertans.

VALUES



Integrity

We play by the rules, do the right thing, and do what we say we'll do.



Respect

We create an environment where each individual is valued and heard, and celebrate the diversity that makes us stronger.



Collaboration

Together we are better. Working as a team and with our partners we achieve extraordinary results.



Innovation

We imagine the possibilities. We challenge ourselves to look beyond what is to what can be.



Excellence

We are all leaders. We work with passion, pride, and purpose and own our part in the success of the team.

LEGAL STATUS

AGLC is a provincial corporation defined by Government of Alberta legislation, specifically: The *Gaming, Liquor and Cannabis Act* and Gaming, Liquor and Cannabis Regulation.

In addition, AGLC has responsibilities under, and is subject to, a number of Alberta statutes, regulations, and policies including, but not limited to, the:

- *Financial Administration Act* and any related regulations and directives
- *Fiscal Planning and Transparency Act*
- *Government Organization Act*
- *Auditor General Act*
- *Freedom of Information and Protection of Privacy Act*
- *Alberta Public Agencies Governance Act*
- Government of Alberta's expense and expense disclosure policies
- *Conflicts of Interest Act*
- Beverage Container Recycling Regulation

ACCOUNTABILITY

Government of Alberta President of Treasury Board and Minister of Finance

Honourable Travis Toews

AGLC Board¹

Chair, Gael MacLeod

Patti Grier

Brad Krizan

Ken Knowles

Barbara Ritzen

Bob Wyatt

Roy Whitney²

AGLC President & Chief Executive Officer

Alain Maisonneuve³

Office of the President & Chief Executive Officer

Divisions

Corporate Services provides corporate business support services including financial and procurement services, facilities management, general administrative services, and records management guidance.

Kandice Machado, Vice President, Corporate Services and Chief Financial Officer

Corporate Strategic Services provides enterprise-wide services supporting management throughout the organization as well as external stakeholders. The division includes strategy, planning, policy, communications, stakeholder relations, and enterprise risk management. This division also ensures adherence to the *Freedom of Information and Protection of Privacy Act* (FOIP).

Bernie Bolton, Vice President, Corporate Strategic Services and Chief Risk Officer

Gaming & Cannabis drives the business operations related to the conduct and management of the province's gaming industry including product marketing, relationship management & business development, supply chain and customer service excellence. This division also manages the business operations and distribution of cannabis in the province, including Alberta's online cannabis sales through albertacannabis.org.

Niaz Nejad, Chief Operating Officer, Vice President Gaming & Cannabis

Notes:

1. On August 15, 2019, the appointments for Gael MacLeod, Brad Krizan, Ken Knowles, Barbara Ritzen, Bob Wyatt and Roy Whitney were rescinded; Len Rhodes (Board Chair), and Elan Harper (Board Member) were appointed.
2. Appointed to the Board November 6, 2018.
3. AGLC's President & Chief Executive Officer is a non-voting member of the Board.

Human Resources and Employee Development helps support AGLC's business and strategic goals, is accountable for strategic human resource policies, practices and programs including health, safety, and business continuity.

Wendy Romanko, Vice President, Human Resources and Employee Development

Information Technology provides the computer systems and information technology services that support AGLC's businesses.

Neil Brown, Chief Information Officer & Vice President, Information Technology

Liquor Services oversees the liquor supply chain in Alberta. This includes ensuring adherence with the legislation, policies and processes overseeing the registration, importation, storage, distribution, and sale of liquor products. This division also manages the collection of federal customs and excise duties and provincial markups. It also works closely with the liquor industry on modernization initiatives.

Jody Korchinski, Vice President, Liquor Services

Regulatory Services is responsible for ensuring the integrity of the gaming, liquor, and cannabis industries in Alberta. It also delivers social responsibility programs and initiatives to encourage healthy choices and develops programs that enhance AGLC's role with respect to social outcomes related to the liquor, gaming, and cannabis industries.

Dave Berry, Vice President, Regulatory Services

GOVERNANCE

As set out in the *Gaming, Liquor and Cannabis Act*¹ (GLCA), the Board of AGLC is responsible for the governance of AGLC and overseeing the management of AGLC's business affairs.

MANDATE

The responsibilities of the Board are set out in the Mandate and Roles Document (MRD). This includes:

- guiding AGLC's strategic direction;
- approving and monitoring AGLC's business plan, fiscal and capital plans, and financial results;
- establishing policies;
- evaluating the performance of the President & Chief Executive Officer;
- making decisions about gaming, liquor, and cannabis licences and registrations; and
- conducting hearings related to alleged violations of the GLCA, Gaming, Liquor and Cannabis Regulation (GLCR), or AGLC policies.

MEMBERSHIP

The Board of AGLC consists of up to nine independent members, appointed by the Lieutenant Governor in Council, acting on the recommendation of the President of Treasury Board, Minister of Finance. From amongst the members, the Lieutenant Governor in Council designates a Chair of the Board. Board members serve terms of appointment of up to three years in length (and a maximum service of up to ten years in total).

AGLC follows all Government of Alberta practices related to compensation for Board members of provincial agencies, boards and commissions.

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

Note:

1. On May 30, 2018, the *Gaming and Liquor Statutes Amendment Act* was passed and the *Gaming and Liquor Act* (GLA) has become the *Gaming, Liquor and Cannabis Act* (GLCA) and the *Gaming and Liquor Regulation* became the *Gaming, Liquor and Cannabis Regulation* (GLCR).

RESPONSIBILITY

AGLC's Board has three major areas of responsibility in its governance role for AGLC.

1. Monitoring Responsibilities

In its monitoring responsibilities, the Board is primarily concerned with ensuring that management performs its duties. The Board ensures that the powers and duties of AGLC are appropriately carried out, that appropriate monitoring processes and control systems are in place and that AGLC's financial reports meet the highest standards. The Board also oversees and monitors the administration of AGLC by the President & Chief Executive Officer, who ensures policies of the Board are implemented and advises and informs the Board on the operations of AGLC.

2. Policy Responsibilities

AGLC Board has the responsibility for developing, maintaining and revising its policies, and for determining and approving the policies for which it is responsible through legislation. The Board may advise the President of Treasury Board, Minister of Finance on policy matters. In addition, the Board has the responsibility to follow policy decisions directed by the Minister with respect to gaming, liquor, and cannabis, pursuant to the GLCA, section 7(1).

3. Regulatory Responsibilities

The Board's regulatory responsibilities are prescribed by legislation. In its regulatory role, the Board functions as an administrative tribunal. Within the limits of its legislative jurisdiction, the Board conducts hearings, develops and applies policies and rules, and makes decisions on gaming, liquor, and cannabis licences and registrations.

When conducting hearings, the Board has the powers, privileges, and immunities of a commissioner under the *Public Inquiries Act*. As a result, the Board may hold an inquiry into any matter related to the GLCA.

In 2018-19, the Board conducted a total of 29 hearings held in St. Albert and Calgary. These hearings are in addition to the Board and committee meetings held throughout the year.

HEARING PANEL OFFICE

In 2018-19, the Board established the Hearing Panel Office (HPO). The HPO serves as a hub for all administrative matters related to hearings. They liaise with the hearing participants and support the Hearing Panel ensuring consistent information is provided to all parties involved in the hearing process. For more information on the Board hearings, visit aglc.ca/hearings.

INTERNAL AUDIT

The Internal Audit office operates under a mandate approved by the Audit Committee, a committee of the Board. The independence of the Internal Audit office is assured, as the Audit Committee has the responsibility for the hiring, compensation, and performance reviews of the Director, Internal Audit. The Audit Committee also meets independently with the Office of the Auditor General of Alberta.

PUBLIC INTEREST DISCLOSURE (WHISTLEBLOWER PROTECTION) ACT

AGLC has established an officer responsible for monitoring and responding to reports made under the *Public Interest Disclosure (Whistleblower Protection) Act* and/or AGLC's Code of Conduct and Ethics. AGLC's Legal Counsel and Ethics Officer acts as the designated officer for any such disclosure.

Section 32 of the Act requires public bodies in Alberta to report annually on the following parts of the Act:

- The number of disclosures received by, or referred to, the designated officer, the number of disclosures acted on, and the number of disclosures not acted on by the designated officer;
- The number of investigations commenced by the designated officer as a result of disclosures;
- In the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and any recommendations made or corrective measures taken in relation to the wrongdoing or the reasons why no corrective measure was taken.

In 2018-19, there were no disclosures received under the *Public Interest Disclosure (Whistleblower Protection) Act*.

BALANCE

Camrose Resort Casino is located in the vibrant and growing city of Camrose, Alberta and is one of east central Alberta's premier hospitality and entertainment destinations, offering 200 slot machines and vlts, table games (Roulette, Blackjack, Blackjack Switch, Ultimate Texas Hold'em, Mini Baccarat, and Texas Hold'em) and a dedicated poker area.

“Camrose Resort Casino was honoured to be the first casino in Alberta to introduce AGLC Winner's Edge Loyalty Program. We were pleased with the process of introducing this program with AGLC. AGLC worked incredibly well with our staff to install the program and significantly assisted us through the transition, making the entire process seamless.

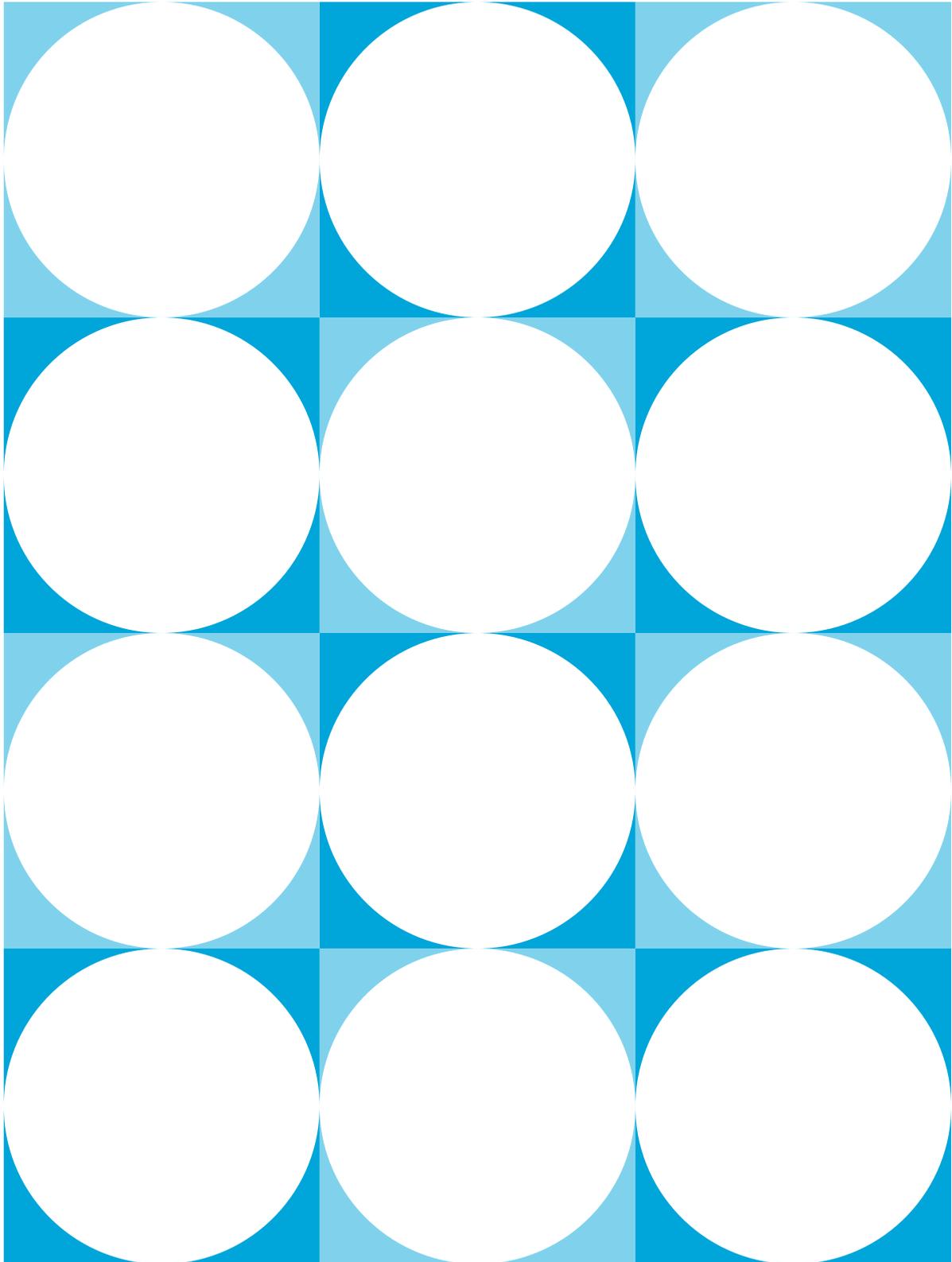
Stagewest Hospitality, as the owner/operator of Camrose Resort Casino, was established over 75 years ago. We have always deemed ourselves in the entertainment business and are constantly trying to create unique and entertaining initiatives/techniques for our players to enjoy and that keep Albertans entertained.

With AGLC as a partner, Stagewest Hospitality has always strived to provide an entertainment focused venue and have welcomed AGLC's commitment to balance, ensuring enjoyable experiences while being socially responsible within our casinos.”

~ **Jason Pechet, Owner of Camrose Resort Casino**
Stagewest Hospitality

“Winner's Edge is in full roll out and all Alberta casinos will have the program live by end of 2019. Both operators and Alberta players are embracing it, as it rewards members with points and promotions for carded play. To encourage members to balance their gaming with other activities, the program also provides GameSense tools, and rewards beyond free play, such as dining discounts and exclusive member contests.”

~ **Steve Lautischer, Director, Gaming Business**
AGLC



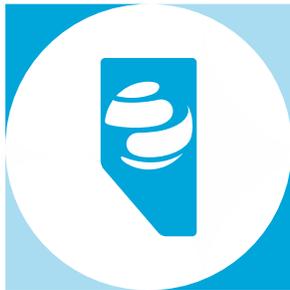


STRATEGY & PERFORMANCE

STRATEGIC DIRECTIONS

Our four Strategic Directions guide the organization as we strive to achieve our Vision and provide choices Albertans can trust. These Strategic Directions propel us forward and set the overall direction of AGLC; as such, they guide our business priorities and are the foundation of our annual corporate planning process.

RESPONSIBLE GROWTH



We will **responsibly generate and grow revenue** for the benefits of Albertans.

CULTURE OF MODERATION



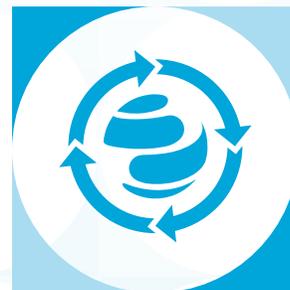
We will foster a **culture of moderation** by promoting responsible gaming experiences, and responsible liquor and cannabis consumption.

EFFECTIVE REGULATION



We will ensure a **relevant and balanced regulatory environment** that manages risk and allows gaming, liquor, and cannabis businesses to operate efficiently.

ORGANIZATIONAL STRENGTH



We will **increase employee engagement** and improve the technology and processes we use to serve Albertans.

The 2018-19 Annual Report includes measurement of performance against our Strategic Directions, as described in our 2018-21 AGLC Business Plan.

PERFORMANCE AT A GLANCE

STRATEGIC DIRECTION	PERFORMANCE MEASURE	TARGET	ACTUAL
 Responsible Growth	Gaming Net Operating Results (in thousands of dollars)	\$1,438,943	\$1,445,657 ¹
	Liquor Net Operating Results (in thousands of dollars)	\$837,461	\$860,423 ¹
	Cannabis Net Operating Results (in thousands of dollars)	\$(43,415) ²	\$(33,862) ¹
 Effective Regulation³	Stakeholder Satisfaction ⁴	92%	93%
	Compliance Charitable Gaming Activities ⁵	95%	98%
	Compliance Liquor Licensees ⁵	95%	99%
 Culture of Moderation³	Responsible Gamblers ⁶	97%	97%
	Responsible Drinkers ⁶	85%	80%
	GameSense Awareness	34% ⁷	32%
	DrinkSense Awareness	31% ⁷	31%
 Organizational Strength	AGLC Reputation Index ⁸	80%	81%

Notes:

1. See Financial Statements – AGLC, Note 13, page 72.
2. The target for 2018-19 was set in the 2019-22 AGLC Business Plan.
3. Cannabis targets will be set once a baseline has been established with at least two years of results.
4. See Methodology Details, page 95, for the calculation of the Stakeholder Satisfaction Index.
5. Calculated by total inspections during period, minus incidents resulting in penalties, divided by total inspections during period.
6. See Methodology Details, pages 94 & 95, for the calculation of Responsible Gamblers and Responsible Drinkers. Due to a methodology change these metrics exclude Albertans that do not gamble or consume alcohol. The target amounts for 2018-19 using the new methodology were set in the 2019-22 AGLC Business Plan.
7. Measurement of awareness was introduced in 2016-17; targets for 2018-19 were set in the 2019-22 Business Plan once a baseline was established with two years of results.
8. See Methodology Details, page 96, for the calculation of AGLC's Reputation Index.



RESPONSIBLE GROWTH

We will responsibly generate and grow revenue for the benefits of Albertans.

AGLC remains committed to providing these benefits responsibly through a focus on reducing potential harms related to gaming, liquor, and cannabis.

We achieve growth by meeting the expectations of Albertans and continuing to innovate for the future. We remain responsible by consulting with key stakeholders, industry leaders, and associations to ensure AGLC is as transparent, responsive, and as efficient as possible.

Performance Measure: Gaming Net Operating Results¹

(in thousands of dollars)



Performance Measure: Liquor Net Operating Results¹

(in thousands of dollars)



Performance Measure: Cannabis Net Operating Results^{1, 2}

(in thousands of dollars)



Notes:

1. See Financial Statements - AGLC, Note 13, page 72.
2. The target for 2018-19 was set in the 2019-22 AGLC Business Plan.

HIGHLIGHTS:

- AGLC supported the expansion, relocation, and development of gaming facilities including the development of Century Mile Racetrack & Casino.
- AGLC introduced an **innovative gaming concept** named Replay at Starlight Casino. Replay is an immersive social entertainment space that includes live entertainers that use a dealer-assisted table game product to provide an engaging and interactive experience for electronic table game players. Replay is fronted by a 14 foot digital screen and is lined with skill-based slot machines. The skill-based slot machines provide inventive electronic content that is different from the spinning reel format of traditional slot machines.
- A request for proposals for a turnkey online gambling solution for Alberta was released by AGLC. With an expected launch to market in late 2020/early 2021, this solution will capture some of the online gambling revenues currently leaving Alberta while providing **best-in-class responsible gambling features** that will enhance and extend our provincial GameSense program.
- AGLC launched **albertamadeliquor.aglc.ca**, a website designed to guide Alberta Manufacturers through the licensing and set-up process.
- Alberta's non-medical online cannabis store, **albertacannabis.org**, was launched providing Albertans with an option to purchase cannabis online, while keeping cannabis out of the hands of minors.
- Cannabis retail stores have been opening throughout the year, providing a safe supply of cannabis to Albertans. All licensed retailers have to take the *SellSafe Cannabis Staff Training* and all employees have to be registered as Qualified Cannabis Workers.

Development of the provincial casino player loyalty program Winner's Edge continued with the completion and launch of the program's website winnersedge.ca. Winner's Edge was piloted at Camrose Resort Casino and a second pilot will launch in April 2019. The program will provide members enhanced responsible gambling information while offering special promotions and rewards – generating increased revenue in a responsible manner to benefit Albertans.

LIQUOR DISTRIBUTION CENTRE

543,000 square feet in total with 470,000 square feet dedicated solely to warehouse space

With the new centre added in, AGLC's liquor distribution system now offers a combined 1.2 million square feet in storage space and an estimated five million case storage capacity. The liquor distribution centre is the primary facility in AGLC's warehouse network, handling all fast moving product and serving as the central hub for order assembly and shipment. It also accommodates both current and future products, and supports the continued growth and success of Alberta's private liquor model.

25TH ANNIVERSARY OF ALBERTA'S LIQUOR MODEL

The 25th anniversary of the creation of Alberta's unique liquor model was celebrated in 2018. Over the years, AGLC, retailers, manufacturers, and agencies have worked to ensure Albertans have access to unparalleled selection, convenience, and responsible customer service. Successes include:

- **Increased choice for Albertans**
(currently more than 25,000 products available versus 2,200 in 1993);
- **Increased business opportunities leading to more convenient locations**
(more than 2,200 liquor retailers now versus 202 in 1993);
- **Major growth in liquor manufacturers for brewers, distillers, meaderies and estate wineries**
(158 liquor manufacturers currently versus 12 in 1993); and
- **Strong return to Albertans**
(over \$826 million in liquor net income allocated for transfer to the province's General Revenue Fund).

RECYCLING

As part of our commitment to providing a high level of responsible liquor service, AGLC works in partnership with the Beverage Container Management Board in container recycling efforts throughout the province.

The Beverage Container Management Board reported that, in 2018, more than **2 billion** containers (pop, juice, water and liquor bottles and cans) were returned to recycling depots with a return rate of 86 per cent.

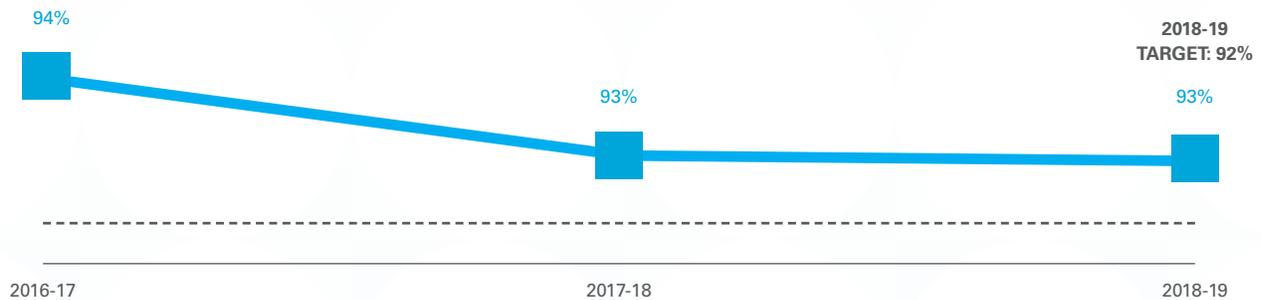


EFFECTIVE REGULATION

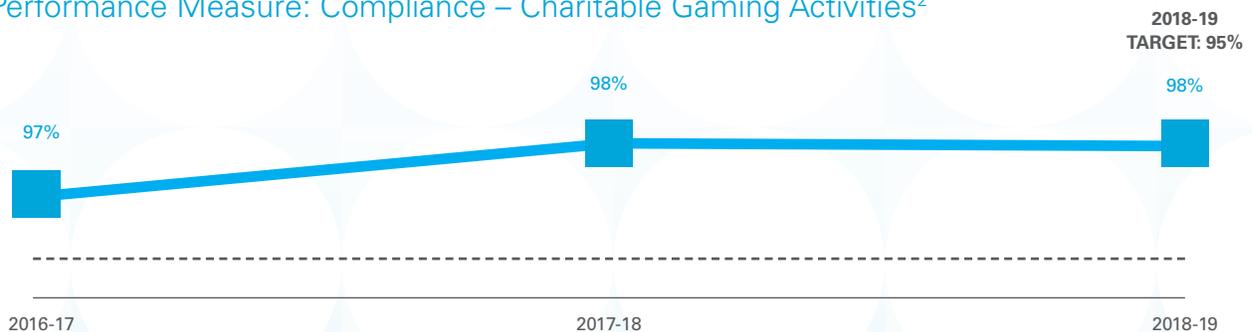
We will ensure a relevant and balanced regulatory environment that manages risk and allows gaming, liquor, and cannabis businesses to operate efficiently.

AGLC works closely with stakeholders to understand the key issues and expectations of both consumers and business operators. As such, AGLC delivers a balanced regulatory environment that remains relevant and effective in reducing social harms and mitigating risks, and in reducing unnecessary barriers to ensure that gaming, liquor, and cannabis businesses can operate without undue burden. This commitment to working with stakeholders has extended to Alberta’s evolving cannabis industry.

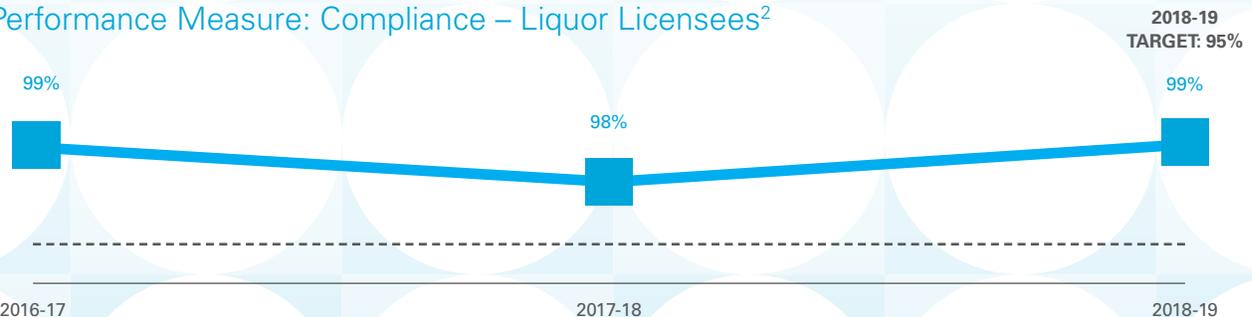
Performance Measure: Stakeholder Satisfaction¹



Performance Measure: Compliance – Charitable Gaming Activities²



Performance Measure: Compliance – Liquor Licensees²



Notes:

1. See Methodology Details, page 95, for the calculation of Stakeholder Satisfaction Index.
2. Calculated by the total inspections during period, minus incidents resulting in penalties, divided by total inspections during period.

HIGHLIGHTS:

- A review of Alberta's charitable gaming model continued in 2018-19, with the intent of modernizing the model to ensure that it reflects Albertans' priorities and meets the current standards for gaming integrity.
- The transfer of conduct and management of electronic bingo from AGLC to bingo halls continued with pilot activities underway at two locations.
- AGLC launched a new licence application process where Albertans can apply, pay for and be issued Private Special Event Licences online at AGLC.ca for liquor service at private events.
- Other legislation and policies that govern liquor were reviewed and updated. AGLC introduced a new policy allowing Ferment-On-Premises operations (UBrews and UVins) where customers can make their own beer, wine, coolers, and ciders on-site. Another example was a change so licensees can pre-mix, infuse, and age liquor products.
- Policies that govern private retail cannabis stores and cannabis representatives were developed, approved and implemented. These policies included licensing and registration criteria, business and store requirements, cannabis purchases and returns, and advertising requirements.
- AGLC began accepting retail cannabis store applications on March 6, 2018, whereby applicants submit a criminal background check consent, detailed financial information, and a fee for the due diligence process.
 - Due to the Canada-wide supply shortage, a retail cannabis licence moratorium was put in place in November 2018 to ensure sufficient inventory for cannabis licensees and product availability on albertacannabis.org for consumers in communities with no retail stores. The moratorium encompassed a temporary suspension of accepting new retail licence applications and issuing additional new licences. All applicants were permitted to withdraw their applications and receive a full refund. All applicants were placed in an ordered queue based on status of completion within the licensing process.
 - In May 2019, as supply stabilized, AGLC lifted the moratorium and began issuing additional licences.
 - In total, as of March 31st, 2019, AGLC received 793 retail cannabis applications and issued 75 retail cannabis licences.

CANNABIS LICENSING PROCESS

Applicants require successful completion of the following:

- due diligence process review (criminal & financial background checks conducted on applicants and associated stakeholders);
- municipal approval or a business licence; and
- physical store inspection to ensure the retail location meets all retail and security requirements including alarm system, secure storage, video surveillance, locked display case, etc.

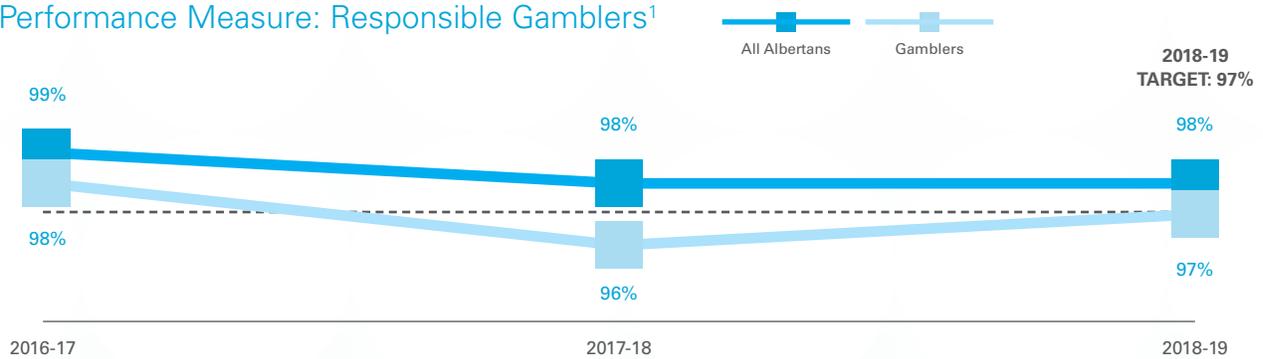


CULTURE OF MODERATION

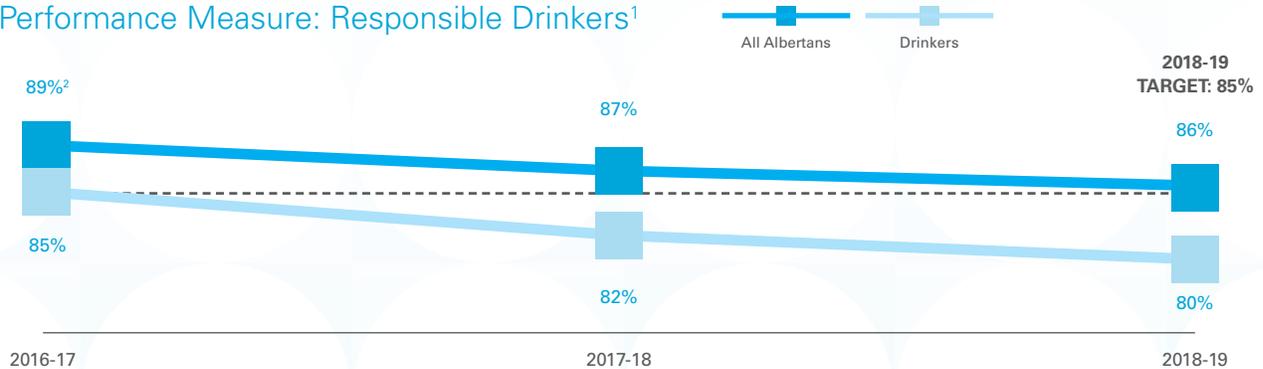
We will foster a culture of moderation by promoting responsible gaming experiences, and responsible liquor and cannabis consumption.

To reduce gambling, liquor, and cannabis-related harms and to promote a culture of moderation in Alberta, AGLC focuses on public awareness and education. By providing information and education, we seek to promote responsible consumption and to help Albertans make healthy and informed choices.

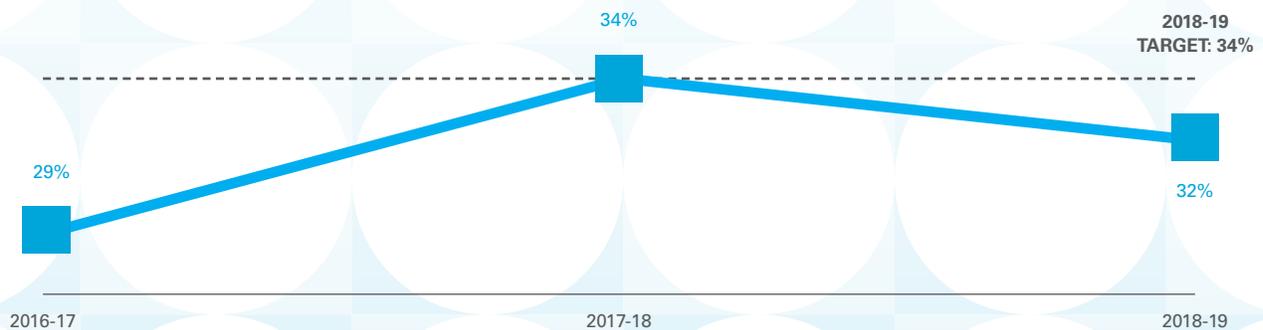
Performance Measure: Responsible Gamblers¹



Performance Measure: Responsible Drinkers¹



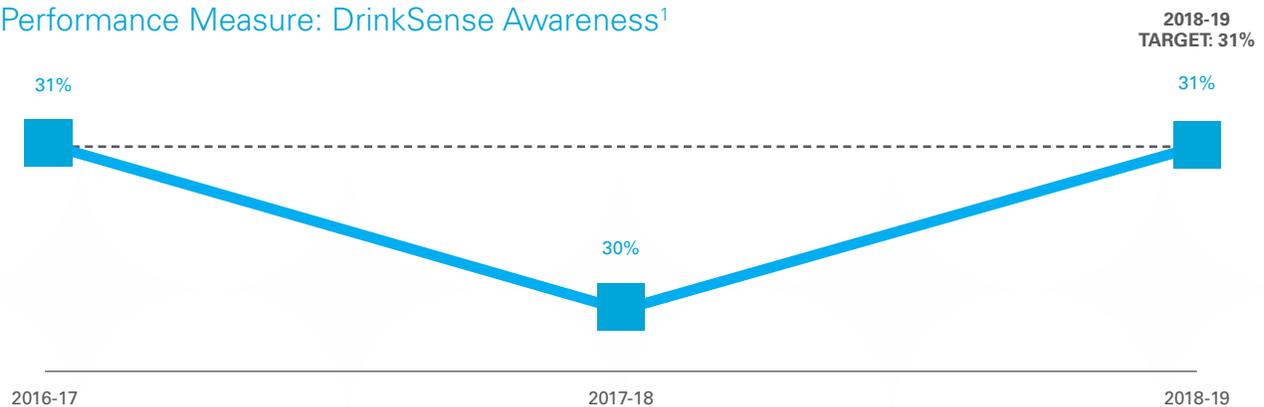
Performance Measure: GameSense Awareness³



Notes:

1. See Methodology Details, pages 94 & 95, for the methodology of the calculation of Responsible Gamblers and Responsible Drinkers.
2. Previous Annual Reports reported 91%. Post report production NRG Research updated the rate to 89%.
3. Measurement of awareness was only introduced in 2016-17; targets for 2018-19 were set in 2019-22 Business Plan once a baseline was established with 2 years of results.

Performance Measure: DrinkSense Awareness¹



HIGHLIGHTS:

- AGLC remains committed to delivering responsible gambling programs, promotional efforts, and stakeholder relationships. Our progress in encouraging Albertans to make healthy and safe choices and prevent gambling-related harms includes:
 - Continued expansion of our patron-facing GameSense program in additional gambling streams;
 - Launch of the GameSense Awards of Excellence in all Alberta casinos and racing entertainment centres to celebrate venue staff who enrich the players' experience and demonstrate the GameSense values;
 - Continue to build our stakeholder relationships through our annual Responsible Gambling Awareness Week celebration and our annual Insight Responsible Gambling Symposium; and
 - To broaden the reach of the Self-Exclusion (SE) program, a translation service was launched allowing for instant translation services including French, Indigenous languages, and other languages spoken in Alberta.
- DrinkSense, our responsible alcohol consumption program, promotes Canada's low-risk drinking guidelines. Additionally, AGLC provided specific information for moms-to-be through the Dry9 campaign and distributed Students Against Drinking and Driving (SADD) information.
- Best Bar None (BBN), our voluntary accreditation program recognizing excellence in Alberta's nightlife, continued in 2018-19 with a total of 165 licensed establishments successfully accredited (82 in Edmonton and area, 50 in Calgary, 14 in Grande Prairie and 10 in Lethbridge). The program was also launched in Banff in 2019 with nine bars earning accreditation.

Note:

1. Measurement of awareness was introduced in 2016-17; targets for 2018-19 were set in 2019-22 Business Plan once a baseline was established with 2 years of results.

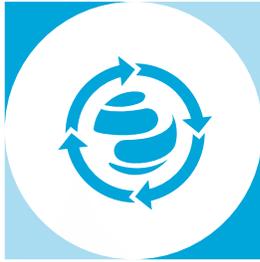
RESPONSIBLE CANNABIS AWARENESS

With the introduction of recreational cannabis in Alberta, we created a responsible cannabis awareness program centered on promoting a culture of moderation by using a harm reduction model that provides Albertans with current and fact-based information about cannabis use, law, and regulations.

We created a **Responsible Use campaign** to drive education of responsible cannabis use through informing Albertans that AGLC is a source of credible and timely information on responsibly using cannabis and building awareness of Canada's Lower-Risk Cannabis Use Guidelines and general guidelines for responsible use. To support this campaign, a cannabis website, **aglc.ca/cannabis/using-cannabis-responsibly**, was created and launched in conjunction with a mass media campaign to provide up-to-date information about responsible cannabis use, and to maintain the campaign concepts when the campaign is no longer in the market.

A combination of mandatory and optional tools were developed for licensed cannabis retail stores in consultation with Alberta Health and Alberta Health Services to ensure customers have the information they need to make informed choices.

In addition, we developed *SellSafe Cannabis Staff Training*, a mandatory social responsibility training program designed to support workers in the cannabis industry understand their responsibilities to their customers and the risks related to cannabis use.

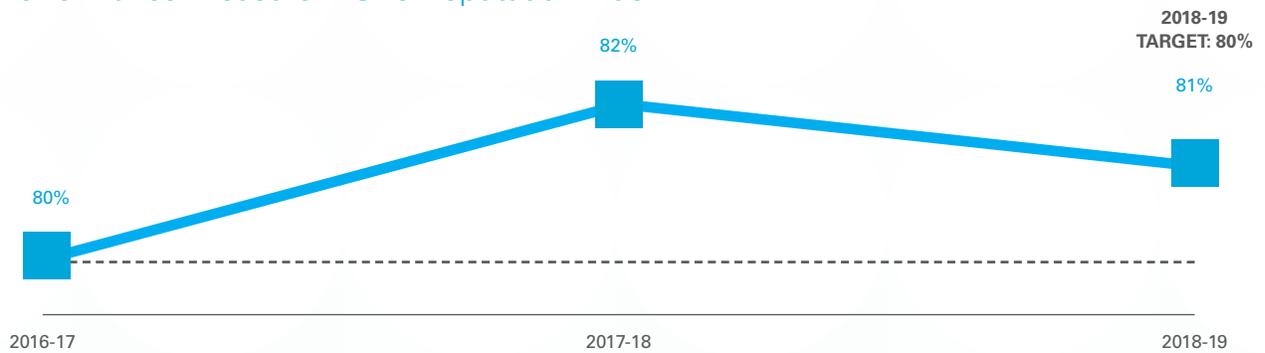


ORGANIZATIONAL STRENGTH

We will increase employee engagement and improve the technology and processes we use to serve Albertans.

AGLC is a values-driven organization dedicated to serving Albertans. As part of this dedication, AGLC is committed to continuous improvement by investing in our employees, and in our systems, processes, and technology, to ensure AGLC is more effective and efficient in everything we do. AGLC is focused on investment to enable modernization of our operations, technology, and processes to build our capacity to delivery benefits to Albertans.

Performance Measure: AGLC Reputation Index¹



HIGHLIGHTS:

- AGLC recruited skilled people and expanded the organizational structure to accommodate new roles and responsibilities related to managing cannabis sales and regulating Alberta’s cannabis industry.
- Our Community Connection Travelling Exhibit was attended by over 14,500 Albertans over nine events across the province to inform exhibit visitors how revenue generated by AGLC benefits Alberta communities.
- Internal technology, capabilities, and processes were strengthened through the upgrading of the payroll system for employees and the modernization of processes for data management and corporate records handling.

Note:

1. See Methodology Details, page 96, for the calculation of AGLC’s Reputation Index.

OUR EMPLOYEES

AGLC employees are dedicated to supporting Alberta's gaming, liquor, and cannabis industries. Our corporate culture promotes living AGLC values of integrity, respect, collaboration, innovation, and excellence to inspire engagement and guide us in serving Albertans. Our team of dedicated, high performers is driven to provide stakeholders with outstanding service and Albertans with choices they can trust.

EMPLOYER OF CHOICE

In February 2019, AGLC was selected as one of Alberta's Top 75 Employers. Employers are evaluated using a number of criteria to determine which organizations offer the most progressive and forward-thinking programs. This award confirms that we offer a workplace that attracts new talent, as well as retains and engages our current employees. We are proud to be an employer of choice in Alberta.

EMPLOYEE ENGAGEMENT

In November 2018, our employee engagement survey achieved an overall employee engagement score of 71%, representing a 3% increase from the previous survey results in 2016. Our survey measured key drivers of engagement to better understand the needs of our workforce, confidently address areas for improvement, and analyze the factors driving our success. We are committed to our employees and to continuously improving our organization through employee engagement.

EMPLOYEE RECOGNITION

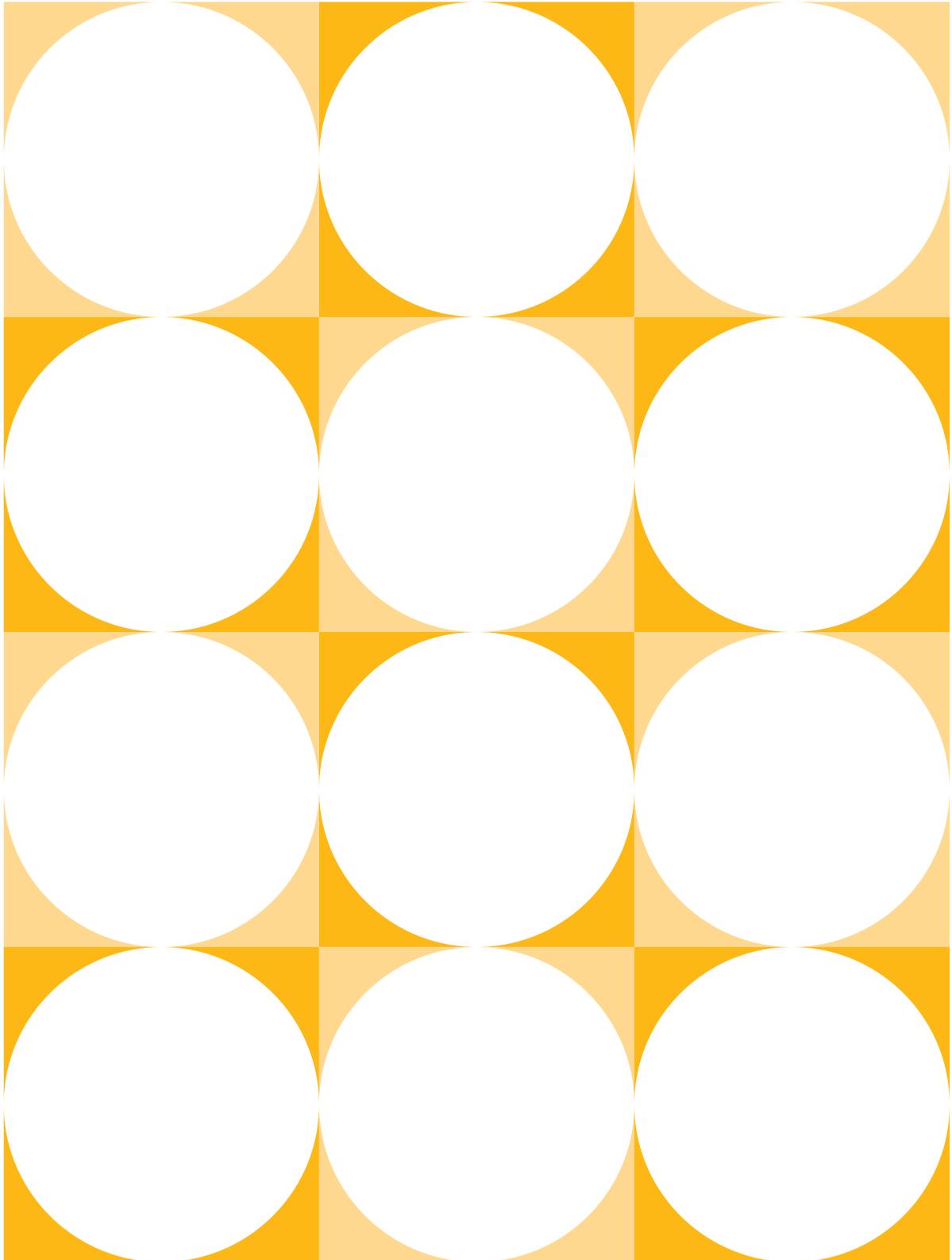
Recognizing employees for a job well done helps sustain a positive corporate culture. Our Special Thanks and Recognition (STAR) Program is used to acknowledge employee contributions and the commitment of employees. This is accomplished through day-to-day recognition and formal awards such as the dedicated service milestones. STAR ensures employees feel appreciated for behaviours that align with AGLC values. It also reinforces actions that contribute to business objectives for the benefit of Albertans.

EMPLOYEE DEVELOPMENT

With many opportunities for career advancement and development, we foster a work environment that encourages individuals to develop their abilities and leadership potential. We support employee learning and growth by providing: operational health and safety training; endorsing professional development courses; encouraging internal development opportunities; and subsidizing externally offered formal education programs. These efforts facilitate the development and engagement of our workforce, which is a priority for AGLC.

SUCCESSION PLANNING

It is important for AGLC to have a plan in place to advance existing talent within the organization. Succession planning allows AGLC to plan for both the foreseen and unexpected absences of people who hold leadership roles in the organization and identifies opportunities for employee development and growth. This planning supports greater operational sustainability and stability.





BUSINESS

OVERVIEW

We collect and disburse funds in our gaming, liquor, and cannabis businesses according to the GLCA, other legislation, policies, and agreements.

We are responsible for:

- regulating Alberta's charitable gaming activities and for conducting and managing provincial lottery activities;
- regulating the manufacture, importation, sale, purchase, possession, storage, transportation, use and consumption of liquor in Alberta; and
- regulating private retail cannabis, the distribution of cannabis, and operation of Alberta's online cannabis store, albertacannabis.org.

WHERE THE MONEY GOES

We are committed to working with stakeholders in Alberta's gaming, liquor, and cannabis industries to deliver a balanced regulatory environment. This includes reducing unnecessary barriers for businesses while also reducing social harms and mitigating risks to generate a wide range of economic and social benefits across the province.

PROVINCIAL GAMING

We record sales from video lottery terminals (vlts), casino gaming terminals (e.g. slot machines), and electronic bingo and ensure prizes are paid and the appropriate federal taxes remitted. Commissions are paid to retailers/operators. Eligible charitable organizations are paid a commission from casino gaming terminals operating during their licensed casino events and electronic bingo and keno operating during charitable gaming events in licensed bingo facilities. All related AGLC operating costs are deducted and the income from Western Canada Lottery Corporation (WCLC) for ticket lottery sales in Alberta is added. The net operating results from provincial gaming are transferred to the Alberta Lottery Fund (ALF).

CHARITABLE GAMING

Other than fees for licences and trustee services for charitable proceeds from traditional casino events, AGLC does not receive any revenue from charitable gaming. Eligible charitable and religious groups that conduct raffles, sell pull tickets, and conduct bingo and casino table games use the proceeds from these gaming activities for approved charitable or religious purposes. The groups pay private sector suppliers for the cost of products and services they obtain to conduct their events.

LIQUOR

We pay liquor suppliers for their products when the product is sold to licensees. Payments are also made for warehousing, distribution, container deposit and recycling fees, and federal taxes and duties. AGLC adds a markup to liquor sold and collects this on behalf of the Government of Alberta. Liquor markup is applied as a flat rate per litre depending on the product type and alcohol content; markup rates are established in policy and reviewed regularly. Visit aglc.ca for the Liquor Markup Rate Schedule. The related operating costs of AGLC are deducted and the net operating results from liquor are transferred to the province's General Revenue Fund.

CANNABIS

We pay cannabis licenced producers for their products when the product is received by AGLC. Licensed producers charge AGLC the agreed upon landed cost, which includes the excise duty on cannabis that they remit directly to the federal government. For the 2018-19 fiscal year, AGLC did not apply markup to the wholesale price of cannabis (for sales to cannabis retailers). However, AGLC sets the wholesale price for retailers as well as the retail price for cannabis products sold directly to customers on albertacannabis.org. The related operating costs of AGLC are deducted from income generated. The cannabis net operating results are included in the transfer to the province's General Revenue Fund.

BALANCE

Charitable gaming in Alberta benefits all Albertans by providing opportunities for charitable organizations to manage and conduct bingo, casino, raffle, and pull ticket events throughout the province.

The following are a quotes from various charitable gaming licensees shared as part of AGLC's satisfaction surveys:

“We are so very thankful that our school is able to participate and apply for (charitable gaming) licensing. It has brought so many great projects, and school items for the students to enhance their learning. As a small school, the amount we receive stretches a very long way.”

“Through the help and support of AGLC... we have been able to further support our community more safely....”

“We live in a small rural community and if it wasn't for casino money coming into our village we would not have a kindergarten, pool, community hall, campground, playground, or provide opportunities for our students at school. We keep our community going with these funds...”

AGLC is committed to a balanced regulatory environment that enables eligible charities to deliver their programs to Albertans and ensures the model reflects the priorities of Albertans.

Visit aglc.ca for up-to-date information on charitable gaming in Alberta.

LEGISLATION

Our core businesses are conducted in alignment with legislation and our models efficiently deliver benefits to Albertans.



Notes:

1. See AGLC Financial Statements, Note 10, page 69 for Details.
2. See page 43 for details.
3. See AGLC Financial Statements, Note 11, page 69 for Details.

PROVINCIAL GAMING KEY FACTS

Gaming is one of our core businesses. We manage a portfolio of products and services to drive and sustain gaming revenue growth for the benefit of Albertans. We conduct and manage electronic gaming in Alberta by providing equipment to retail operators through four distinct channels: slot machines (casino gaming terminals) are supplied to casinos and racing entertainment centres (RECs), video lottery terminals (vlts) are provided to licensed premises, lottery ticket terminals are made available to various retail outlets, and bingo halls are equipped with electronic bingo devices.

In each of these channels, the retail operator earns a commission reflective of the retail space and services it provides. Charitable organizations also earn a commission on electronic gaming in casinos and bingo halls. The residual revenues after prize payout, retailer and charitable organization commissions, and AGLC's associated costs, are deposited into the Alberta Lottery Fund (ALF).

AGLC takes a balanced approach in managing gaming activities in the province, one that respects the interests of Albertans. This is achieved by providing Albertans with a wide variety of entertaining gaming products as well as the tools required to participate in gaming activities in a healthy and informed manner.

Slots

(As at March 31, 2019)

	2018-19	2017-18	2016-17
Casinos			
Edmonton	4,780	4,480	4,616
Calgary	4,591	4,616	4,662
Other	3,724	3,715	3,688
RECs	805 ¹	1,349	1,315
TOTAL	13,900	14,160	14,281

vlts

(As at March 31, 2019)

	2018-19	2017-18	2016-17
Within the Distributed Network (bars, pubs, gaming entertainment centres (GECs))			
Number of operating vlts	5,973	5,974	5,986
vlt retail locations	820	836	851
GECs (included in the total number of retail locations above)	72	73	76
Within Casinos			
Number of operating vlts	462	448	346

Note:

1. Decrease in slots is due to the closure of Northlands Park Casino at the end of January 2019. This licence was transferred to Century Mile which opened April 1st, 2019.

Vlt Revenue 2018-19

vlt are programmed to payout, on average, 92 per cent of all credits wagered. Ultimately, what players walk away with in winnings (cash) depends on their behaviour (how long they played and/or how much money they inserted in).

The following table depicts how credits played and won compares to cash-in and cash-out.

Credits (in thousands of dollars)		Cash (in thousands of dollars)	
Credits Played	\$7,459,680	Cash In	\$2,386,982
Credits Won (Prizes)	(\$6,870,128)	Cash Out	(\$1,797,430)
Net Sales	\$589,552	Net Sales	\$589,552
Payout Percentage:		Cashout Percentage:	
Credits Won/Credits Played	92%	Cash Out/Cash In	75%

Lottery Ticket Centres

(as at March 31, 2019)

	2018-19	2017-18	2016-17
Number of Lottery Ticket Centres	2,792	2,731	2,744

CHARITABLE GAMING KEY FACTS

We are responsible for maintaining the accountability of Alberta's gaming activities, including charitable gaming events. The *Criminal Code* (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. In general, the criteria used to determine eligibility include: relief of poverty, advancement of education, advancement of religion, and other purposes beneficial to the community.

AGLC issues licences to eligible organizations, ensures that gaming activities are carried out in accordance with the policies that govern them and oversees the use of gaming proceeds by charitable groups. We are dedicated to ensuring integrity in charitable gaming, so that the charitable gaming model can continue to deliver benefits to communities across Alberta each year.

Eligible organizations may apply for charitable gaming licences to conduct and manage events. In accordance with Alberta's charitable gaming model, Host First Nation (HFN) casinos operate in parallel to traditional casinos. The HFN is the casino facility operator; a dedicated HFN licensed charity, as a separate and distinct organization, conducts and manages the charitable casino event at each HFN facility.

For more detail related to charitable gaming please visit aglc.ca/charitable-gaming.

SUMMARY

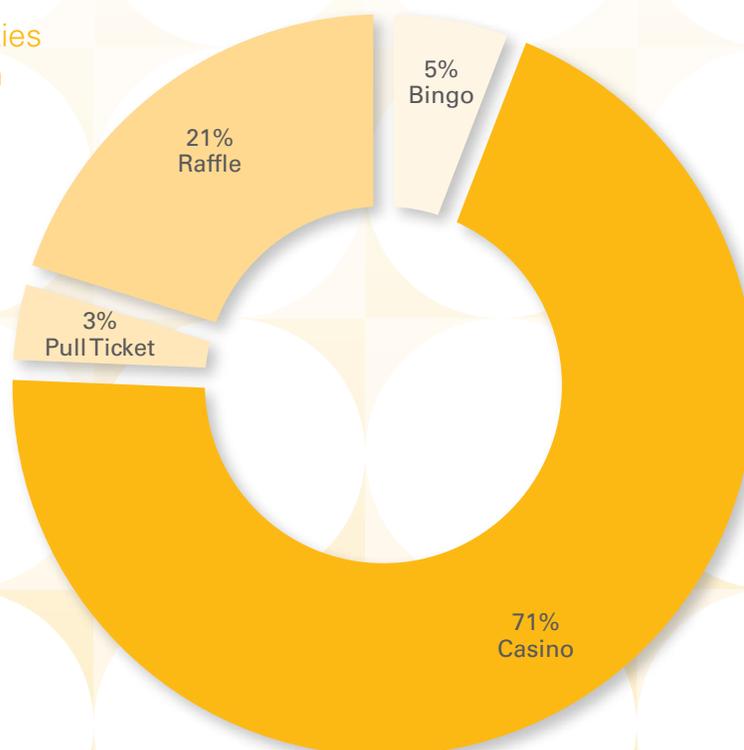
In 2018-19, 19,455 charitable gaming licences were issued; charitable gaming activities related to these licences generated over \$347 million in proceeds.

	2018-19					2017-18	2016-17
	Bingos ³	Casinos ⁴	Pull Tickets ⁵	Raffles ⁶	Total	Total	Total
Charity Licences ¹	940	3,445	287	14,783	19,455	18,013	17,904
(in thousands of dollars) Total Gross	\$120,824	\$1,202,629	\$87,666	\$173,019	\$1,584,138	\$1,578,935	\$1,596,683
Prizes/Winning	(79,001)	(960,336)	(61,369)	(68,994)	(1,169,700)	(1,180,345)	(1,198,104)
Expenses ²	(31,664)	(156,282)	(14,778)	(32,193)	(234,917)	(230,747)	(226,375)
	(110,665)	(1,116,618)	(76,147)	(101,187)	(1,404,617)	(1,411,092)	(1,424,479)
Net proceeds	10,159	86,011	11,519	71,832	179,521	167,843	172,204
Electronic Gaming Proceeds	8,173	159,507	–	–	167,680	163,095	163,698
Keno Proceeds	177	17	–	–	194	220	291
Total Proceeds to Charity	\$18,509	\$245,535	\$11,519	\$71,832	\$347,395 ⁷	\$331,158	\$336,192

Notes:

1. Bingo and pull ticket licences are generally in effect for two years. Licences for casinos and raffles are generally issued for a single event.
2. Expenses include fixed fees/event expenses (including licence fees), pool expenses and electronic bingo net sales (sales less prizes). After program expenses are paid, electronic bingo net sales are returned to charities in the electronic gaming proceeds and proceeds to charity rows.
3. 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.
4. Includes data for HFN casinos.
5. Includes current year information for pull tickets sold at licensed bingo facilities and prior year information for pull-tickets sold at all other locations.
6. Includes prior year information for raffles with gross sales over \$10,000 and current year information for raffles with gross sales under \$10,000. "\$10,000 or less" category changed to "\$20,000 or less" effective December 1, 2018.
7. Data is collected from many sources and may be based on the current fiscal year and/or prior year therefore it does not reconcile with AGLC financial statements.

Proceeds to Charities by Gaming Stream



USE OF PROCEEDS

Proceeds earned from charitable gaming activities must be used for approved charitable or religious purposes in accordance with the *Criminal Code* (Canada).

These proceeds help support thousands of programs and services provided by charitable organizations to their communities. Licensed HFN charities also use proceeds to support many programs and services provided to the HFN communities.

For a summary of the use of proceeds by charitable and religious groups, and of the use of HFN casino proceeds, refer to the tables below:

Use of Proceeds by Charitable Groups

For 2017-18¹

Facility	33%
Equipment/Uniforms/Vehicles	15%
Wages, Salaries, Fees for Service and Honorariums	13%
Raffle < \$20,000 Expenditures	8%
Administrative Costs	7%
Program Support/Development	6%
Donations within Alberta	6%
Travel	5%
Promotional Activities	2%
Bursaries and Scholarships	1%
Donations outside of Alberta	1%
Youth Development	1%
Sports	1%
Research	1%
Senior Citizen Activities	1%
Volunteer Expenses	< 1%
Endowment Funds	< 1%
Education	< 1%
Debt Retirement	< 1%

Use of HFN Casino Proceeds

For 2017-18¹

Housing and Infrastructure	37%
Education	18%
Medical/Health Aid and Relief	10%
Charity Worker Wages and Expenses	9%
Administrative Costs/Wages, Salaries, Fees for Service and Honorariums	6%
Cultural Events	4%
Facility	3%
Aid of the Distressed	2%
Community Safety Programs	2%
Sports/Youth Development	2%
Children/Youth/Adults in Care	2%
Addictions Treatment	2%
Elders/Senior Citizens	2%
Historical Resources	1%
Promotional Activities	< 1%
Equipment	< 1%
Donations within Alberta	< 1%

Visit the charitable gaming section “Who Benefits” on aglc.ca to see which charitable organizations have received funding from casinos and bingo halls.

Note:

1. Charitable organizations report on use of proceeds on an ongoing basis, therefore complete data for 2018-19 is not yet available and will be reported in the 2019-20 Annual Report.

LIQUOR KEY FACTS

We are responsible for managing the liquor supply chain in Alberta and ensuring progressive developments in the industry while building strong relationships with liquor stakeholders.

The rules and regulations for liquor sales, distribution and consumption in Alberta are established by AGLC in accordance with the GLCA and GLCR. In Alberta, we have a private liquor retail model. Liquor retailing is managed by the private liquor industry. AGLC manages warehousing and delivery through a private logistics provider.

AGLC is the legal importer of record for liquor in Alberta. Manufacturers and suppliers sell liquor products to businesses (licensees) through AGLC. Licensees then sell liquor products to consumers.

Liquor Licences

Licenses are issued to companies and individuals for the sale of liquor.

	2018-19	2017-18	2016-17
Class A (open to the public)	5,506	5,374	5,303
Class B (facilities where people pay an entrance fee or buy a ticket)	764	678	664
Class C (private clubs)	776	781	787
Class D (retail outlets that sell liquor for off-premises consumption)	2,255	2,197	2,136
Class E (liquor manufacturers and packaging) ¹	158	119	85
Class F (ferment on premises) (new) ²	9	–	–
TOTAL	9,468	9,149	8,975

Liquor Manufacturing Licences in Alberta

	2018-19	2017-18	2016-17
Breweries	113	81	54
Distilleries	29	21	16
Estate Manufacturers	13	14	13
Packaging	2	3	2
Refreshment Beverages ³	1	–	–
TOTAL	158	119	85

Notes:

1. Class E manufacturer licences are issued for the manufacture of liquor in breweries, wineries, distilleries, and cideries.
2. Class F is a new class in 2019-20.
3. New category for the 2018-19 fiscal year for liquor manufacturers dedicated to manufacturing only refreshment beverages (e.g., ciders, coolers/ready-to-drink products, kombucha).

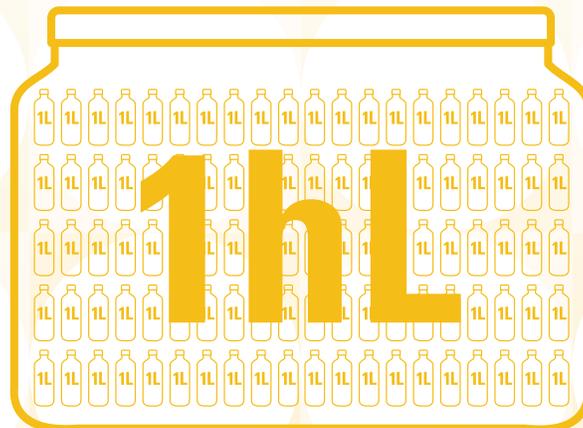
Liquor Products & Sales

Market demand determines product availability and sales.

Liquor Products Available <small>(as at March 31, 2019)</small>	2018-19	2017-18	2016-17
Spirits	5,053	4,862	4,778
Wine	14,605	13,866	13,260
Coolers/Cider	808	660	608
Beer	6,230	4,946	4,169
TOTAL	26,696	24,334	22,815

Liquor Sales by Type <small>(in thousands of dollars)</small>	2018-19	2017-18	2016-17
Spirits	\$792,153	\$756,281	\$750,606
Wine	611,992	609,418	591,781
Coolers/Cider	162,131	150,561	141,563
Beer	1,028,914	1,061,563	1,061,169
TOTAL	\$2,595,190	\$2,577,823	\$2,545,119

Liquor Sales by Volume <small>(in hectolitres, hL)</small>	2018-19	2017-18	2016-17
Spirits	274,445	267,893	270,935
Wine	445,795	450,577	442,458
Coolers/Cider	322,919	302,014	282,278
Beer	2,496,794	2,560,870	2,590,336
TOTAL	3,539,953	3,581,354	3,586,007



WHAT IS A HECTOLITRE?

A hectolitre is equivalent to 100 litres (1 hL = 100 L)

CANNABIS KEY FACTS

Cannabis is our newest line of business and we are responsible for overseeing the cannabis industry in Alberta.

The distribution of cannabis is similar to the way AGLC distributes alcohol. The key difference being that AGLC purchases cannabis products from licensed producers versus the consignment model in place for liquor. AGLC sets the wholesale price, sells and distributes the products to licensed cannabis retailers. Central distribution ensures a level playing field for all retailers, and prevents small or remote retailers from being penalized for delivery costs by making sure product is shipped at the same price no matter where it's going.

The policies and rules for cannabis sales and distribution in Alberta are established by AGLC in accordance with the GLCA and GLCR. In Alberta, we have a private model for cannabis retail sales and AGLC provides for online cannabis sales. All cannabis retailers must have a licence that is issued by AGLC and all cannabis licence applicants undergo extensive mandatory background checks. Physical stores are subject to government regulations and AGLC licensing terms and conditions. Online sales and home delivery are available through a website operated by AGLC at albertacannabis.org.

Cannabis Products Available

(number of stock keeping units (SKUs), as at March 31, 2019)

	2018-19
Dried Flower	147
Milled Flower	3
Pre-Roll	26
Oils	23
Capsule	28
Seed	1
TOTAL	228

Cannabis Sales by Type¹

(in thousands of dollars)

	Wholesale	E-Commerce	2018-19
Dried Flower	\$51,883	\$3,431	\$55,314
Milled Flower	3,288	53	3,341
Pre-Roll	4,181	396	4,577
Oils	8,337	540	8,877
Capsule	4,056	310	4,366
Seed	220	19	239
TOTAL	\$71,964	\$4,750	\$76,714

Cannabis Sales by Volume^{1,2}

(in kilograms, kg)

	2018-19
Dried Flower	6,967
Milled Flower	553
Pre-Roll	537
Oils	924
Capsule	429
Seed	21
TOTAL	9,431

Note:

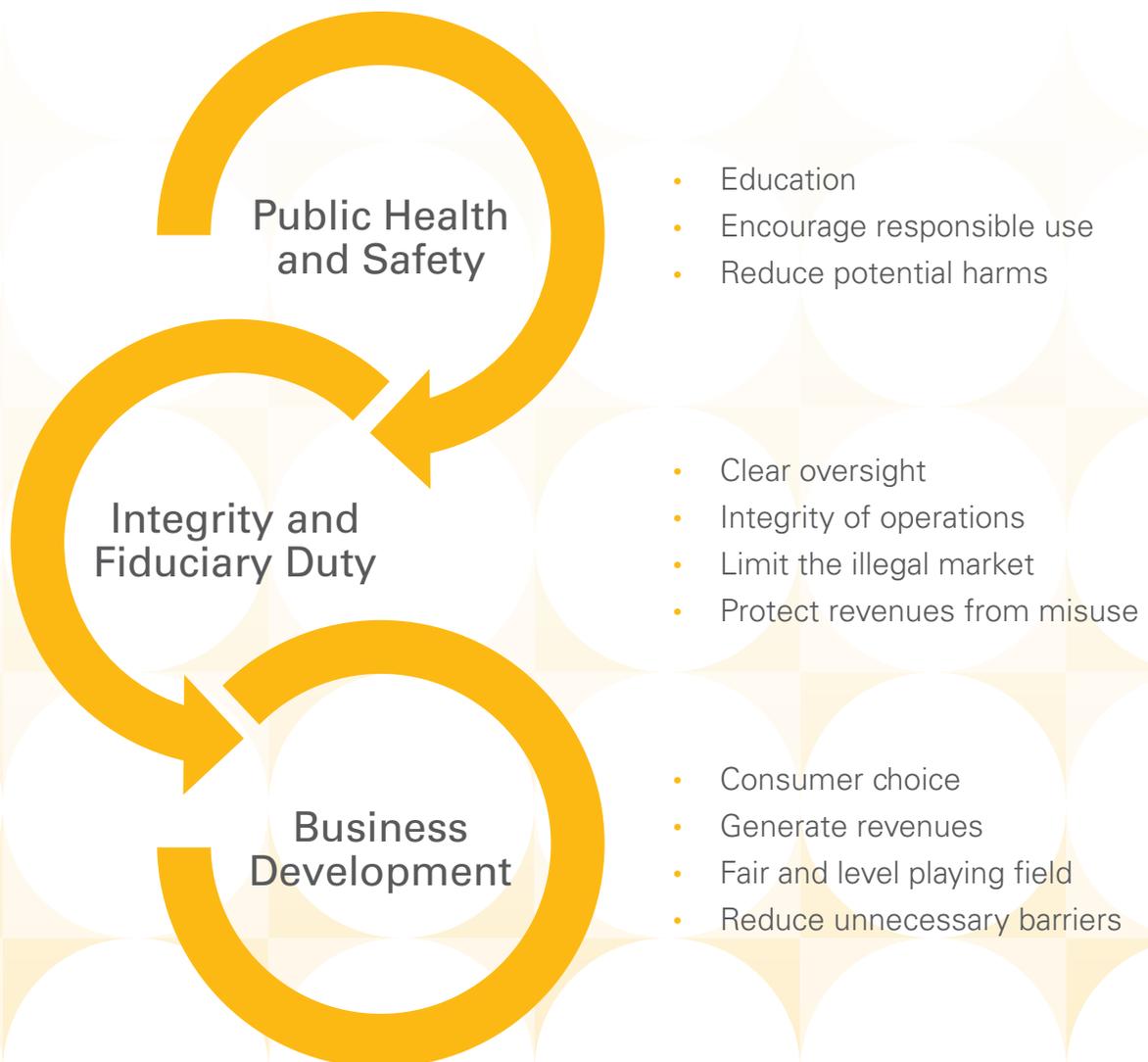
1. Due to rounding to the nearest whole number, totals displayed may reflect a small variance.
2. Sales in kg is calculated using Dried Cannabis Equivalent for each product.

A MODERN REGULATOR

We are responsive to stakeholder needs and feedback. Regulations and policies are reviewed to ensure that they meet Albertans' current expectations and that they provide for an effective balance. We engage with stakeholders as a best practice. AGLC is dedicated to a regulatory and policy environment that maintains our commitment to compliance yet reduces barriers for our licensees and industry stakeholders. We are equally dedicated to providing education about responsible and moderate consumption to enable consumers to make healthy and informed choices.

OUR BALANCED APPROACH

As the organization responsible for overseeing the gaming, liquor, and cannabis industries in Alberta, AGLC must ensure that a balanced approach is taken when developing regulations, policies, and programs that impact these industries.



BALANCE

“Due Diligence is the first line of defense and gatekeepers for the Alberta public.

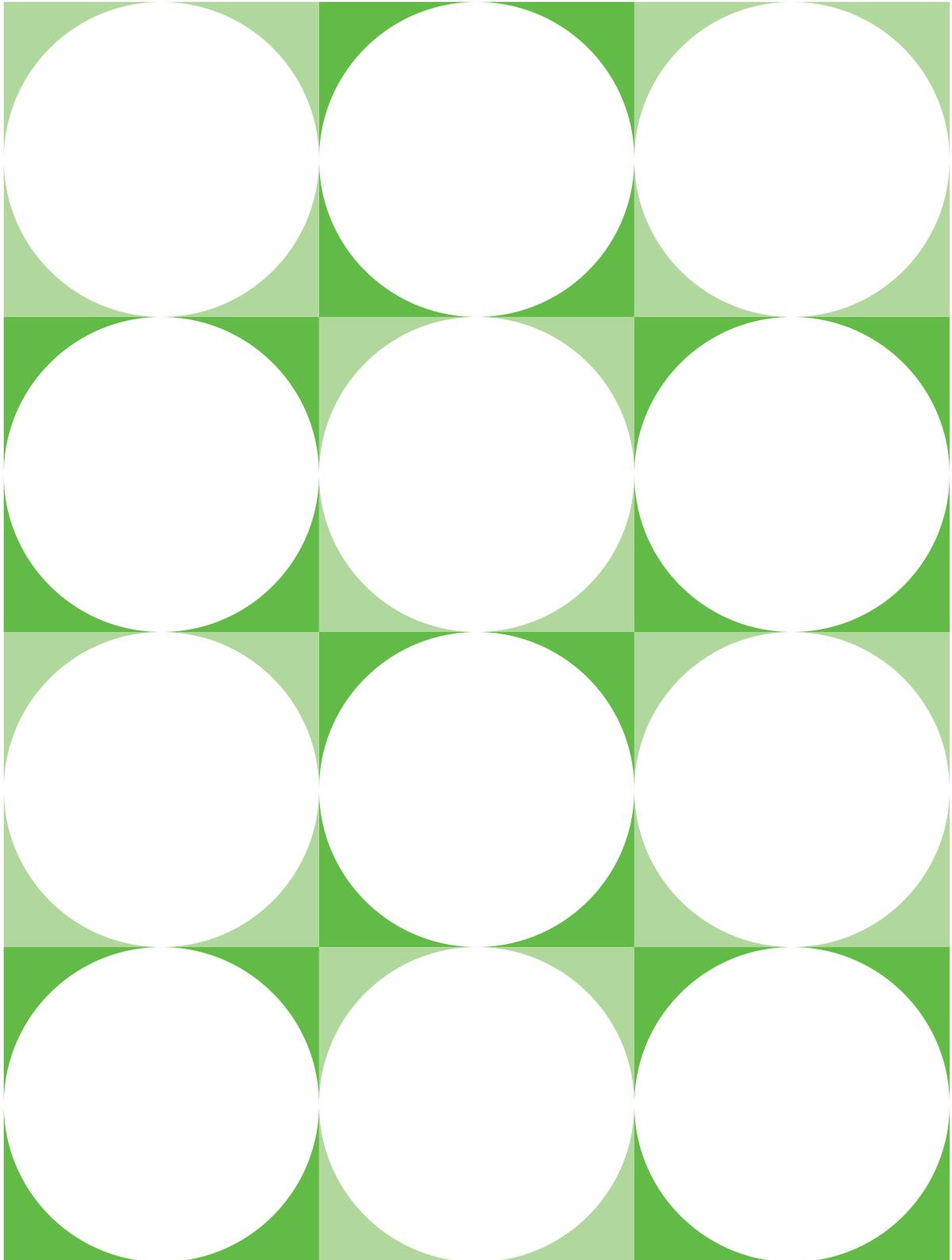
When an applicant applies for a licence/registration, AGLC is essentially entering into a partnership with them. As AGLC is a crown corporation, the applicant is then essentially entering into a partnership with the Alberta public.

To mitigate risk for Albertans, AGLC upholds a high standard utilizing a process requiring both a criminal background investigation and a financial investigation be conducted.

Our process also upholds a commitment to a balanced approach evident in our willingness to consistently find new methods and explore alternatives to support applicants without compromising the investigative process. We listen to our stakeholders and maintain constant communication to transparently share information about the process, timelines, and how we protect their personal information. We also maintain communications with other regulatory agencies across Canada and throughout the world to ensure Alberta is aware of risks identified nationally and internationally.

AGLC’s Due Diligence Unit is dedicated to protecting the integrity of the gaming and cannabis industries in Alberta while balancing the needs of stakeholders. Overall, our Unit and process help AGLC ensure choices Albertans can trust.”

~ Due Diligence Unit, Audit Services Branch
Regulatory Services Division, AGLC





**FINANCIAL
STATEMENTS**
AGLC

INDEPENDENT AUDITOR'S REPORT

To the Members of the Alberta Gaming, Liquor and Cannabis Commission

Report on the Financial Statements

Opinion

I have audited the financial statements of the Alberta Gaming, Liquor and Cannabis Commission (the Commission) which comprise the statement of financial position as at March 31, 2019, and the statements of net income, comprehensive income, 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, 2019, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Commission to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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 23, 2019
Edmonton, Alberta

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 the AGLC 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 as to 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 present fairly the financial position, results of operations and cash flows of the 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. The AGLC maintains staff of internal auditors whose functions include ongoing review of internal controls and their application. The Director, Internal Audit, has direct and unrestricted access to the Audit Committee.

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

The Office of the Auditor General of Alberta has been engaged to perform 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

Alain Maisonneuve

President and Chief Executive Officer

Original signed by

Kandice Machado

Vice President, Corporate Services
and Chief Financial Officer

STATEMENT OF FINANCIAL POSITION

As at March 31
(in thousands of dollars)

	Note	2019	2018
ASSETS			
Current Assets			
Cash and cash equivalents	5	\$ 180,060	\$ 170,617
Trade and other receivables		33,706	34,153
Inventories and prepaid expenses	6	58,037	12,274
		<u>271,803</u>	<u>217,044</u>
Non-Current Assets			
Property and equipment	7	262,065	223,740
Intangible assets	8	59,876	44,316
Investment properties	9	147,341	127,755
Investment in Western Canada Lottery Corporation	2h & 16	33,491	35,457
		<u>502,773</u>	<u>431,268</u>
		<u>\$ 774,576</u>	<u>\$ 648,312</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		\$ 205,406	\$ 189,999
Due to Alberta Lottery Fund	10	50,142	58,144
		<u>255,548</u>	<u>248,143</u>
Non-Current Liabilities			
Due to General Revenue Fund	11	476,087	360,526
Net defined benefit pension liability	2g & 12	63,907	49,115
		<u>539,994</u>	<u>409,641</u>
Accumulated Other Comprehensive Loss			
	12	(20,966)	(9,472)
		<u>\$ 774,576</u>	<u>\$ 648,312</u>

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

Approved by:

BOARD

Original signed by

Barbara Ritzen
Audit Committee Chair

MANAGEMENT

Original signed by

Alain Maisonneuve
President and Chief Executive Officer

STATEMENT OF NET INCOME

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

	Note	2019	2018 Restated (3b)
Cannabis revenue		\$ 76,714	\$ -
Cannabis cost of sales		(71,977)	-
Cannabis net revenue	13	4,737	-
Gaming net sales		1,735,993	1,736,064
Commissions and federal payments		(434,322)	(430,635)
Gaming net revenue	13	1,301,671	1,305,429
Liquor net revenue	13	886,891	891,483
Net Revenue		2,193,299	2,196,912
Operating expenses	14	(286,538)	(227,449)
Profit from Operations		1,906,761	1,969,463
Other revenue	15	24,678	14,596
Share of income from Western Canada Lottery Corporation	16	340,779	298,830
Net Income	2m & 13	2,272,218	2,282,889
Net income allocation to Alberta Lottery Fund	10	(1,445,657)	(1,416,872)
Net income allocation to General Revenue Fund	11	(826,561)	(866,017)
Net Income after Allocations		\$ -	\$ -

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	2019	2018
Net income	2m & 13	\$ 2,272,218	\$ 2,282,889
Other Comprehensive Income (Loss)			
Net actuarial (loss) gain	12	(11,494)	16,088
Comprehensive Income		\$ 2,260,724	\$ 2,298,977

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)

	2019	2018
Cash Flows from Operating Activities		
Comprehensive income	\$ 2,260,724	\$ 2,298,977
Share of income from Western Canada Lottery Corporation	(340,779)	(298,830)
Amortization	67,072	61,836
Loss on disposal of non-current assets	1,991	1,565
Increase (decrease) in net defined benefit pension liability	14,792	(13,249)
Net change in non-cash working capital items:		
Decrease (increase) in trade and other receivables	447	(15,364)
Increase in inventories and prepaid expenses	(45,763)	(416)
Increase in trade and other payables	15,407	29,712
	<u>1,973,891</u>	<u>2,064,231</u>
Transfers to Alberta Lottery Fund	(1,453,659)	(1,417,773)
Transfers to General Revenue Fund	(711,000)	(828,000)
Net Cash Used In Operating Activities	<u>(190,768)</u>	<u>(181,542)</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(97,059)	(31,716)
Purchase of intangible assets	(24,313)	(23,790)
Additions to investment properties	(21,286)	(39,801)
Proceeds on disposal of non-current assets	124	34
Advances received from Western Canada Lottery Corporation	342,745	299,474
Net Cash Provided By Investing Activities	<u>200,211</u>	<u>204,201</u>
Net Increase in Cash and Cash Equivalents during the year	9,443	22,659
Cash and Cash Equivalents, beginning of year	170,617	147,958
Cash and Cash Equivalents, end of year	<u>\$ 180,060</u>	<u>\$ 170,617</u>
Supplemental Cash Flow information:		
Interest received	\$ 4,047	\$ 1,857

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 (the Act)*, Revised Statutes of Alberta 2000, Chapter G-1. Under *the Act*, the AGLC was established as a provincial Crown corporation governed by the Board appointed by the Lieutenant General in Council.

The objectives of the 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 generate revenue for the Government of Alberta.

The AGLC also administers the Alberta Lottery Fund which was established under the *Interprovincial Lottery Act*, RSA 1980 cI-8.

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

2. Significant Accounting Policies

a. Statement of Compliance

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

b. Basis of Preparation

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

The financial statements for the year ended March 31, 2019, were authorized for issue by the Board on May 23, 2019.

c. 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 on the Statement of Financial Position when the 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 the financial instrument. 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.

The 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 Alberta Lottery Fund	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 asset expire or when the AGLC transfers the right to receive the contractual cash flows of the asset. 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 the AGLC expects to receive over the expected life of the financial asset. The AGLC recognizes lifetime expected credit losses for trade and other receivables.

d. 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.

e. Property, Equipment and Intangible Assets

Property, equipment and intangible assets are reported at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful life of assets, with no amortization calculated on assets under construction or development. 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. 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 the AGLC and the cost can be measured reliably.

The estimated useful life is reviewed on an annual basis for any change in circumstances. The effects of any changes in 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.

f. Investment Properties

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

Investment properties are initially recognized at cost, and are subsequently carried at cost less accumulated amortization. Amortization is calculated on a straight line basis over the estimated useful life of assets, with no amortization calculated on assets under construction or development. 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. Land is not amortized.

g. Defined Benefit Pension Plan

The 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 for Public Service Managers (SRP). The cost of providing benefits under the defined benefit plans is determined separately for each plan by independent actuaries based on several assumptions. An expense and associated liability for benefits earned are recognized in the period that employee service has been rendered. Under defined benefit pension plan accounting, the AGLC must recognize its proportionate share, determined on an actuarial basis, of plan assets, obligations, re-measurement amounts and service cost.

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. Re-measurement 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.

h. Investment in an Associate – Western Canada Lottery Corporation

The 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. It is a non-profit organization authorized to manage, conduct and operate lottery and gaming-related activities for its members - the Governments of Alberta, Saskatchewan, and Manitoba. The Yukon Territory, the Northwest Territories and Nunavut participate as associate members.

The AGLC has significant influence, but no control or joint control, over the financial and operating policy decisions of the WCLC. As a result, the 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 the AGLC's share of net assets of WCLC.

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

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

If there were indicators that the investment in WCLC is impaired, the 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, the 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.

i. Impairment of Non-Financial Assets

At each reporting date, if there are indicators that non-financial assets carried at amortized cost may be impaired, the 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 an asset's fair value less costs to sell and 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, the AGLC would estimate the recoverable amount. A previously recognized impairment loss is reversed only 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 be reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized 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.

j. Revenue from Contracts with Customers

The AGLC's revenue is generated primarily from gaming activities (including revenue from casino gaming terminals, video lottery terminals and personal-play electronic bingo), 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 the AGLC expects to be entitled in exchange for those goods or services. Under IFRS, the AGLC has concluded that it is the principal in its revenue arrangements for gaming activities and cannabis and an agent for liquor 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 the respective financial statement note.

Gaming Revenue

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

Player Engagement Program

In November 2018, the AGLC launched Winner's Edge, a Player Engagement Program (PEP), which allows players to accumulate loyalty points for casino gaming 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 casino gaming 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, the AGLC considers the likelihood that the customer will redeem the loyalty points within the 12 month expiration period. The AGLC updates its estimates of the points that will be redeemed on a quarterly basis and any adjustments to the liability balance are recognized against revenue.

Sale of Liquor

The AGLC purchases liquor products from liquor suppliers and registered agencies to warehouse and distribute based on a consignment model. Under IFRS, as liquor warehousing and distribution is managed by third party providers, the AGLC is acting as an agent in these arrangements, resulting in revenue being recorded on a net basis, recognized at the point in time when control for the goods is provided to the third party provider. Payment is required before the goods are transferred.

Sale of Cannabis

The AGLC purchases cannabis products from licensed producers and is responsible for warehousing and distribution of recreational cannabis products to licensed retailers and directly to Albertans through an online platform. The AGLC maintains direct control of cannabis products and thus is a principal in the arrangement and records revenue on a gross basis. Revenue from 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.

k. Federal and Provincial Taxes

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

l. Operating Expenses

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

m. Allocation of Net Income

The *Gaming, Liquor and Cannabis Act* requires the AGLC to transfer the net income to the Alberta Lottery Fund and the General Revenue Fund.

Net income arising from the conduct of authorized casino gaming, video lottery, lottery ticket, and electronic bingo in Alberta is transferred to the Alberta Lottery Fund. Note 10 discloses further information on amounts due to the Alberta Lottery Fund.

Net income from liquor and cannabis operations is transferred to the General Revenue Fund. Note 11 provides additional information regarding the amount due to the General Revenue Fund.

n. 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 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, the 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.

o. 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 management reasonably expects to be applicable at a future date.

IFRS 16 Leases – Issued on January 13, 2016, mandatorily effective for annual reporting periods commencing on or after January 1, 2019. The Standard sets out the principles for recognition, measurement, presentation and disclosure of leases. It provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The AGLC will adopt IFRS 16 in the period beginning April 1, 2019 and management is currently assessing the impact of adoption of this standard.

3. Changes in Significant Accounting Policies

a. IFRS 9 - Financial Instruments (IFRS 9)

The AGLC adopted IFRS 9, issued to replace IAS 39 – Financial Instruments: Recognition and Measurement, retrospectively effective April 1, 2018 in accordance with its transitional provisions. The standard impacts entities differently, depending both on the types and complexity of financial instruments they are party to, and the objectives of the entity with respect to both its financial instruments and financial reporting. IFRS 9 introduces a new method of classification for financial assets, driven by the nature of the financial assets and their anticipated use, a new method for impairment, which requires both an expected loss provision and further detailed qualitative and quantitative disclosures, and a new model for hedge accounting.

On adoption the AGLC has classified the financial assets held at April 1, 2018 based on the new classification requirements and the characteristics of each financial instrument at the transition date. The adoption of IFRS 9 did not impact the Statement of Financial Position or net income.

The adoption of IFRS 9 did not impact the AGLC's financial liabilities, as the AGLC has not elected the option of designating any financial liabilities at fair value through profit or loss and does not have embedded derivatives.

Changes to the classification and measurement of financial instruments are as following:

	IAS 39		IFRS 9	
Financial Assets				
Cash and cash equivalents	loans and receivables	amortized cost	debt instrument	amortized cost
Trade and other receivables	loans and receivables	amortized cost	debt instrument	amortized cost
Financial liabilities				
Trade and other payables	other financial liabilities	amortized cost	other financial liabilities	amortized cost
Due to Alberta Lottery Fund	other financial liabilities	amortized cost	other financial liabilities	amortized cost
Due to General Revenue Fund	other financial liabilities	amortized cost	other financial liabilities	amortized cost

In relation to impairment of financial assets, the AGLC recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the AGLC expects to receive, discounted at an approximation of the original effective interest rate.

For trade and other receivables, the AGLC applies a simplified approach in calculating ECLs as permissible within IFRS 9. Therefore, the AGLC does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

b. IFRS 15 - Revenue from Contracts with Customers (IFRS 15)

The AGLC adopted IFRS 15, replacing IAS 11 – Construction Contracts; IAS 18 – Revenue and several revenue related interpretations, effective April 1, 2018. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard also specifies the accounting for incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The AGLC adopted IFRS 15 using the full retrospective method of adoption. The effect of the transition on the current period is not disclosed as the standard provides an optional practical expedient. The AGLC did not apply any of the other available optional practical expedients.

The nature and effect of the changes from adoption of IFRS 15 is described below.

Agent in Liquor Sales

The AGLC purchases liquor products from liquor suppliers and registered agencies to warehouse and distribute based on a consignment model. Before the adoption of IFRS 15, based on the existence of credit risk and the nature of the consideration, the AGLC accounted for the revenue as a principal. Upon the adoption of IFRS 15, the AGLC determined that as it does not control the goods before they are transferred to customers and the AGLC is now an agent in these arrangements. As an agent, the AGLC records revenue at the net amount. As a result of this change, there is no impact to the presentation of the Statement of Financial Position, however the cost of sales on the Statement of Net Income is presented against revenue to result in the net presentation for the year ended March 31, 2019. The table below summarizes the change in the presentation on the Statement of Net Income.

	2018 Original	2018 Restated
Liquor revenue	\$ 2,577,823	\$ –
Liquor cost of sales	(1,686,340)	–
Liquor net revenue	\$ 891,483	\$ 891,483

4. Significant Accounting Estimates, Assumptions and Critical Judgments

In conformity with IFRS, the preparation of the AGLC's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the affected asset or liability in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis and applied prospectively.

For property and equipment, intangible assets and investment properties, judgment is used to estimate the useful life of the assets, based on an analysis of all pertinent factors including the expected use of the asset/asset category. If the estimated useful lives are incorrect, this could result in an increase or decrease in the annual amortization expenses, and future impairment charges.

For the provision for pension liability, judgment is used to estimate the underlying assumptions for future salary increases, inflation rates and discount rates. If these assumptions are incorrect, this could result in an adjustment to the liability and the gain/loss recorded in Other Comprehensive Income (Loss) on the Statement of Comprehensive Income.

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. The AGLC based its assumptions and estimates on parameters available during the preparation of the financial statements. 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 in the Consolidated Cash Investment Trust Fund (CCITF) of the Government of Alberta, as well as funds under administration totalling \$16,913 (2018 - \$17,012).

The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term and mid-term fixed income securities with a maximum term to maturity of three years. For the year ended March 31, 2019, securities held by the CCITF had a time-weighted yield of 1.8% per annum (March 31, 2018: 1.1% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

Funds under administration are comprised of proceeds from table games that the AGLC holds on behalf of charities. The 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 the 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 holding a licensed charitable casino event in the casino/region during the pooling period.

6. Inventories and Prepaid Expenses

	2019	2018
Gaming inventories	\$ 11,198	\$ 10,777
Cannabis inventories	43,979	-
Total inventories	55,177	10,777
Prepaid expenses	2,860	1,497
	\$ 58,037	\$ 12,274

7. Property and Equipment

	2019					2018
	Land	Buildings and Leasehold Improvements	Equipment and Computer Hardware	Gaming Equipment and Terminals	Total	Total
Cost, beginning of year	\$ 2,057	\$ 40,116	\$ 39,213	\$ 475,121	\$ 556,507	\$ 559,593
Additions	–	2,080	10,526	84,453	97,059	31,716
Adjustments	–	–	–	–	–	(107)
Disposals	–	(185)	(1,418)	(24,394)	(25,997)	(34,695)
Cost, end of year	2,057	42,011	48,321	535,180	627,569	556,507
Accumulated amortization, beginning of year	–	(24,547)	(27,368)	(280,852)	(332,767)	(312,268)
Additions	–	(1,222)	(4,338)	(51,553)	(57,113)	(53,749)
Disposals	–	125	1,376	22,875	24,376	33,250
Accumulated amortization, end of year	–	(25,644)	(30,330)	(309,530)	(365,504)	(332,767)
Net book value, end of year	\$ 2,057	\$ 16,367	\$ 17,991	\$ 225,650	\$ 262,065	\$ 223,740

The estimated useful lives for each asset category are as follows:

Buildings	Up to 40 years
Leasehold improvements	Lease term
Equipment (including vehicles)	Up to 10 years
Computer hardware	Up to 15 years
Gaming equipment and terminals	Up to 8 years

8. Intangible Assets

	2019				2018
	Computer Software	Gaming Software	Work in Progress	Total	Total
Cost, beginning of year	\$ 32,372	\$ 33,123	\$ 27,842	\$ 93,337	\$ 71,862
Additions	20,838	3,355	120	24,313	23,790
Transfers	23,687	–	(23,687)	–	–
Disposals	(4,459)	(2,697)	–	(7,156)	(2,315)
Cost, end of year	72,438	33,781	4,275	110,494	93,337
Accumulated amortization, beginning of year	(21,846)	(27,175)	–	(49,021)	(43,756)
Additions	(4,878)	(3,381)	–	(8,259)	(7,426)
Disposals	3,965	2,697	–	6,662	2,161
Accumulated amortization, end of year	(22,759)	(27,859)	–	(50,618)	(49,021)
Net book value, end of year	\$ 49,679	\$ 5,922	\$ 4,275	\$ 59,876	\$ 44,316

The estimated useful lives for each asset category are as follows:

Computer software	Up to 15 years
Gaming software	5 years

9. Investment Properties

	2019				2018
	Land	Buildings	Work in Progress	Total	Total
Cost, beginning of year	\$ 21,126	\$ 31,916	\$ 100,146	\$ 153,188	\$ 113,284
Additions	–	20,585	701	21,286	39,801
Transfers	–	100,117	(100,117)	–	107
Disposals	–	–	–	–	(4)
Cost, end of year	21,126	152,618	730	174,474	153,188
Accumulated amortization, beginning of year	–	(25,433)	–	(25,433)	(24,776)
Additions	–	(1,700)	–	(1,700)	(660)
Disposals	–	–	–	–	3
Accumulated amortization, end of year	–	(27,133)	–	(27,133)	(25,433)
Net book value, end of year	\$ 21,126	\$ 125,485	\$ 730	\$ 147,341	\$ 127,755

(a) The estimated useful life for the asset category is as follows:

Buildings Up to 40 years

(b) Amortization of the liquor distribution centre at 2 Boudreau Road commenced in January 2019.

(c) Net Profit from Investment Properties

	2019	2018
Rental income derived from investment properties	\$ 3,405	\$ 3,149
Direct operating expenses (including repair and maintenance)	(1,190)	(1,131)
Net profit arising from investment properties	\$ 2,215	\$ 2,018

Estimated rental income for the current lease term expiring on January 31, 2020 is:

2020 \$ 2,549

(d) Fair Value of Investment Properties

	2019	2018
Fair value of investment properties	\$ 188,000	\$ 167,146

Investment properties are recorded and reported at cost.

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 50 Corriveau Avenue and at 2 Boudreau Road using income, cost and direct comparison approaches. Both properties are located in St. Albert, Alberta.

10. Due to Alberta Lottery Fund

The *Gaming, Liquor and Cannabis Act* requires the AGLC to transfer the net income from gaming activities to the Alberta Lottery Fund. The amount below represents the portion of net income which has not been transferred to the Alberta Lottery Fund at year end due to timing of transfers.

	Note	2019	2018
Due to Alberta Lottery Fund, beginning of year		\$ 58,144	\$ 59,045
Net income allocation to Alberta Lottery Fund	13	1,445,657	1,416,872
Transfers to Alberta Lottery Fund		(1,453,659)	(1,417,773)
Due to Alberta Lottery Fund, end of year		\$ 50,142	\$ 58,144

Amounts due to Alberta Lottery Fund are unsecured, non-interest bearing and have no specific terms of repayment.

11. Due to General Revenue Fund

The *Gaming, Liquor and Cannabis Act* requires the AGLC to transfer the net income from liquor and cannabis operations to the General Revenue Fund. The amount below represents the portion of net income which has not been transferred to the General Revenue Fund.

	Note	2019	2018
Due to General Revenue Fund, beginning of year		\$ 360,526	\$ 322,509
Net income allocation to General Revenue Fund	13	826,561	866,017
Transfers to General Revenue Fund		(711,000)	(828,000)
Due to General Revenue Fund, end of year		\$ 476,087	\$ 360,526

Amounts due to General Revenue Fund are unsecured, non-interest bearing and have no specific terms of repayment. The AGLC does not expect to pay the total amount owing to General Revenue Fund during the next fiscal year as the AGLC retains funds to maintain a sufficient level of liquidity to support its business operations.

12. Employee Benefit Plans

Change in Net Defined Benefit Pension Liability

	2019				2018
	PSPP	MEPP	SRP	Total	Total
Change in Fair Value of Plan Assets					
Fair value of plan assets, beginning of year	\$ 145,044	\$ 57,720	\$ 1,170	\$ 203,934	\$ 190,953
Employer contributions	7,893	2,023	48	9,964	9,790
Benefits paid	(9,461)	(2,613)	(64)	(12,138)	(11,000)
Interest income	4,905	1,952	42	6,899	6,805
Actuarial gain (loss) on plan assets	13,618	(4,120)	(237)	9,261	7,386
Fair value of plan assets, end of year	\$ 161,999	\$ 54,962	\$ 959	\$ 217,920	\$ 203,934
Change in Defined Benefit Obligation					
Defined benefit obligation, beginning of year	\$ 182,565	\$ 68,738	\$ 1,746	\$ 253,049	\$ 253,317
Current service cost	9,015	2,489	59	11,563	10,386
Benefits paid	(9,461)	(2,613)	(64)	(12,138)	(11,000)
Interest expense	6,200	2,335	63	8,598	9,048
Actuarial loss (gain) on plan liabilities	24,032	(3,010)	(267)	20,755	(8,702)
Defined benefit obligation, end of year	\$ 212,351	\$ 67,939	\$ 1,537	\$ 281,827	\$ 253,049
Net Defined Benefit Pension Liability	\$ (50,352)	\$ (12,977)	\$ (578)	\$ (63,907)	\$ (49,115)

Employer's portion of the Net Defined Benefit Pension Liability is recorded as a provision and included as a liability in the Statement of Financial Position. The portions attributable to the AGLC are 50% for PSPP, 57% for MEPP, and 64% for SRP.

Accumulated Other Comprehensive Loss (AOCL)

	2019				2018
	PSPP	MEPP	SRP	Total	Total
Actuarial (gain) loss on plan assets	\$ (13,618)	\$ 4,120	\$ 237	\$ (9,261)	\$ (7,386)
Actuarial loss (gain) on plan liabilities	24,032	(3,010)	(267)	20,755	(8,702)
Net actuarial loss (gain)	10,414	1,110	(30)	11,494	(16,088)
AOCL, beginning of year	7,803	1,369	300	9,472	25,560
AOCL, end of year	\$ 18,217	\$ 2,479	\$ 270	\$ 20,966	\$ 9,472

Pension Expense

	2019				2018
	PSPP	MEPP	SRP	Total	Total
Current service cost	\$ 9,015	\$ 2,489	\$ 59	\$ 11,563	\$ 10,386
Interest expense	6,200	2,335	63	8,598	9,048
Interest income	(4,905)	(1,952)	(42)	(6,899)	(6,805)
Pension Expense	\$ 10,310	\$ 2,872	\$ 80	\$ 13,262	\$ 12,629

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:

	2019			2018		
	PSPP	MEPP	SRP	PSPP	MEPP	SRP
Discount rate:	3.30%	3.30%	3.40%	3.40%	3.40%	3.60%
Inflation rate:	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Average wage increases:	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
AGLC's share of plan payroll:	2.34%	1.88%	0.78%	2.14%	1.98%	0.97%
Date of the most recent actuarial valuation:	Dec. 31, 2017	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016
AGLC's expected contributions for the next period – all plans:	\$ 12,138			\$ 11,000		

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

	2019			2018		
	PSPP	MEPP	SRP	PSPP	MEPP	SRP
Estimated sensitivity of liabilities to a 1% change in the discount rate:	13.70%	13.40%	18.80%	13.00%	12.80%	19.10%
Estimated sensitivity of liabilities to a 1% change in the inflation rate:	7.30%	7.00%	9.10%	7.30%	7.40%	8.90%

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 etc.

Multi-employer plan funding risk

In addition to economic and demographic risk factors, the 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 government.

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 in order to make decisions about resource allocation and performance assessment.

	2019				2018
	Gaming (a)	Liquor	Cannabis (b)	Total	Total
Net Revenue	\$ 1,301,671	\$ 886,891	\$ 4,737	\$ 2,193,299	\$ 2,196,912
Operating expenses	(201,711)	(41,855)	(42,972)	(286,538)	(227,449)
Profit from Operations	1,099,960	845,036	(38,235)	1,906,761	1,969,463
Other revenue	4,918	15,387	4,373	24,678	14,596
Share of income from WCLC	340,779	–	–	340,779	298,830
Net Income	\$ 1,445,657	\$ 860,423	\$ (33,862)	\$ 2,272,218	\$ 2,282,889

(a) includes casino gaming terminals, video lottery terminals, electronic bingo and Keno charity commissions

(b) includes wholesale and eCommerce

Gaming activities can be further allocated as following:

	2019				2018
	Casino Gaming Terminals	Video Lottery Terminals	Electronic Bingo	Total	Total
Net Sales	\$ 1,134,643	\$ 589,552	\$ 11,798	\$ 1,735,993	\$ 1,736,064
Commissions					
Operators/retailers	(170,198)	(88,433)	(1,770)	(260,401)	(257,318)
Charities	(159,090)	–	(1,811)	(160,901)	(156,769)
Federal tax expense (c)	(8,510)	(4,421)	(89)	(13,020)	(16,548)
Net Revenue	\$ 796,845	\$ 496,698	\$ 8,128	\$ 1,301,671	\$ 1,305,429

(c) as prescribed by the *Games of Chance (GST/HST) Regulations of the Excise Tax Act (Regulations)* taxes are paid to the Government of Canada in lieu of the Goods and Services Tax (GST) on casino gaming terminal, video lottery terminal and electronic bingo sales (imputed tax) based on a formula set out in the *Regulations*. 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

	2019	2018
Salaries and benefits	\$ 107,069	\$ 94,068
Supplies and services		
Fees and services	26,893	5,802
Data processing	11,542	7,906
Equipment and vehicles	10,633	8,999
Marketing and retailer relations	8,529	3,359
Miscellaneous	8,188	870
Data communications	6,781	6,687
Property	5,779	4,060
Insurance and bank charges	2,713	2,094
Freight and ticket product delivery	2,412	2,495
Travel and training	2,279	2,141
Stationary and supplies	1,636	1,530
Liquor product expense	227	211
	<u>87,612</u>	<u>46,154</u>
Leased gaming equipment	23,086	23,148
Net interest in net defined benefit pension plan	1,699	2,243
Amortization	67,072	61,836
	<u>\$ 286,538</u>	<u>\$ 227,449</u>

15. Other Revenue

	2019	2018
Licences, fees and fines	\$ 12,727	\$ 8,857
Interest	4,047	1,857
Miscellaneous	3,819	80
Premises rental	3,405	3,149
Liquor levies	1,926	2,126
Chargebacks and recoveries	745	92
Loss on disposal of non-current assets	(1,991)	(1,565)
	<u>\$ 24,678</u>	<u>\$ 14,596</u>

16. Investment in Western Canada Lottery Corporation

The AGLC's interest in the Western Canada Lottery Corporation (WCLC) is based on Alberta's proportionate share of the WCLC's revenues and expenses derived from the sale and operation of interprovincial lottery games. The WCLC is a private entity that is not listed on any public exchange.

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

	2019	2018
WCLC Statement of Financial Position		
Current assets	\$ 78,719	\$ 73,718
Property and equipment	23,667	25,275
Intangible assets	8,104	8,457
	<u>\$ 110,490</u>	<u>\$ 107,450</u>
Current liabilities	\$ 111,908	\$ 108,116
Employee benefits	10,942	10,446
Equity	(12,360)	(11,112)
	<u>\$ 110,490</u>	<u>\$ 107,450</u>
Alberta's Proportionate Share of Revenue and Expenses		
Lottery sales (a)	\$ 946,227	\$ 835,731
Direct expenses (a)	(560,813)	(493,331)
Gross income	<u>385,414</u>	<u>342,400</u>
Operating expenses	(32,990)	(31,932)
Interest and other income	2,719	2,571
Net income from operations	<u>355,143</u>	<u>313,039</u>
Federal tax expense (a)	(4,998)	(5,017)
Payment to the Federal Government (b)	(9,366)	(9,192)
Share of Income from WCLC	<u>\$ 340,779</u>	<u>\$ 298,830</u>

(a) Online ticket lottery revenues are recognized at the date of the draw, with instant ticket revenues being 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 is made by the WCLC on behalf of Alberta and is based on current population statistics and its share of ticket lottery sales.

Statement of Change in Investment in WCLC

	2019	2018
Investment in WCLC, beginning of year	\$ 35,457	\$ 36,101
Share of income from WCLC	340,779	298,830
Advances received from WCLC	(342,745)	(299,474)
Investment in WCLC, end of year	<u>\$ 33,491</u>	<u>\$ 35,457</u>

17. Contractual Obligations

The AGLC has various obligations under long-term contracts, including service contracts and operating leases for buildings. The total expected payments for these obligations for each of the next five fiscal years and thereafter are as follows:

	2019	2018
2019	\$ –	\$ 96,937
2020	96,262	45,029
2021	47,081	16,272
2022	34,948	6,861
2023	9,160	5,449
2024	3,355	–
Thereafter	509	1,272
	<u>\$ 191,315</u>	<u>\$ 171,820</u>

18. Contingent Liabilities

The 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 appropriate adjustments have been made and the ultimate outcome is not expected to have material adverse effect in the financial position or operations of the AGLC.

The AGLC amended a lease agreement with a tenant on May 15, 2018. Under the terms of the amended agreement, the AGLC has agreed to assume certain third party premises leases for the remainder of the lease term, if a significant change in the terms of the tenant's appointment occurs before January 31, 2020. As at March 31, 2019, the AGLC's potential liability is \$21.3 million (2018 - \$9.1 million).

19. Salaries and Benefits

The following table discloses the amounts earned by the board and senior executives in the years ended March 31:

	Note	2019			2018	
		Base Salary (a)	Other Cash Benefits (b)	Other Non-Cash Benefits (c)	Total	Total
Chair of the Board		\$ 113	\$ –	\$ 5	\$ 118	\$ 107
Members of the Board	e	279	–	18	297	219
President and Chief Executive Officer	f	261	7	62	330	311
Vice Presidents (VP)						
VP, Gaming and Cannabis and Chief Operating Officer		229	1	54	284	279
VP, Human Resources		197	6	49	252	230
VP, Regulatory Services		200	2	49	251	222
VP, Corporate Services and Chief Financial Officer		196	4	51	251	238
VP, Corporate Strategic Services and Chief Risk Officer		181	1	46	228	217
VP, Liquor Services		174	1	43	218	220
VP, Information Technology and Chief Information Officer		174	–	43	217	214
VP, Corporate Responsibility and Reputation	d	9	11	2	22	167

- (a) Base salary 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 *Committee Remuneration Order*, for time spent on the business of the Board.
- (b) Other cash benefits consist of vacation payouts, honoraria and wellness spending account payments. There were no bonuses paid during the year.
- (c) Other non-cash benefits include the AGLC's share of employee benefits and contributions/payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.
- (d) Position eliminated on April 16, 2018.
- (e) At any given time the Board consisted of no more than 6 members plus the Chair, whose remuneration is disclosed separately.
- (f) Automobile benefit of \$6 (2018 - \$2) is included in other cash benefits.

20. Financial Instruments and Risk Management

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

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

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

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

21. Related Party Transactions

The 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.

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

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

During the year, the AGLC made payments totaling \$463 (2018 - \$415) to Alberta Risk Management Fund. Transactions with the Alberta Lottery Fund are disclosed in Note 10 and transactions with the General Revenue Fund are disclosed in Note 11.

The Western Canada Lottery Corporation (WCLC), an associated entity as disclosed in Note 2h, is also a related party to the AGLC. Details of transactions with the WCLC are disclosed in Note 16. In addition to these transactions, the AGLC received \$730 (2018 - \$721) in retailer service fees from the WCLC.

The Board members of the AGLC, executive management and their close family members are related parties to the AGLC. Compensation for the Board members and executive management is disclosed in Note 19, while transactions with close family members are immaterial.

22. Approved Budget

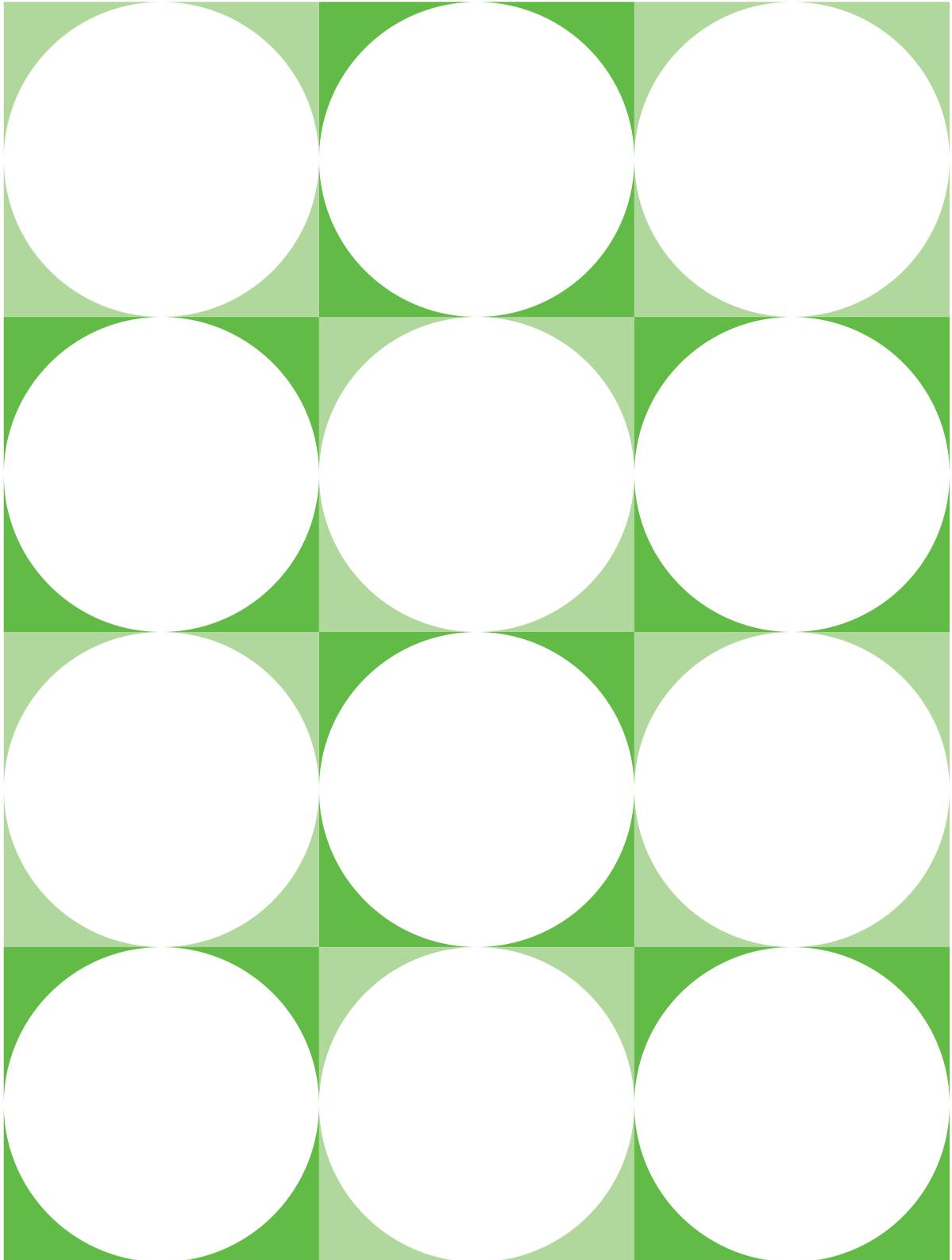
The AGLC includes its annual budget in its business plan. On recommendation from the Board, the budget receives approval by the President of Treasury Board, Minister of Finance, and becomes part of the fiscal plan of the Government of Alberta.

	2019
Cannabis sales	\$ 128,958
Cannabis cost of sales	(124,718)
Cannabis revenue	4,240
Gaming revenue	1,314,728
Liquor revenue	868,652
	<u>2,187,620</u>
Operating expenses	(300,102)
Profit from operations	<u>1,887,518</u>
Other revenue	16,927
Share of income from WCLC	328,544
Net income	<u>\$ 2,232,989</u>
Other Comprehensive Loss	
Net actuarial loss	(7,500)
Comprehensive income	<u>\$ 2,225,489</u>

23. Comparative Figures

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







**FINANCIAL
STATEMENTS**
ALBERTA LOTTERY FUND

INDEPENDENT AUDITOR'S REPORT

To the Members of the Alberta Gaming, Liquor and Cannabis Commission

Report on the Financial Statements

Opinion

I have audited the financial statements of the Alberta Lottery Fund (the Fund) which comprise the statement of financial position as at March 31, 2019 and the statements of operations and change in net financial assets 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 Fund as at March 31, 2019, and the results of its operations and its changes in net financial assets for the year then ended in accordance with Canadian public sector accounting 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 Fund 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 Canadian public sector accounting 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 Fund'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 Fund'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 Fund'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 Fund'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 Fund 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 23, 2019
Edmonton, Alberta

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Alberta Lottery Fund (ALF) have been prepared by management and approved by the AGLC Board (Board). The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).

Management is responsible for the integrity and fairness of the financial statements. Where required, management has made informed judgments and estimates as to 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 present fairly the financial position and results of operations of the ALF.

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. The AGLC maintains staff of internal auditors whose functions include ongoing review of internal controls and their application. The Director, Internal Audit, has direct and unrestricted access to the Audit Committee.

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

The Office of the Auditor General of Alberta has been engaged to perform 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

Alain Maisonneuve

President and Chief Executive Officer
Alberta Gaming, Liquor and Cannabis Commission

Original signed by

Kandice Machado

Vice President, Corporate Services
and Chief Financial Officer
Alberta Gaming, Liquor and Cannabis Commission

STATEMENT OF FINANCIAL POSITION

As at March 31
(in thousands of dollars)

	Note	2019	2018
Financial Assets			
Cash and cash equivalents	4	\$ 24,349	\$ 25,920
Due from Alberta Gaming, Liquor and Cannabis Commission	6	50,142	58,144
		<u>74,491</u>	<u>84,064</u>
Liabilities			
Accounts payable	7	\$ 21,716	\$ 31,289
		<u>21,716</u>	<u>31,289</u>
Net Financial Assets			
		\$ 52,775	\$ 52,775
Net Assets			
		<u>\$ 52,775</u>	<u>\$ 52,775</u>

The accompanying notes are part of these financial statements.

Approved by:

BOARD

Original signed by

Barbara Ritzen

Audit Committee Chair
Alberta Gaming, Liquor and Cannabis Commission

MANAGEMENT

Original signed by

Alain Maisonneuve

President and Chief Executive Officer
Alberta Gaming, Liquor and Cannabis Commission

STATEMENT OF OPERATIONS

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

	Note	Budget 2019	2019	2018
Revenues				
Net income from Provincial Lotteries	8	\$ 1,438,943	\$ 1,445,657	\$ 1,416,872
Interest		500	1,349	746
		1,439,443	1,447,006	1,417,618
Expenses				
Lottery Fund expenditures		1,439,443	1,447,006	1,417,618
		1,439,443	1,447,006	1,417,618
Annual Surplus		\$ -	\$ -	\$ -

The accompanying notes are part of these financial statements.

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

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

	Budget 2019	2019	2018
Annual surplus	\$ -	\$ -	\$ -
Net financial assets, beginning of year	52,775	52,775	52,775
Net Financial Assets, end of year	\$ 52,775	\$ 52,775	\$ 52,775

The accompanying notes are 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 Lottery Fund (Lottery Fund) is administered by the Alberta Gaming, Liquor and Cannabis Commission (AGLC) under the *Gaming, Liquor and Cannabis Act*, Chapter G-1, Revised Statutes of Alberta 2000. The Lottery Fund receives proceeds from Provincial Lotteries and makes transfers therefrom in the public interest in order to support public and community-based initiatives.

The *Appropriation Act, 2018* authorizes transfers from the Lottery Fund as presented in the 2018-2019 Estimates, and provides for flexibility in the amount allocated from the Lottery Fund to the General Revenue Fund so that the annual surplus of the Lottery Fund would be zero at the year ended March 31, 2019.

The transfer of funds to certain programs is based on electronic gaming proceeds generated at related gaming facilities, in accordance with government policy direction. For these programs, the amount transferred may differ from the budgeted amount.

The accountability and utilization of Lottery Fund amounts transferred to entities within the Government of Alberta may be determined and confirmed by referencing the respective entity's financial statements.

2. Statement of Compliance

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) and related interpretations as issued by the Public Sector Accounting Board.

3. Significant Accounting Policies

a. Cash Flow

A Statement of Cash Flow is not provided as disclosure in these financial statements is considered to be adequate.

b. Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable and accounts payable are estimated to approximate their carrying values, because of the short term nature of these instruments.

c. Financial Instruments

As the Lottery Fund does not have any transactions involving financial instruments that are classified in the fair value category and has no foreign currency transactions, there are no re-measurement gains and losses and therefore a Statement of Remeasurement Gains and Losses has not been presented.

d. 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.

PSAS 3400 Revenue – Published in November 2018, mandatorily effective for annual reporting periods commencing on or after April 1, 2022. The Standard provides guidance on accounting for and reporting of revenue, specifically addressing revenue arising from exchange transactions and unilateral transactions. The AGLC is currently assessing the impact of adoption of this standard.

4. Cash and Cash Equivalents

Cash and cash equivalents consist of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors, while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term and mid-term fixed income securities, with a maximum term-to-maturity of three years. For the year ended March 31, 2019, securities held by the CCITF had a time-weighted return of 1.8% per annum (March 31, 2018: 1.1% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

5. Related Party Transactions

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's consolidated financial statements.

Related parties also include the AGLC executive management and their close family members.

All the transactions, except for interest revenue, of the Lottery Fund are considered related party transactions.

6. Due from Alberta Gaming, Liquor and Cannabis Commission

This amount represents the portion of net income from provincial lotteries which has not been transferred by the AGLC to the Lottery Fund at year end due to timing of transfers.

	2019	2018
Due from AGLC, beginning of year	\$ 58,144	\$ 59,045
Net income from provincial lotteries	1,445,657	1,416,872
Transfers from AGLC	(1,453,659)	(1,417,773)
Due from AGLC, end of year	<u>\$ 50,142</u>	<u>\$ 58,144</u>

Amounts due from AGLC are unsecured, non-interest bearing and have no specific terms of repayment.

7. Accounts Payable

Accounts payable consists primarily of outstanding payments to the Department of Treasury Board and Finance.

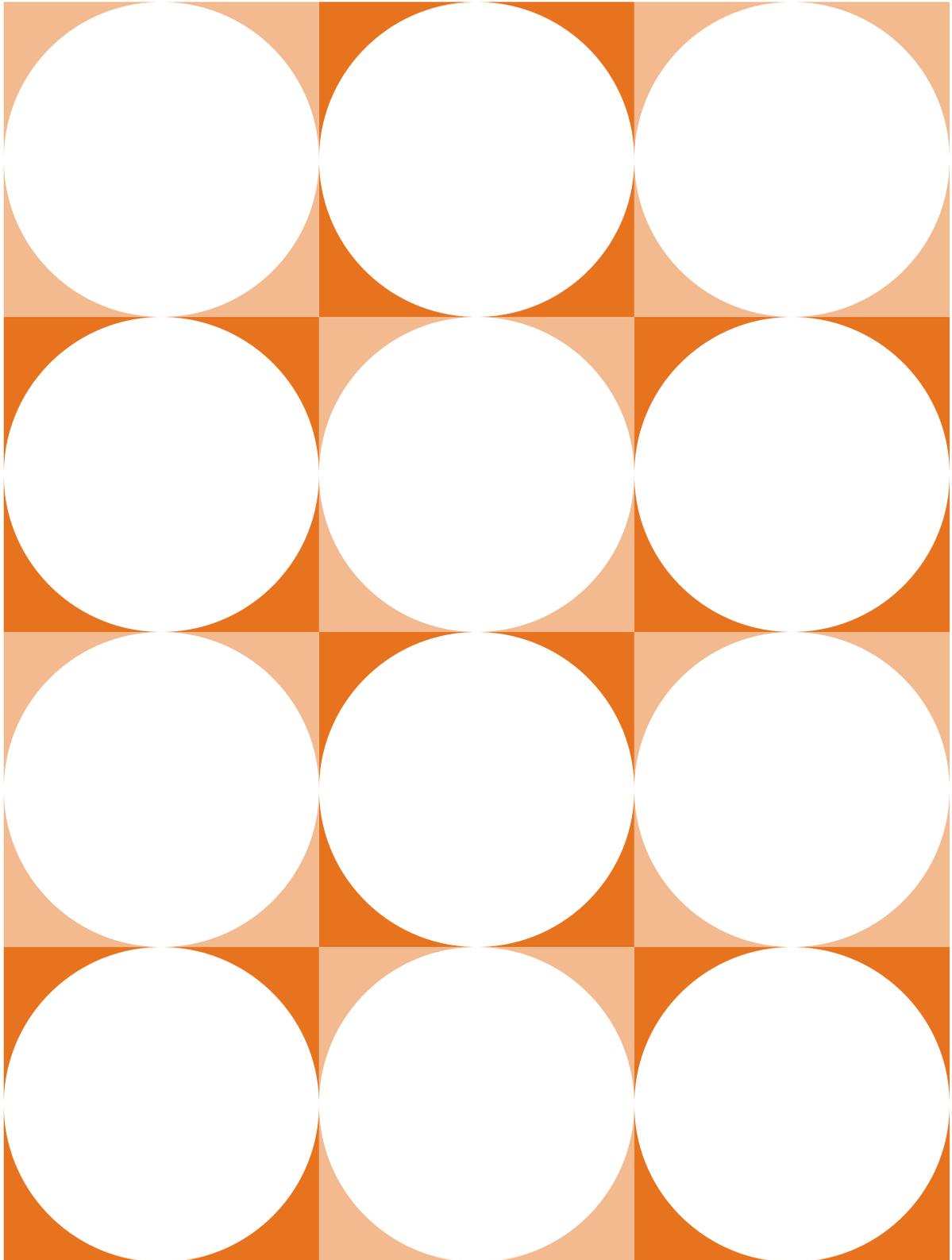
8. Net Income from Provincial Lotteries

Net income from provincial lotteries received by the AGLC is recorded as revenue of the Lottery Fund.

	2019	2018
Net revenue from provincial lotteries	\$ 1,301,671	\$ 1,305,429
Operating expenses	(201,711)	(185,405)
Profit from operations	1,099,960	1,120,024
Other revenue	4,918	(1,982)
AGLC's share of income from Western Canada Lottery Corporation	340,779	298,830
Net income from provincial lotteries	\$ 1,445,657	\$ 1,416,872

9. Budget

The fiscal 2019 budgeted expenditures were authorized in total by the Province of Alberta *Appropriation Act*, 2018 assented on March 28, 2018.





SATISFACTION SURVEYS

AGLC conducted six annual satisfaction surveys to understand gaming, liquor, and cannabis in Alberta as well as AGLC's performance in serving Albertans.

NRG Research Group (NRG) is an independent professional survey company that is contracted to conduct surveys on behalf of AGLC, and has conducted surveys for AGLC for the past four years.

SURVEYS AND OBJECTIVES

1. Survey of Albertans	2. Social Responsibility	3. Charitable Gaming Licensees	4. Gaming Retailers	5. Liquor Licensees and Registered Liquor Agencies	6. Cannabis Licensees
Objectives					
Tracks Albertans' level of satisfaction with how the liquor business, legal gaming, and legal cannabis is run in Alberta, as well as the awareness level of responsible drinking, gambling, and cannabis use.	Determines the incidence of Albertans who drink alcohol, and gamble responsibly .	Tracks the satisfaction of services provided by AGLC to charitable gaming licensees such as response time, knowledge of employees, access to information, and online services	Captures the satisfaction of gaming retailers with the services provided by AGLC which includes vlt, casino, and lottery ticket retailers.	Measures the levels of satisfaction for both liquor licensees and registered liquor agencies with the services provided by AGLC which includes the licensing, product & pricing, and the customs & excise programs.	Measures the satisfaction with the services provided by AGLC to cannabis licensees which includes licensing account representatives, cannabis call centre, albertacannabis.org, and the distribution service.
Reviews Albertans' confidence that AGLC responsibly manages gaming, liquor, and cannabis revenues to deliver benefits to Albertans.	Assesses Albertans' awareness of harm reduction programs related to drinking and gambling.				
Tracks Albertans' perceptions of AGLC.	Collects data to build a structure of what is considered responsible cannabis use .				

METHODOLOGY SUMMARY

	1. Survey of Albertans	2. Social Responsibility	3. Charitable Gaming Licensees ³	4. Gaming Retailers	5. Liquor Licensees and Registered Liquor Agencies	6. Cannabis Licensees ⁵
Timing (2019)	Jan. 3 – Jan. 16	Jan. 3 – Jan. 16	Jan. 14 – Feb. 15	Jan. 10 – Feb. 18	Jan. 10 – Feb. 18	Jan. 9 – Feb. 11
Sample Size	1,000 ¹	1,100 ¹	3,576 (2,116 in 2018)	1,116 (1,065 in 2018)	1,401 (984 in 2018)	49
Total Invited			6,748	3,683 vlts: 860 Casino: 29 Ticket: 2,794	9,143 Licensees: 8,529 Agencies: 614	66 Licensees: 66
% Participated	12% (11% in 2018)	13% (13% in 2018)	53% (50% in 2018)	30% (28% ⁴ in 2018)	15% (11% in 2018)	74%
Method	Random Digit Dialing ² (including cell phone numbers, consisting of Alberta residents)	Random Digit Dialing ² (including cell phone numbers, consisting of Alberta residents)	Online Survey (phone follow up)	Online Survey (phone follow up)	Online Survey (phone follow up)	Online Survey (phone follow up)
Margin of error	95% confidence level +/- 3.1%	95% confidence level +/- 3.0%	95% confidence level +/- 1.4%	95% confidence level +/- 2.4%	95% confidence level +/- 2.4%	95% confidence level +/- 7%
Analysis	The data were analyzed using Statistical Package for Social Sciences (SPSS) statistics software and WinCross cross-tabulation software.					

Limitations and Notes:

- Quotas were put in place to ensure a good distribution across age, gender, and location within the province. The 2019 sample was weighted to match the population distribution based on the most recent census data available from Statistics Canada, established in 2016.
- NRG Research utilized a Random Digit Dialing (RDD) methodology to sample among the population of Alberta for the purpose of this research. Although RDD is considered the most effective way to achieve a sample that is representative of the population, it also has some limitations:
 - Due to the sensitivity of the topics covered in the questionnaire, respondents may be influenced through Social Desirability Bias – that is, incidences of responsible gambling and alcohol usage is self-reported, and respondents tend to answer in such a way that makes them look favourable to the interviewer. As such, it is possible that the incidence of alcohol or gambling abuse is under-reported. The impact of Social Desirability Bias in survey responses is not measurable.
 - While Albertans were contacted in a randomized matter, only those who agreed to participate in the survey are included in the sample. Among those Albertans contacted, 12% (Survey of Albertans) and 13% (Social Responsibility) took part in the research.
- The annual satisfaction survey questions for charitable gaming licensees were incorporated into AGLC's Charitable Gaming Review Phase One, which was conducted by Grant Thornton in 2019.
- The 2017-18 Annual Report reported 27% participation. Post report production NRG Research updated the participation rate to 28% as per the confirmed sample size of 1,065 in 2018.
- 2019 is the inaugural year of cannabis data collection as cannabis became legal in October 2018.

METHODOLOGY DETAILS

Responsible Gamblers

The responsible gamblers calculation is completed by NRG Research Group using responses to the following questions in the Social Responsibility Survey that are based on the Centre for Addiction and Mental Health's Problem Gambling Severity Index (PGSI):

"Thinking of the last 12 months:

- *Have you bet more than you could really afford to lose?*
- *Have you needed to gamble with larger amounts of money to get the same feeling of excitement?*
- *Have you gone back on another day to try to win back the money you lost?*
- *Have you borrowed money or sold anything to gamble?*
- *Have you felt that you might have a problem with gambling?*
- *Has gambling caused you any health problems, including stress or anxiety?*
- *Have people criticized your betting or told you that you had a gambling problem, whether or not you thought it was true?*
- *Has your gambling caused any financial problems for you or your household?*
- *Have you felt guilty about the way you gamble or what happens when you gamble?"*

The answers for each question are totalled to provide an overall score. The higher the score the greater the risk that gambling is a problem. Answers were coded on a scale of zero (respondent never engages in specified behaviour) to three (respondent always engages); the answers for each question were totalled to provide an overall score and respondents were considered to gamble responsibly if they had an overall score of two or less. The methodology for the responsible gamblers metric was amended to exclude Albertans that do not gamble starting with the 2018-19 fiscal year. The target amount for 2018-19, using the new methodology, was set in the 2019-22 AGLC Business Plan.

Responsible Drinkers

The responsible drinkers calculation is completed by NRG Research Group using responses to the following questions in the Social Responsibility Survey that are based on Canada's Low-Risk Alcohol Drinking Guidelines developed by the College of Family Physicians of Canada and the Canadian Centre on Substance Abuse:

- *“Do you drink beer, wine, coolers, or other alcoholic beverages?”*

If answered yes:

- *“On average, how many days per week do you drink alcohol?”; and*
“On a typical day, how many drinks do you consume?”

Respondents were considered to consume alcohol responsibly if they meet the following criteria:

- Female: two or less drinks per day, or 10 or less drinks per week (calculated by multiplying the number of drinks per day, by the number of days per week on which alcohol is consumed),
- Male: three or less drinks per day, or 15 or less drinks per week (calculated by multiplying the number of drinks per day, by the number of days per week on which alcohol is consumed).

The methodology for the responsible drinkers metric was amended to exclude Albertans that do not consume alcohol starting with the 2018-19 fiscal year. The target amount for 2018-19, using the new methodology, was set in the 2019-22 AGLC Business Plan.

Stakeholder Satisfaction Index

The Stakeholder Satisfaction Index is calculated by AGLC and is determined using an average of the satisfied responses from a series of questions asked in the four stakeholder satisfaction surveys (charitable gaming licensees, gaming retailers, liquor licensees and registered liquor agencies).

The questions are focused on satisfaction related to: response time, knowledge of employees, courtesy of employees, access to information, online services, ease of access to services, contact frequency, training materials, and overall service. Baseline data to incorporate cannabis licensee results in the index calculation are being collected. The target and actual will include cannabis once two years of data are collected.

AGLC Reputation Index

The Reputation Index is calculated by averaging six separate dimensions (emotional appeal, financial performance, vision and leadership, workplace, social responsibility, and products and services), each comprised of questions directed to Albertans, AGLC employees, and AGLC stakeholders based on trust, confidence, responsibility, and satisfaction. Baseline data to incorporate cannabis licensee results in the index calculation are being collected. The target and actual will include cannabis once two years of data are collected.

Employee Engagement

This measurement is calculated based on questions in the 2018 AGLC Employee Engagement Survey.

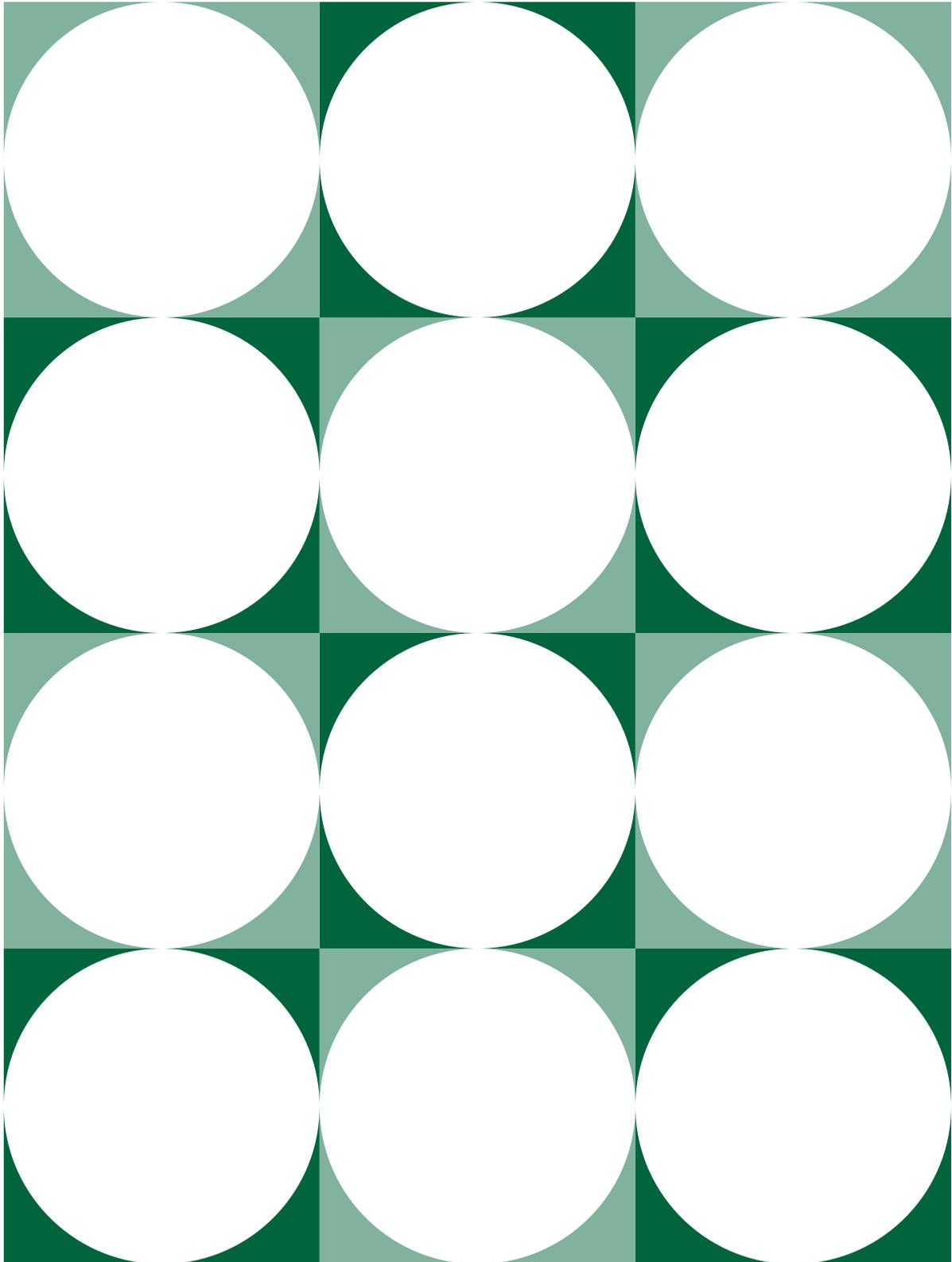
ANNUAL SATISFACTION SURVEY HIGHLIGHTS

70% of Albertans report engaging in some form of gaming activity in the last 12 months. The top three activities are lottery tickets, raffle tickets, and slot machines.

79% of Albertans report purchasing liquor in the last 12 months.

Over **80%** trust AGLC to manage gaming and liquor activities.

85% of Albertans are satisfied with the way the liquor business is conducted in Alberta.





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St. Albert, AB T8N 6K3

Calgary

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Calgary, AB, T2E 7H7

Phone: 403-292-7300

Red Deer

3, 7965-49 Avenue
Red Deer, AB T4P 2V5

Phone: 403-314-2656

Grande Prairie

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Phone: 780-832-3000

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South, Lethbridge, AB T1J 1Y6

Phone: 403-331-6500

Alberta Cannabis Call Centre

Phone: 1-855-436-5677

albertacannabis.org

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