Annual Report

2021–22

Supporting a more vibrant Alberta

AGLC
Choices Albertans can trust.

Supporting a more vibrant Alberta

When AGLC provides choices Albertans can trust, AGLC is supporting a more vibrant Alberta.

By providing consumer choice, business sustainability and stable employment, AGLC ensures that innovation can thrive in the gaming, liquor and cannabis industries. Balanced by a productive regulatory environment that ensures public health, responsible experiences and informed choices, AGLC delivers choices Albertans can trust.

We are committed to strengthening the province as the best place to do business within Canada and reducing barriers for business growth. While ensuring the interests of consumers are protected, AGLC responsibly generates revenue through gaming, liquor and cannabis activities for the benefit of Albertans and the communities where they live.

Together, economic growth, social benefits, choice and stable revenue support a more vibrant Alberta.

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AGLC's annual report is for the year ended March 31, 2022.

Messages from Board Chair and CEO

Message from the Board Chair

AGLC's role in supporting a more vibrant Alberta this past year was marked by the beginning of a positive turnaround of the provincial economy despite highly unpredictable events near and far from home. COVID-19 variants, supply chain issues, inflation, a war in Ukraine and an energy crisis created challenges for AGLC, for our stakeholders and for all Albertans. This past year was a balance of prioritizing short-term targets while maintaining a broader, long-term view of enhancing AGLC's ability to deliver customer-centric solutions to support profitable business growth and job creation in Alberta.

As part of our commitment to fostering economic resilience in the province, AGLC lauched a five-year strategic plan designed to strengthen Alberta to be at the forefront of industry advancements. With an ambitious and transformative period on the horizon, it was imperative that AGLC's CEO exemplify creative agility and passion for innovation. After an exhaustive search, CEO, Kandice Machado, was appointed to the position. On behalf of the Board, I thank Kandice for her steady guidance and focus on meaningful collaboration with AGLC's stakeholders. I am grateful for her leadership and the tremendous resiliency and perseverance shown by both AGLC stakeholders and staff as we continue to drive business growth in the gaming, liquor and cannabis industries.

This year, we expanded Play Alberta, the province's only regulated online gambling website, to include single-event sports betting providing players with more choice and combatting the illegal online gambling market. AGLC's exit from online cannabis sales was designed to facilitate new revenue opportunities for retailers, spur private sector investment and job creation, ultimately increasing consumer choice to strengthen the legal market. In the face of supply-chain issues and world conflicts, Alberta's liquor industry remained steady while continuing to expand Albertans' choices for liquor products. This included an increase in licensed restaurants, bars and lounges signaling a rebound in the hospitality industry.

In 2021-22, it was vital for AGLC to support businesses doing what they do best, while striking the right balance of regulatory oversight and social responsibility. The Board's emphasis on policy modernization directly supported our laser-focus on reducing red tape. This annual report features a hallmark accomplishment of 37 per cent red tape reduction, exceeding this year's target of 20 per cent and next year's target of 33 per cent. Effectively managing the province's gaming, liquor and cannabis industries while maximizing benefits to Albertans also includes responsibly generating revenue for the province. This year, AGLC will contribute over 23 per cent more to the Government of Alberta's General Revenue Fund compared to the previous year.

Looking forward, our Board is excited about our stakeholders' potential to continue driving economic recovery and growth for the province. We also look forward to collaborating with the Government of Alberta to maintain Alberta's position as the best place to do gaming, liquor and cannabis business; ensuring choices Albertans can trust for years to come.

Original signed by

Len Rhodes
Board Chair

“2021-22 was a significant step forward in our business and economic recovery plan from the lows of the previous year. As we move out of the pandemic, our Board will focus on customer-centric solutions to support business growth and job creation for our stakeholders.”

~ **Len Rhodes**

Message from the CEO

Throughout AGLC's history, our business models have continuously delivered strength and stability to the province. While this past year was full of challenges for AGLC and our industry partners, it's been truly inspirational to see how we've collectively stepped up for Albertans to support economic recovery in the province. I want to thank all employees, board members and stakeholders for their agility this past year. Despite the uncertainty and ever-evolving global landscape of 2021-22, AGLC continued to showcase its ability to execute, transferring $2.1 billion in revenue to the Government of Alberta's General Revenue Fund where it will be used to support government funded projects and initiatives.

Continuing to manage the impacts of COVID-19 meant engaging in effective stakeholder consultation and modernizing policies to help industry adapt to the changing environment. Surpassing our target for this year and next, AGLC achieved a 37 per cent reduction in red tape, eliminating barriers for businesses and facilitating overall industry success.

The guidance of our Board of Directors was another call to action for our organization and its role in our province. AGLC addressed the challenges facing our industries by focusing on economic growth and customer-centricity for each of our business lines. Gaming continued to see positive advancements through Play Alberta which allowed us to quickly offer legal, single outcome wagering to Albertans in a safe, regulated environment. AGLC also successfully transitioned online cannabis sales to the private sector, fueling industry growth and diversification. With flooding in key transportation routes throughout Canada and significant supply chain strains globally, we were able to stabilize our liquor and cannabis supply chains delivering an unmatched number of products to Albertans. We also saw growth in liquor products made right here in Alberta, showcasing the creativity and resourcefulness that exists in our province.

Alongside new gaming offerings and product accessibility, our social responsibility programs expanded to include CannabisSense, which joins GameSense and DrinkSense in providing research-based educational tools for responsible gaming, liquor and cannabis experiences.

Now, and into the future, supporting a more vibrant Alberta will require AGLC to listen, adapt, and empower our stakeholders and employees. With the development of AGLC's five-year strategic plan, our focus will be to continue strengthening Alberta to be at the forefront of the gaming, liquor and cannabis industries while balancing a regulatory environment that supports responsible choices. By providing support to the charities that enrich our communities, the businesses that deliver products and services to customers and the industries that contribute to Alberta's economic success, AGLC will continuously support choices Albertans can trust.

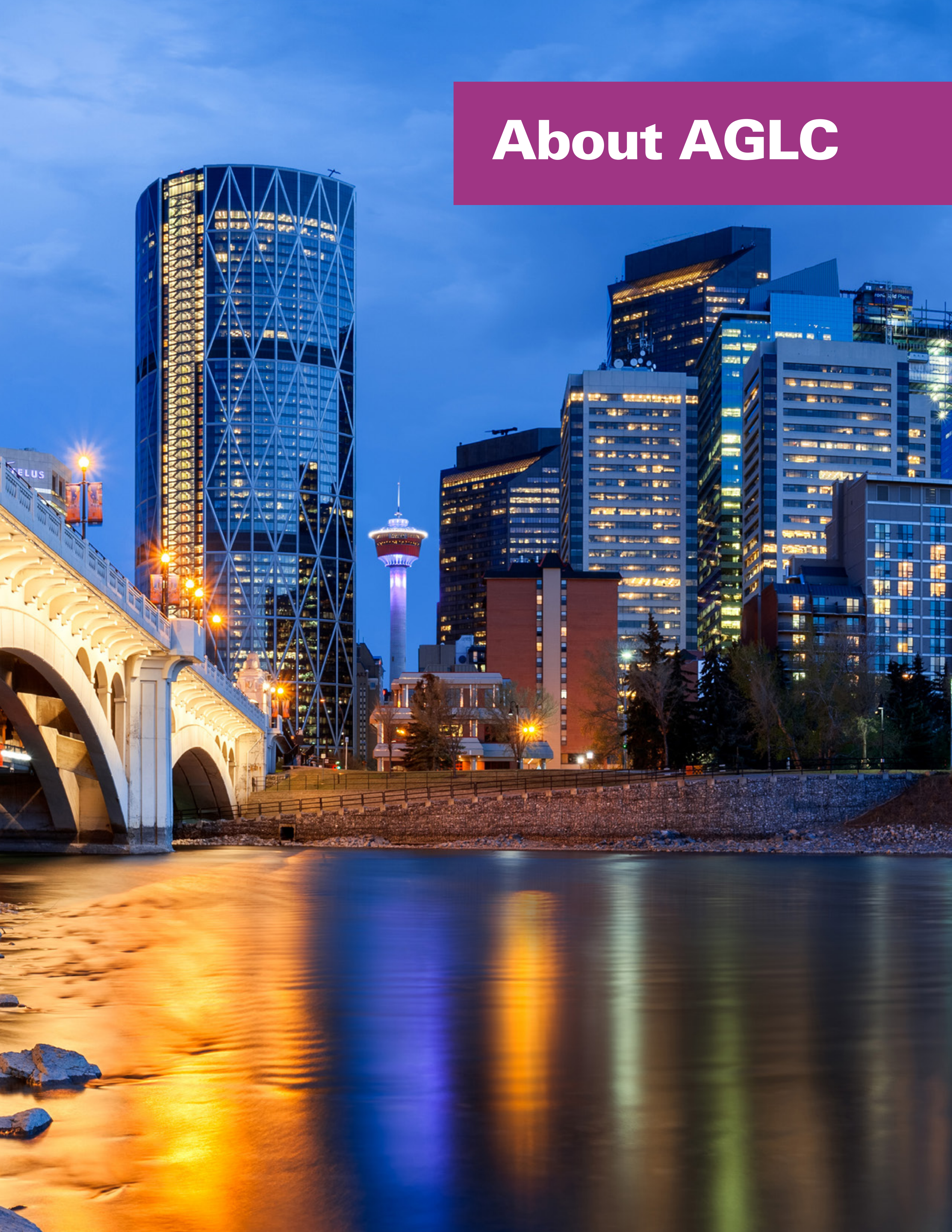
Original signed by

Kandice Machado
Chief Executive Officer

“I want to thank our employees for rising to each and every challenge and showing great agility. Their collective dedication to providing a high level of service to our stakeholders and customers was instrumental in AGLC’s success.”

~ **Kandice Machado**

About AGLC



Purpose

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

Vision

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

Mission

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

Values

INTEGRITY

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

RESPECT

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

COLLABORATION

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

INNOVATION

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

INCLUSION

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

Legal status

AGLC's mandate is defined by the following legislation and regulations:

- *Gaming, Liquor and Cannabis Act* (GLCA)
- Gaming, Liquor and Cannabis Regulation (GLCR)

AGLC is also subject to the following statutes, regulations and policies[1]:

- *Financial Administration Act* and any related regulations and directives
- *Fiscal Planning and Transparency Act*
- *Auditor General Act*
- *Freedom of Information and Protection of Privacy Act*
- *Alberta Public Agencies Governance Act*
- *Conflicts of Interest Act*
- *Lobbyists Act*
- *Public Interest Disclosure (Whistleblower Protection) Act*
- *Public Sector Compensation Transparency Act*
- *Reform of Agencies, Boards and Commissions Compensation Act*
- Labour and safety code requirements
- Beverage Container Recycling Regulation

Note:

1. This list is a high-level overview. AGLC is subject to additional statutes, regulations and policies not listed above.

Structure

Organization

Board of Directors

	Len Rhodes, Chair	
W. Kent Breedlove	Jack Fujino	Patti Grier
Elan Harper	Maureen Moneta[1]	Robert (Bob) Sartor[2]
Vincent Vavrek	Angela Tu Weissenberger	Tongjie (TJ) Zhang

The Board is responsible for AGLC's governance and overseeing the management of AGLC's business affairs. Information about the Board is available on our website at aglc.ca/board.

Chief Executive Officer

Kandice Machado[3]

Divisions[4]

Corporate Services	Gaming & Cannabis	Human Resources
Information Technology	Liquor Services	Policy & Public Affairs
	Regulatory Services	

Employees

Our employees are our greatest asset. Our team of dedicated high performers are driven to provide stakeholders with outstanding service while providing Albertans with choices they can trust. Employee engagement, attraction and retention of talent, effective decision-making and creating positive customer experiences is the result of a healthy culture that is focused on our stakeholders now and into the future.

AGLC IS PROUD TO BE AN EMPLOYER OF CHOICE.

2022 marked the sixth time AGLC was selected as one of Alberta's Top Employers.

Notes:

1. Appointed April 6, 2022.
2. Term ended June 9, 2021.
3. AGLC's Chief Executive Officer is a non-voting member of the Board.
4. Divisional structure reflects organizational structure as at March 31, 2022.

Supporting a more vibrant Alberta

Reducing red tape for businesses

AGLC supports the Government of Alberta's red tape reduction initiative and remains committed to reducing barriers for our industry stakeholders.

37%

red tape reduction achieved by AGLC in the 2021-22 fiscal year.

20%

the Government of Alberta's red tape reduction target set for AGLC in the 2021-22 fiscal year.

12,500+

businesses positively affected by AGLC red tape reduction initiatives.

13,000+

charities benefiting from improved raffle opportunities and expanded use of gaming proceeds.

Positive economic impact for Alberta communities

$ 2.1 billion

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

- Youth programs
- Social services
- Housing
- Education
- Infrastructure
- Healthcare
- Community development

$ 306.6 million

in proceeds raised through charitable gaming activities that contribute to programs and services across the province.

- Research
- Education
- Sports
- Activities for older adults
- Volunteer experiences
- Youth development

Economic activity is generated in communities across Alberta through independent operators and retailers. This includes businesses that serve their local communities as gaming providers, liquor store operators and cannabis retailers.

19
traditional casinos

5
Host First Nation (HFN) casinos

4
Racing Entertainment Centres (RECs)

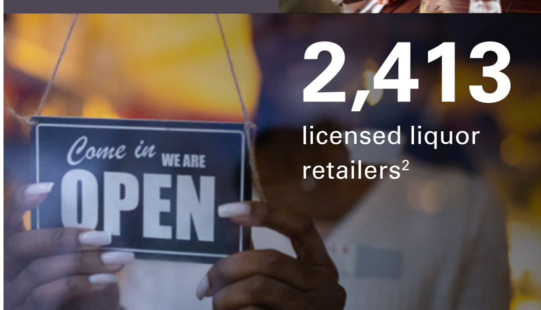
13,338
charitable gaming licences

770
video lottery terminal (VLT) retail locations[1]

2,856
lottery ticket centres

5,452
licensed restaurants, bars and lounges

236
Alberta liquor manufacturers



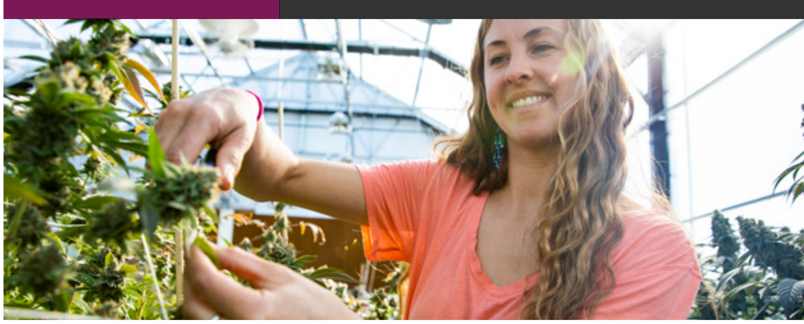
2,413
licensed liquor retailers[2]

764
liquor agencies

7,349
liquor products made in Alberta

756
licensed cannabis retail stores[3]

134
contracts with licensed producers of cannabis[4]



Notes:

1. Deployed (installed) as of March 31, 2022.
2. Retailers engaged in the sale of liquor for consumption in another location e.g., purchased from a liquor store or hotel for off-premises consumption.
3. Retailers that are licensed to sell cannabis products.
4. 33 contracts with Alberta-based licensed producers.

Empowering the consumer

AGLC focuses on providing and facilitating access to a variety of products and services. With a wide variety of products and experiences available, consumers can make purchasing decisions based on their needs or expectations.

83%

of Albertans trust AGLC to manage gaming, liquor and cannabis activities in Alberta. We are proud to offer choices Albertans can trust.[1]

Increased consumer choice

112

more locations to buy lottery tickets compared to five years ago.

28%

more liquor products on the market compared to five years ago.

630%

more cannabis products compared to three years ago.

Gaming entertainment options on PlayAlberta.ca have expanded to include secure, casino-style games, instants, live dealer games, lottery and sports betting for legal-aged residents.

Albertans have access to a broad selection of liquor products supported by 236 local manufacturers, a centralized distribution network, a personal importation option, and expanded licensing eligibility that permits liquor sales at farmers' and artisan markets across the province.

Albertans have increased choice when it comes to their online cannabis purchasing options. As of March 8, 2022, licensed retail cannabis stores were able to launch online cannabis sales and delivery options for their customers. This also marked AGLC's exit from online cannabis in order to expand private sector business growth in the industry.

Note:

1. Please visit aglc.ca for annual satisfaction survey results and methodology.

Enhancing public health and safety

AGLC aims to reduce the social harms related to gambling, liquor and cannabis by focusing on public awareness and education to support healthy and informed choices.

AGLC's responsible gambling, drinking and cannabis campaigns provide Albertans with information and resources to engage in responsible experiences.

DrinkSense
DrinkSenseAB.ca

GameSense
GameSenseAB.ca

CannabisSense
CannabisSense.ca

AGLC's SMART Training programs and GAIN program deliver education and training, ensuring that employees in the gaming, liquor and cannabis industries are well-prepared to provide responsible service to Albertans.

63,163

SMART training certifications were issued in 2021-22.

SMART programs provide social responsibility training to employees in the liquor, gaming and cannabis industries.

AGLC SMART TRAINING PROGRAMS

98

GAIN webinars were held with representatives from **706 organizations**.

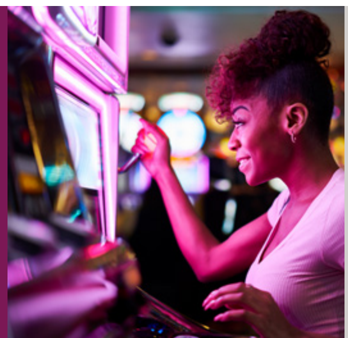
GAIN sessions provide information to groups that conduct charitable gaming activities to help Alberta charities better understand charitable gaming policies.

GAIN
Gaming Information for Charitable Groups

Ensuring industry integrity

AGLC is dedicated to a regulatory and policy environment that maintains our commitment to compliance in the gaming, liquor and cannabis industries.

3,355
gaming inspections conducted.



23,625
liquor inspections conducted.

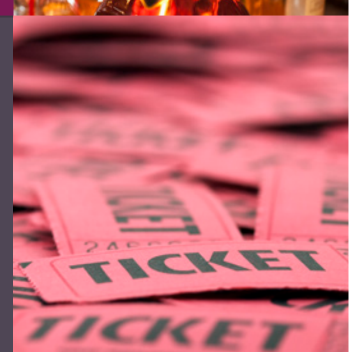
99%
liquor compliance rate.

7,696
cannabis inspections conducted.

99%
cannabis compliance rate.

1,058
due diligence disclosures received.[1]

99%
charitable gaming compliance rate.



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disclosures received under the Public *Interest Disclosure (Whistleblower Protection) Act*.

Note:

1. AGLC's Due Diligence Unit conducts a full investigation for each disclosure received. As at March 31, 2022, 205 gaming, 355 cannabis and 498 cannabis representatives disclosures were received.

Management discussion and analysis

Introduction

The management discussion and analysis section describes AGLC's mandate and provides additional details regarding the gaming, liquor and cannabis lines of business.

The information included is the best known at the time of report production and should be read in conjunction with the accompanying audited financial statements and notes for the year ended March 31, 2022.

Mandate

AGLC is responsible for:

Regulating Alberta's charitable gaming activities, promoting responsible player experiences, conducting and managing provincial gaming and lottery activities, as well as operating Alberta's only regulated online gambling website, PlayAlberta.ca.

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

Regulating Alberta's non-medical cannabis industry, the distribution of cannabis and promoting responsible and informed cannabis use.

In 2022, AGLC continued to manage the impacts of the COVID-19 pandemic. Public health restrictions impacting the gaming, liquor and cannabis industries continued, reducing capacity limits for retail stores, restaurants, bars and lounges and terminal access at casinos. The majority of public health orders restricting retail business were removed on July 1, 2021, however, another wave of COVID-19 in the fall resulted in the implementation of the Restrictions Exemption Program on September 15, 2021. This program required proof of vaccination to enter casinos, VLTs, restaurants and bars. The program ended on February 9, 2022 and a majority of COVID-19 public health orders were lifted on March 1, 2022, including capacity limits on all large venues and entertainment venues.

Despite the business interruptions due to the unpredictable nature of COVID-19, AGLC's gaming business continued to see positive growth through PlayAlberta.ca. AGLC quickly launched, the now legal, single outcome wagering to Albertans in a safe, regulated offering. Throughout the year, liquor and cannabis supply chains were stabilized allowing liquor and cannabis retailers to operate under the imposed pandemic restrictions and meet consumer demands.

In 2022, AGLC continued to provide safe and reliable services to Albertans and contributed $2.1 billion from gaming, liquor and cannabis operations to the General Revenue Fund.

Performance measures update

The following table summarizes our performance measured against our 2021-24 Business Plan.

Performance measures	Target[1]	Actual
Gaming net operating income (in thousands of dollars)	$1,248,917	**$1,205,154**
Liquor net operating income (in thousands of dollars)	$897,747	**$853,680**
Cannabis net operating loss (in thousands of dollars)	$(14,798)	**$(4,352)**
Stakeholder satisfaction	93%	**93%**
Compliance charitable gaming activities[2]	98%	**99%**
Compliance liquor licensees[2]	99%	**99%**
Compliance cannabis licensees[2]	98%	**98%**
Responsible gamblers	96%	**95%**
Responsible drinkers	89%	**88%**
GameSense awareness	34%	**36%**
DrinkSense awareness	31%	**37%**
Reputation index	83%	**80%**

Notes:

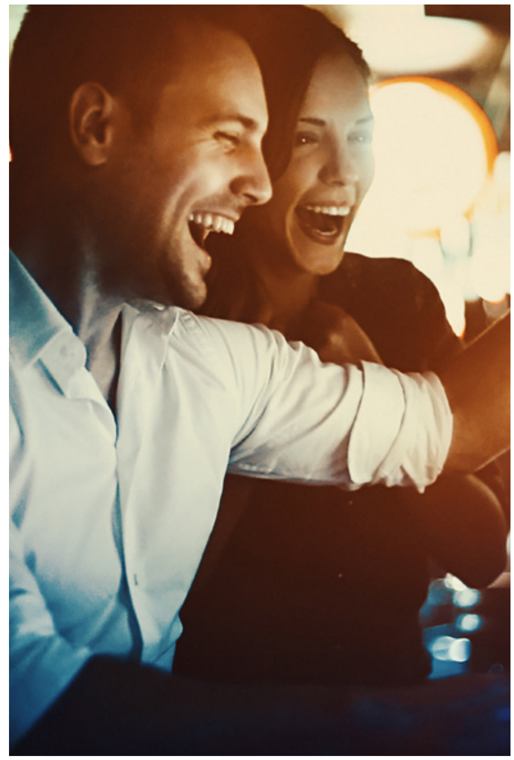
1. Reflects updated targets in 22-25 Business Plan. Financial totals may vary slightly due to rounding.
2. Calculated by total inspections during the fiscal year, minus incidents resulting in penalties, divided by total inspections during fiscal year.

Gaming operations

Gaming model

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

Slots and VLTs are programmed to pay out, on average, 92.0 per cent of all credits wagered. This is averaged over the lifetime of a gaming device and represents the outcomes of millions of individual bets. Individual player sessions will vary in payout based on several factors including a random number generator used by the chosen game, betting behaviour and whether winnings are cashed out or used to continue play.



Slot terminals

As at March 31

	2022[1]	2021		2020
Casinos		Deployed as of March 31, 2021	Active as of December 12, 2020	
Edmonton	5,056	5,121	4,096	4,962
Calgary	4,701	4,709	3,596	4,741
Other	3,272	3,307	2,472	3,719
Racing Entertainment Centres	1,462	1,465	1,084	1,468
TOTAL	**14,491**	**14,602**	**11,248**	**14,890**

Note:

1. Reflects total deployed (installed at all locations) and active as of March 31, 2022.

Slot net sales

As at March 31

Net sales for slots in 2022 increased by 76.7 per cent in comparison to 2021 mainly due to reduced health restrictions compared to the prior year. It is estimated that on average, casinos were operational 293 days in 2022 compared to 173 days in the previous year.

	2022		2021		2020	
	in thousands of dollars	% of net sales	in thousands of dollars	% of net sales	in thousands of dollars	% of net sales
Traditional casinos	$545,071	62.5%	$301,257	61.0%	$732,010	67.8%
Host First Nation casinos	261,984	30.1%	153,989	31.2%	260,850	24.1%
Racing Entertainment Centres	64,739	7.4%	38,258	7.8%	87,643	8.1%
TOTAL	**$871,794**		**$493,504**		**$1,080,503**	

Video lottery terminals (VLTs)

As at March 31

	2022[1]	2021		2020
		Deployed as of March 31, 2021	Active as of December 12, 2020	
Within distributed network[2]				
Number of operating VLTs	5,854	5,896	5,375	5,933
VLT retail locations	770	770	734	795
Gaming entertainment centres (included in the total number of retail locations above)	68	70	70	72
Within casinos				
Number of operating VLTs	462	464	370	464

Notes:

1. Reflects total deployed (installed at all locations) and active as of March 31, 2022.
2. Distributed network includes bars, pubs and gaming entertainment centres.

VLT net sales

As at March 31

Net sales for VLTs in 2022 increased by 49.3 per cent compared to 2021. Similar to slot results, the increase is mainly due to reduced health restrictions in place as compared to the prior year. It is estimated VLT retailers were open on average 263 days in 2022 compared to an average of 156 in the previous year.

	2022		2021		2020	
	in thousands of dollars	% of net sales	in thousands of dollars	% of net sales	in thousands of dollars	% of net sales
Distributed network[1]	$367,455	91.8%	$248,989	92.9%	$506,854	92.9%
Casinos	32,606	8.2%	19,022	7.1%	38,655	7.1%
TOTAL	**$400,061**		**$268,011**		**$545,509**	

Online gambling net sales

As at March 31

AGLC's online gambling platform, PlayAlberta.ca, offers five distinct gaming experiences for players. A total of $3.6 billion in bets were place on PlayAlberta.ca across all games in 2022. Net sales and launch dates can be summarized as:

AGLC launched two additional gaming experiences in 2022. Online lottery on PlayAlberta.ca was launched on May 20, 2021 and single-event sports betting launched on August 30, 2021, four days after the legalization of single event sports wagering in Canada.

		2022		2021	
	Launch date	in thousands of dollars	% of net sales	in thousands of dollars	% of net sales
Casino	Sept 30, 2020	$107,481	74.2%	$31,825	86.0%
Instants	Sept 30, 2020	15,731	10.9%	4,739	12.8%
Live Dealer	Mar 11, 2021	9,568	6.5%	463	1.2%
Lottery	May 20, 2021	9,398[2]	6.5%	-	-
Sports	Aug 30, 2021	2,700	1.9%	-	-
TOTAL		**$144,878**		**$37,027**	

Play Alberta saw the number of total signups grow 156.0 per cent year over year. The growth can be attributed to the launch of two additional gaming experiences, online lottery and single event sports wagering in 2022.

Notes:

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

Lottery ticket centres

As at March 31

The province of Alberta is a member of the Western Canada Lottery Corporate (WCLC), 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. Yukon, Northwest Territories and Nunavut participate as associate members. AGLC distributes and sells tickets for national lotteries operated by the Interprovincial Lottery Corperation and lottery gaming products operated by WCLC. As the province's sole distributor of lottery products, AGLC is responsible for the development and maintenance of the network of private lottery ticket centres in Alberta as follows:

	2022	2021	2020
Number of lottery ticket centres	2,856	2,849	2,799

Net lottery sales

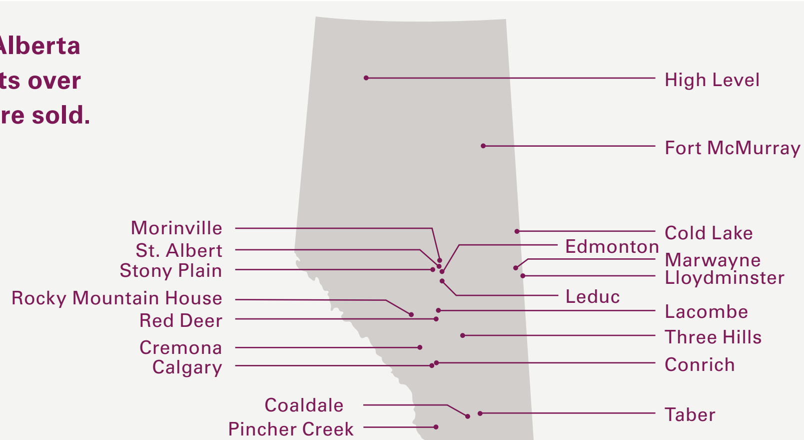
As at March 31

Net lottery sales for 2022 increased by 1.1 per cent compared to 2021. This increase can be attributed to Lotto Max breaking the record with 17 draws (previously 13) between wins for a six-week period in May and June and Sports Select offering single event sports wagering in November.

	2022	2021	2020
Net lottery sales[1]	$973,780	$963,772	$917,892

As of March 31, Alberta had 47 winners of over $1 million which totaled $140,360,327 in payouts, with the largest single win being $34,162,116.

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



Note:

1. In thousands of dollars. Excludes ticket sales made online.

Charitable gaming model

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

Eligible organizations may apply for charitable gaming licences to conduct and manage events. The criteria used to determine eligibility generally includes: aid of distress, advancement of education, advancement of religion and other purposes beneficial to the community. If approved, AGLC issues a licence, ensures that gaming activities are carried out in accordance with governing policies and oversees the use of charitable gaming proceeds.

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

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

Charitable organizations in Alberta earned $306.6 million to support programs and services for Albertans.

Charitable gaming proceeds

As at March 31 (in thousands of dollars)

	Bingos[1]	Casinos	Pull tickets[2]	Raffles[3]	2022	2021	2020
Charity licences[4]	713	2,612	216	9,797	13,338	5,766	19,796
Total gross proceeds	**$ 77,157**	**$887,863**	**$60,495**	**$246,013**	**$1,271,528**	**$ 495,508**	**$1,480,365**
Prize/winnings	(52,549)	(705,749)	(42,227)	(100,130)	(900,655)	(318,480)	(1,094,520)
Expenses[5]	(17,819)	(117,064)	(11,670)	(38,878)	(185,431)	(86,782)	(221,208)
	(70,368)	(822,813)	(53,897)	(139,008)	(1,086,086)	(405,262)	(1,315,728)
Net proceeds	**6,789**	**65,050**	**6,598**	**107,005**	**185,442**	**90,246**	**164,637**
Electronic gaming proceeds	-	$121,098	-	-	$ 121,098	46,821	157,106
Keno proceeds	$ 64	$ 6	-	-	$ 70	128	168
Total proceeds to charity[6]	$ 6,853	$186,154	$ 6,598	$107,005	$ 306,610	**$ 137,195**	**$ 321,911**

Notes:

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

Liquor operations

Liquor model

Alberta has the only fully privatized liquor retail model in Canada with liquor retail managed privately.

AGLC manages warehousing and delivery through a private logistics provider. Manufacturers and suppliers sell liquor products to licensees through AGLC.

AGLC is the legal importer of record for liquor in Alberta. Alberta has an open listing process for liquor products, which enables industry to choose what products to list.

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

Liquor licences[1]

As at March 31

	2022	2021	2020
Class A (restaurants/bars/lounges/taprooms)	5,452	5,309	5,486
Class B (sports stadiums/ convention centres/racetracks)	958	835	873
Class C (private clubs/military or police canteens)	759	758	774
Class D (retail stores/delivery services/ hotel off-sales)	2,413	2,352	2,282
Class E (breweries/distilleries)	236	213	189
Class F (fermentation/winemaking facilities)	27	25	18
TOTAL	**9,845**	**9,492**	**9,622**

Note:

1. Please refer to aglc.ca for detailed information regarding liquor licences in Alberta.

Liquor products available

As at March 31
(approximate number of stock keeping units (SKUs))

	2022	2021	2020
Wine	14,701	14,103	15,378
Beer	7,652	6,819	6,983
Spirits	6,039	5,528	5,570
Refreshment beverages[1]	1,655	1,319	1,029
TOTAL	**30,047[2]**	**27,769**	**28,960**

Liquor sales

As at March 31

Overall, liquor sales in 2022 decreased 0.7 per cent compared to 2021. Spirits and refreshment beverages experienced increases in net sales compared to prior fiscal, while beer and wine net sales declined over the same period. All liquor categories experienced a drop in volumes sold except for refreshment beverages, which experienced an increase of 2.8 per cent.

	2022	2021	2020	2022	2021	2020
	in thousands of dollars			in hectolitres, hL		
Beer	$ 932,120	$ 951,896	$ 972,456	2,233,147	2,352,229	2,365,873
Spirits	909,451	907,086	835,818	303,380	313,168	286,805
Wine	636,943	647,502	629,657	430,522	466,639	457,786
Refreshment beverages[1]	285,972	276,516	183,312	573,567	558,088	367,538
TOTAL	**$2,764,486**	**$2,783,000**	**$2,621,243**	**3,540,616**	**3,690,124**	**3,478,002**

Notes:

1. Includes coolers, ciders, kombucha and Ready-to-drink (RTD) beverages.
2. 7,349 liquor products were produced in Alberta.

Cannabis operations

Cannabis model

Alberta has a private model for non-medical cannabis retail sales. Beginning March 8, 2022, amendments to the *Gaming, Liquor and Cannabis Act* enabled licensed retailers to sell cannabis online and provide delivery services to customers. To better facilitate business opportunities and private sector growth in the cannabis industry, AGLC exited online cannabis sales and decommissioned AlbertaCannabis.org.

All cannabis retailers must be licensed by AGLC. All licence applicants undergo extensive mandatory background checks and are subject to government regulations and AGLC licensing terms and conditions.

Licensed producers are regulated by Health Canada.

Cannabis products available

As at March 31
(number of SKUs)

	2022	2021	2020
Dried flower	420	403	204
Vape	303	256	63
Pre-roll	333	251	89
Edibles	190	77	19
Oil/spray	59	61	16
Extract	132	56	2
Beverage	66	29	1
Capsule/soft gel	24	29	12
Beverage (non-liquid)	16	20	5
Seed	19	13	0
Milled flower	23	2	0
Topical	79	20	0
TOTAL	**1,664**	**1,217**	**411**

Cannabis sales

As at March 31

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

Cannabis sales in 2022 increased by 16.8 per cent compared to 2021. Sales increased in all categories except for dried flower, oil/spray, non-liquid beverages and seeds. Despite the decline in dried flower sales in comparison to the prior year, the category continues to be the market leader with 41.3 per cent share of sales derived from this product.

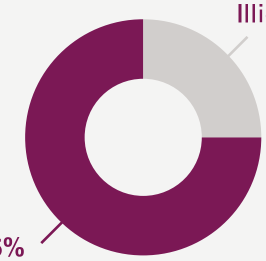
AGLC implemented the first markup on cannabis products on February 25, 2022. The 6.0 per cent markup on wholesale products contributed to $2.4 million to net revenue in 2022.

Cannabis licences

As at March 31

	2022	2021	2020
Licences issued to retailers	320[1]	248	387

Illicit vs. Legal market share:



	2022	2021	2020	2022	2021	2020
	in thousands of dollars			in kilograms[2]		
Dried flower	$226,528	$237,913	$168,629	59,490	51,414	22,258
Pre-roll	120,874	91,361	62,774	21,704	12,543	7,225
Vape	103,946	79,157	8,775	12,824	6,132	374
Extract	28,940	12,008	344	5,781	1,696	63
Edible	23,993	17,090	2,778	5,997	4,152	757
Milled flower	15,726	2,585	1,354	5,265	838	236
Oil/spray	11,492	15,645	13,766	477	988	1,545
Beverage	6,406	3,867	4	6,418	4,717	8
Capsule/ soft gel	6,001	5,733	6,627	478	322	483
Topical	3,261	2,054	N/A	795	151	N/A
Beverage (non-liquid)	773	1,780	520	51	65	22
Seed	366	387	157	49	44	13
TOTAL	**$548,306**	**$469,580**	**$265,728**	**119,329**	**83,062**	**32,984**

Notes:

1. 211 licensed cannabis retailers have received an endorsement from AGLC's Inspections Branch to sell cannabis online.
2. Sales in kg is calculated using dried cannabis equivalent for each product.

Managing enterprise risk

Risk management program

The Enterprise Risk Management (ERM) Program supports the achievement of AGLC's strategic objectives by encouraging a collaborative risk management culture. The program proactively identifies, manages, and monitors risks at AGLC. ERM is a shared responsibility for all AGLC employees. The ERM Program, coupled with the shared responsibility, continues to ensure the gaming, liquor and cannabis business lines deliver sustained long-term benefits for Albertans.

Top risks

WORKFORCE

The ability to recruit, develop and retain employees with the required skills and aptitude may impact AGLC's ability to meet current and future operational needs. The "great resignation" along with current economic conditions, has created an extremely competitive marketplace for employers across the country.

These conditions have highlighted the need for AGLC to focus on enhancing the employee experience. By prioritizing wellness, providing employees with meaningful work, growth opportunities and a supportive environment with leaders that empower employees, AGLC will attract and retain skilled individuals. In the current market and into the future, these elements are equally as important as the traditional benefits and salaries offered.

MARKET DYNAMICS

Market dynamic risks are driven by changes in consumer behaviour, economic conditions and technology, which may impact AGLC's ability to achieve its strategic objectives. The economic conditions and consumer behaviour influence the investment choices made in products and services, price points and delivery channels, while technology may impact AGLC's ability to execute its strategy.

To anticipate and mitigate these risks, AGLC maintains active engagement with its stakeholders to foster strong relationships and to be responsive to industry and consumer needs. Currently, AGLC is developing a stakeholder engagement framework to increase accessibility and strengthen stakeholder relationships.

INFORMATION TECHNOLOGY AND CYBER SECURITY

The speed at which AGLC is able to adopt required technologies, the reliance on multiple platforms and the need for integration among platforms to better deliver customer and industry value, may impact AGLC's ability to meet strategic and operational objectives.

AGLC is working on modernizing its platforms and enhancing the IT Risk Management Framework in alignment with the ERM Program.

Future outlook

Throughout 2021-22, Albertans faced elevated inflation levels largely due to COVID-19, supply chain disruptions and global conflicts resulting in forecasted interest rate hikes. These measures are expected to continue impacting consumer spending and may impact Albertans' discretionary spending within AGLC's business lines. Despite these factors, the economic outlook of the province is improving, driven by strong performance in the energy and commodities sector, job growth and low unemployment. As a result, the gaming, liquor and cannabis industries are still expected to continue their strong performance.

Gaming operations is forecasting growth in online gambling fueled by the expansion of slot game offerings, sportsbook design enhancements, and Lotto 6/49 game refresh. Sports wagering will evolve with the launch of a hybrid retail and online sports betting solution to ensure ongoing collaboration with Alberta casinos. By providing more gaming options to Albertans, AGLC will support casino patronage, and increase overall revenues while expanding regulated online gaming options for Albertans to combat the illegal market. The reopening of Grand Villa casino, relocation of Cash Casino Calgary to the Calgary airport location and addition of VLTs to the Edmonton International Airport are anticipated to support gaming expansion and growth in the coming years.

AGLC helps Albertans to better use their GameSense by providing the option for people to register for the self-exclusion tool online. Moving to an online platform will allow AGLC to better serve Albertans looking to take a break from gambling while furthering AGLC's commitment to reduce red tape and increase accessibility.

A note on forward-looking statements: Forward-looking statements about future financial performance are subject to inherent risks and uncertainties. These statements require management to make numerous assumptions and are not guarantees of future performance. A variety of factors could cause business changes and undue reliance should not be placed on these forward-looking statements.

Liquor operations expects to see the continued evolution of the Alberta liquor manufacturing sector, as well as further growth in the diversity of products made available to consumers in response to emerging trends and consumer demand. AGLC is focused on process improvements and optimization of warehousing and distribution to meet the needs of industry. AGLC remains committed to being the most open liquor system in Canada and reducing remaining barriers to access.

AGLC's DrinkSense, Dry9 and Best Bar None programs have positioned AGLC as a trusted resource in responsible liquor service and low-risk alcohol consumption. The DrinkSense public awareness campaign successfully influenced positive behaviour change by encouraging Albertans to balance alcohol with other activities while also being mindful of overall consumption. In addition, AGLC's Dry9 program continues to highlight the importance of alcohol related harms and fetal alcohol spectrum disorder awareness during pregnancy, and AGLC will continue to grow this program.

Cannabis operations continues to focus on growing the legal cannabis market by ensuring competitive pricing and accessibility. As retailers expand their operations to meet consumer demand, AGLC expects to see growth in online cannabis sales. With anticipated global changes to cannabis legalization, AGLC's cannabis business model will adapt with primary considerations being the health and sustainability of Alberta's cannabis industry balanced with a long-term supply chain model. These changes will be continuously monitored in relation to product innovation to ensure Alberta's market offers choices in legal, high-quality products for consumers.

AGLC's CannabisSense program is the first of its kind in Canada and has successfully positioned AGLC as a leader in cannabis education in Canada. CannabisSense aims to educate Albertans on how to understand cannabis, identify legal products and how to consume in moderation.

By adapting to the new social and economic realities and repositioning services and support to respond to the evolving needs of stakeholders and the province, AGLC will provide economic growth, business opportunities and consumer choice. With the launch of AGLC's five-year strategic plan, AGLC will continue seeking out opportunities to ensure that Alberta is at the forefront of industry advancements. With evolving business landscapes for gaming, liquor and cannabis, maintaining a balanced regulatory environment will require industry collaboration, benefits for stakeholders and protection for consumers. AGLC will continue to cultivate agility to respond to the identified pressures while generating stable revenue for the benefit of Albertans.

GameSense GameSenseAB.ca | DrinkSense DrinkSenseAB.ca | DRY9 | BEST BAR NONE A good night out starts here | CannabisSense CannabisSense.ca

Financial Statements

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

The Office of the Auditor General of Alberta was 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

Kandice Machado

Chief Executive Officer

Original signed by

Parveen Mann

Vice President, Corporate Services and
Chief Financial Officer

Auditor General OF ALBERTA

Independent Auditor's Report

To the Members of Alberta Gaming, Liquor and Cannabis Commission

Report on the Financial Statements

Opinion

I have audited the financial statements of Alberta Gaming, Liquor and Cannabis Commission (the Commission), which comprise the statement of financial position as at March 31, 2022, and the statements of net income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2022, and its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

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

Other information

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Auditor General

May 25, 2022
Edmonton, Alberta

STATEMENT OF FINANCIAL POSITION

As at March 31
(in thousands of dollars)

	Note	2022	2021
ASSETS			
Current Assets			
Cash and cash equivalents	5	$ 194,469	$ 202,962
Trade and other receivables		26,710	12,433
Lease receivables	10	3,798	3,694
Inventories and prepaid expenses	6	86,866	80,919
		311,843	300,008
Non-Current Assets			
Property and equipment	7	241,639	229,921
Intangible assets	8	60,706	60,802
Investment properties	9	137,472	141,625
Lease receivables	10	7,464	11,262
Right-of-use assets	10	5,063	8,077
Investment in Western Canada Lottery Corporation	16	35,024	30,219
		487,368	481,906
TOTAL ASSETS		$ 799,211	$ 781,914
LIABILITIES			
Current Liabilities			
Trade and other payables		$ 262,700	$ 195,372
Lease liabilities	10	6,681	6,714
		269,381	202,086
Non-Current Liabilities			
Due to General Revenue Fund	11	344,219	415,244
Lease liabilities	10	9,767	16,425
Net defined benefit pension liability	12	7,164	40,856
		361,150	472,525
EQUITY			
Retained surplus		131,600	106,600
Accumulated other comprehensive income	12	37,080	703
		168,680	107,303
TOTAL LIABILITIES AND EQUITY		$ 799,211	$ 781,914

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

Approved by
BOARD

Original signed by

Elan Harper
Audit and Finance Committee Chair

MANAGEMENT

Original signed by

Kandice Machado
Chief Executive Officer

STATEMENT OF NET INCOME

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

	Note	2022	2021
Cannabis revenue		$ 548,306	$ 469,580
Cannabis cost of sales		(511,303)	(435,277)
Cannabis net revenue	13	37,003	34,303
Gaming net sales		1,407,335	798,542
Commissions and federal payments		(352,003)	(171,901)
Gaming net revenue	13	1,055,332	626,641
Liquor net revenue	13	876,677	921,524
Net Revenue		1,969,012	1,582,468
Operating expenses	14	(277,929)	(275,250)
Profit from Operations		1,691,083	1,307,218
Other revenue	15	18,681	14,831
Share of income from Western Canada Lottery Corporation	16	344,718	336,631
Net Income	13	2,054,482	1,658,680
Net income allocation to General Revenue Fund	11	(2,029,482)	(1,635,380)
Net Income after Allocation		$ 25,000	$ 23,300

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	2022	2021
Net income	13	$ 2,054,482	$ 1,658,680
Other Comprehensive Income			
Net actuarial gain	12	36,377	15,174
Comprehensive Income		$ 2,090,859	$ 1,673,854

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

STATEMENT OF CHANGES IN EQUITY

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

	Note	2022	2021
Retained Surplus			
Retained surplus, beginning of year		$ 106,600	$ 83,300
Net income after allocation		25,000	23,300
Retained surplus, end of year		131,600	106,600
Accumulated Other Comprehensive Income			
Accumulated other comprehensive income (loss), beginning of year		703	(14,471)
Other comprehensive income	12	36,377	15,174
Accumulated other comprehensive income, end of year		37,080	703
Total Equity		$ 168,680	$ 107,303

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)

	2022	2021
Cash Flows from Operating Activities		
Comprehensive income	$ 2,090,859	$ 1,673,854
Share of income from Western Canada Lottery Corporation	(344,718)	(336,631)
Amortization	72,380	81,152
Lease interest expense	236	311
Lease interest income	(172)	(218)
Loss on disposal of non-current assets	509	538
Decrease in net defined benefit pension liability	(33,692)	(13,084)
Net change in non-cash working capital items:		
Increase in trade and other receivables	(14,277)	(8,763)
(Increase) decrease in inventories and prepaid expenses	(5,947)	18,421
Increase in trade and other payables	67,328	656
	1,832,506	1,416,236
Transfers to General Revenue Fund	(2,100,507)	(1,695,835)
Net Cash Used in Operating Activities	(268,001)	(279,599)
Cash Flows from Investing Activities		
Purchase of property and equipment	(66,766)	(11,247)
Purchase of intangible assets	(9,903)	(3,806)
Additions to investment properties	(777)	(843)
Net proceeds on disposal of non-current assets	149	293
Rental payments received	3,866	3,812
Advances received from Western Canada Lottery Corporation	339,913	326,189
Net Cash Provided by Investing Activities	266,482	314,398
Cash Flows from Financing Activities		
Lease payments	(6,974)	(6,590)
Net Cash Used in Financing Activities	(6,974)	(6,590)
Net (Decrease) Increase in Cash and Cash Equivalents during the year	(8,493)	28,209
Cash and Cash Equivalents, Beginning of year	202,962	174,753
Cash and Cash Equivalents, End of year	$ 194,469	$ 202,962
Supplemental Cash Flow Information		
Interest received	$ 822	$ 1,102

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

NOTES TO THE FINANCIAL STATEMENTS

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

1. Nature of Operations

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

The objectives of AGLC are:

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

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

2. Implications of COVID-19

In March 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization. As the situation continued to evolve, the Government of Alberta responded by implementing emergency measures, including temporary closure of gaming venues, which have since been removed.

As of March 31, 2022, there have been no significant changes to AGLC's credit and liquidity risks resulting from the pandemic. AGLC will continue to monitor the situation and evaluate the potential risks as necessary.

Management has considered the impacts of COVID-19 and concluded that the pandemic did not create material uncertainty upon AGLC's ability to continue as a going concern.

3. 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 Presentation

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

The financial statements for the year ended March 31, 2022 were authorized for issue by the Board on May 25, 2022.

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 in the Statement of Financial Position when AGLC becomes a party to the contractual terms of the instrument, which represents its trade date.

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

AGLC's financial instruments are classified as following:

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

Derecognition

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

Impairment

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

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 and Equipment and Intangible Assets

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

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

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

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

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

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

f) Investment Properties

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

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

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

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

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

Buildings	Up to 40 years

g) Defined Benefit Pension Plan

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

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

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

h) Investment in an Associate: Western Canada Lottery Corporation

Western Canada Lottery Corporation (WCLC) was incorporated without share capital under Part II of the *Canada Corporations Act* on April 16, 1974 and was continued under the *Canada Not-for-profit Corporations Act* on June 30, 2014. 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. Yukon, the Northwest Territories and Nunavut participate as associate members.

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

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

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

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

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

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

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

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

j) Leases

As a Lessor

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

As a Lessee

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

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

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

Right-of-use Assets

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

Properties	Up to 5 years
Vehicles	Up to 3 years

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

Lease Liabilities

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

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

Short-term Leases and Leases of Low-value Assets

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

Subleases

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

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

k) Revenue from Contracts with Customers

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

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

Gaming Revenue

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

Player Engagement Program

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

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

Sale of Liquor

AGLC purchases liquor products from liquor suppliers and registered agencies to warehouse and distribute based on a consignment model. As liquor warehousing and distribution is managed by third party providers, 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

AGLC purchases cannabis products from licensed producers and is responsible for warehousing and distributing recreational cannabis products to licensed retailers. Subsequent to March 7, 2022, AGLC ceased sales directly to Albertans through an online platform. AGLC maintains direct control of cannabis products and thus is a principal in the arrangement and records revenue on a gross basis. Revenue from the sale of cannabis is recognized at the point in time when control of the goods is transferred to the customer on delivery. Payment is required before the goods are transferred.

l) Federal and Provincial Taxes

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

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

m) Operating Expenses

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

n) Allocation of Net Income

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

o) 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, 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.

p) Future Accounting Policy Changes

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

IAS 16 *Property, Plant and Equipment* – amendments effective for annual reporting periods starting on or after January 1, 2022. These amendments introduce new guidance stipulating that proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost of property, plant and equipment. Moving forward such proceeds should be recognized in profit or loss, together with the costs of producing those items. Management is currently assessing the impact of the amendments.

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

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

4. Significant Accounting Estimates, Assumptions and Critical Judgments

In conformity with IFRS, the preparation of 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 amounts of affected assets or liabilities 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 in the Statement of Comprehensive Income.

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are described throughout these notes to the financial statements. AGLC based its assumptions and estimates on the best information available to management. Existing circumstances and assumptions about future development(s) may change due to market changes or circumstances, arising beyond the control of management. Such changes are reflected in the assumptions as they occur.

5. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, current balances in banks and deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Government of Alberta, as well as funds under administration.

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, 2022, securities held by the CCITF had a time-weighted yield of 0.2% per annum (2021 - 0.5% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

A total of $14,472 (2021 - $69) in funds under administration is comprised of proceeds from table games that AGLC holds on behalf of charities. AGLC manages the collection of these funds, as well as investment and distribution of the charities' share of proceeds/losses from table games at licensed charitable casino events.

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

6. Inventories and Prepaid Expenses

	2022	2021
Gaming parts and supplies	$ 12,277	$ 12,793
Cannabis inventories	68,672	63,283
Total inventories	80,949	76,076
Prepaid expenses	5,917	4,843
	$ 86,866	$ 80,919

7. Property and Equipment

	2022						2021
	Land	Buildings and Leasehold Improvements	Equipment	Computer Hardware	Gaming Equipment and Terminals	Total	Total
Cost, beginning of year	$ 2,057	$ 43,506	$ 15,530	$ 32,416	$ 513,794	$ 607,303	$ 634,496
Additions	-	198	143	1,227	65,198	66,766	11,247
Disposals	-	(159)	(131)	(2,733)	(25,313)	(28,336)	(38,440)
Cost, end of year	2,057	43,545	15,542	30,910	553,679	645,733	607,303
Accumulated amortization, beginning of year	-	(25,575)	(9,734)	(24,682)	(317,391)	(377,382)	(350,659)
Additions	-	(2,347)	(1,549)	(3,707)	(47,089)	(54,692)	(64,345)
Disposals	-	136	131	2,732	24,981	27,980	37,622
Accumulated amortization, end of year	-	(27,786)	(11,152)	(25,657)	(339,499)	(404,094)	(377,382)
Net book value, end of year	$ 2,057	$ 15,759	$ 4,390	$ 5,253	$ 214,180	$ 241,639	$ 229,921

Total cost includes $24,865 (2021 - $3,688) of assets classified as work in progress (under construction or development).

8. Intangible Assets

	2022			2021
	Computer Software	Gaming Software	Total	Total
Cost, beginning of year	$ 89,741	$ 39,408	$ 129,149	$ 126,305
Additions	1,747	8,156	9,903	3,806
Disposals	(7,623)	(13,946)	(21,569)	(962)
Cost, end of year	83,865	33,618	117,483	129,149
Accumulated amortization, beginning of year	(35,695)	(32,652)	(68,347)	(60,176)
Additions	(6,370)	(3,327)	(9,697)	(9,133)
Disposals	7,622	13,645	21,267	962
Accumulated amortization, end of year	(34,443)	(22,334)	(56,777)	(68,347)
Net book value, end of year	$ 49,422	$ 11,284	$ 60,706	$ 60,802

Total cost includes $2,271 (2021 - $582) of assets classified as work in progress (under development).

9. Investment Properties

	2022			2021
	Land	Buildings	Total	Total
Cost, beginning of year	$ 22,746	$ 151,831	$ 174,577	$ 177,753
Additions	-	777	777	843
Disposals	-	(118)	(118)	(4,019)
Cost, end of year	22,746	152,490	175,236	174,577
Accumulated amortization, beginning of year	-	(32,952)	(32,952)	(32,036)
Additions	-	(4,930)	(4,930)	(4,922)
Disposals	-	118	118	4,006
Accumulated amortization, end of year	-	(37,764)	(37,764)	(32,952)
Net book value, end of year	$ 22,746	$ 114,726	$ 137,472	$ 141,625

Total cost includes $756 (2021 - $35) of assets classified as work in progress (under construction).

Net loss from investment properties:

	2022	2021
Rental income derived from investment properties	$ 3,805	$ 3,900
Direct operating expenses (including repair and maintenance)	(4,184)	(3,905)
Net loss arising from investment properties	$ (379)	$ (5)

Currently monthly rental income for investment properties is $318 (2021 - $315).

Investment properties are recorded and reported at cost. On March 31, 2022, the estimated fair value of investment properties is $200,075 (2021 - $182,775). The fair value is based on a valuation performed by Bourgeois Brooke Chin Associates, an accredited independent valuator. Bourgeois Brooke Chin Associates has appropriate qualifications and recent experience in the valuation of similar properties. The fair value valuation was performed on the liquor distribution and storage facilities at 2 Boudreau Road and warehouse at 50 Corriveau Avenue using income, cost and direct comparison approaches. Both properties are located in St. Albert, Alberta.

10. Leases

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

	2022	2021
Right-of-use assets, beginning of year	$ 8,077	$ 5,917
Additions	47	4,911
Amortization	(3,061)	(2,751)
Right-of-use assets, end of year	$ 5,063	$ 8,077

The carrying amounts of lease liabilities during the period:

	2022		2021	
Lease liabilities, beginning of year		$ 23,139		$ 24,534
Additions		47		4,884
Lease payments	(6,974)		(6,590)	
Interest expense	236		311	
Principal component of lease payments		(6,738)		(6,279)
Lease liabilities, end of year		$ 16,448		$ 23,139
Current liabilities		$ 6,681		$ 6,714
Non-current liabilities		$ 9,767		$ 16,425

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

2023	$ 6,681
2024	5,865
2025	3,671
2026	32
2027	33
Thereafter	166
	$ 16,448

The carrying amounts of lease receivables during the period:

	2022			2021		
Lease receivables, beginning of year		$	14,956		$	18,578
Adjustments			-			(28)
Rental payments received	(3,866)			(3,812)		
Interest income	172			218		
Principal component of lease receivables			(3,694)			(3,594)
Lease receivables, end of year		$	11,262		$	14,956
Current assets		$	3,798		$	3,694
Non-current assets		$	7,464		$	11,262

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

2023	$	3,798
2024		3,901
2025		3,332
2026		32
2027		33
Thereafter		166
	$	11,262

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

	2022		2021	
Right-of-use assets: amortization	$	(3,061)	$	(2,751)
Interest expense		(236)		(311)
Interest income		172		218
Operating expenses: short-term leases		(22,202)		(9,763)
Component of net income	$	(25,327)	$	(12,607)

In 2022, AGLC had total cash outflows for all leases of $29,176 (2021 - $16,353), non-cash additions to right-of-use assets of $47 (2021 - $4,911) and non-cash additions to lease liabilities of $47 (2021 - $4,884).

11. Due to General Revenue Fund

The Act requires AGLC to transfer the net income, less allowance withheld for capital expenditures, to the General Revenue Fund. The amount below represents the portion of net income which has not been transferred to the General Revenue Fund.

	2022	2021
Due to General Revenue Fund, beginning of year	$ 415,244	$ 475,699
Net income allocation to General Revenue Fund	2,029,482	1,635,380
Transfers to General Revenue Fund	(2,100,507)	(1,695,835)
Due to General Revenue Fund, end of year	$ 344,219	$ 415,244

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

12. Employee Benefit Plans

Change in net defined benefit pension liability

	2022				2021
	PSPP	MEPP	SRP	Total	Total
Change in Fair Value of Plan Assets					
Fair value of plan assets, beginning of year	$ 200,260	$ 61,930	$ 1,246	$ 263,436	$ 226,682
Employer contributions	7,760	1,900	24	9,684	10,098
Benefits paid	(8,587)	(3,368)	(58)	(12,013)	(11,737)
Interest income	6,595	2,019	42	8,656	8,583
Actuarial gain on plan assets	17,044	14,171	33	31,248	29,810
Fair value of plan assets, end of year	$ 223,072	$ 76,652	$ 1,287	$ 301,011	$ 263,436
Change in Defined Benefit Obligation					
Defined benefit obligation, beginning of year	$ 228,513	$ 74,067	$ 1,712	$ 304,292	$ 280,622
Current service cost	8,062	2,897	40	10,999	10,138
Benefits paid	(8,587)	(3,368)	(58)	(12,013)	(11,737)
Interest expense	7,532	2,436	58	10,026	10,633
Actuarial (gain) loss on plan liabilities	(9,783)	4,855	(201)	(5,129)	14,636
Defined benefit obligation, end of year	225,737	80,887	1,551	308,175	304,292
Net defined benefit pension liability	$ (2,665)	$ (4,235)	$ (264)	$ (7,164)	$ (40,856)

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 AGLC are 50% for PSPP, 51% for MEPP and 64% for SRP.

Accumulated Other Comprehensive Income

	2022				2021
	PSPP	MEPP	SRP	Total	Total
Actuarial gain on plan assets	$ (17,044)	$ (14,171)	$ (33)	$ (31,248)	$ (29,810)
Actuarial (gain) loss on plan liabilities	(9,783)	4,855	(201)	(5,129)	14,636
Net actuarial gain	(26,827)	(9,316)	(234)	(36,377)	(15,174)
Accumulated other comprehensive (income) loss, beginning of year	(367)	(416)	80	(703)	14,471
Accumulated other comprehensive income, end of year	$ (27,194)	$ (9,732)	$ (154)	$ (37,080)	$ (703)

Pension Expense

	2022				2021
	PSPP	MEPP	SRP	Total	Total
Current service cost	$ 8,062	$ 2,897	$ 40	$ 10,999	$ 10,138
Interest expense	7,532	2,436	58	10,026	10,633
Interest income	(6,595)	(2,019)	(42)	(8,656)	(8,583)
Pension expense	$ 8,999	$ 3,314	$ 56	$ 12,369	$ 12,188

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:

	2022			2021		
	PSPP	MEPP	SRP	PSPP	MEPP	SRP
Discount rate	4.0%	4.0%	4.0%	3.3%	3.3%	3.4%
Inflation rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Average wage increases	3.0%	3.0%	3.0%	3.0%	0.0 % until Mar. 31, 2022; 3.0% thereafter	0.0 % until Mar. 31, 2022; 3.0% thereafter
AGLC's share of plan payroll	2.7%	2.5%	0.9%	2.5%	2.2%	0.9%
Date of the most recent actuarial valuation	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2018
AGLC's expected contributions for the next period-all plans	$	10,066		$	11,002	

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

	2022			2021		
	PSPP	MEPP	SRP	PSPP	MEPP	SRP
Estimated sensitivity of liabilities to a 1% change in the discount rate	14.0%	14.2%	16.2%	14.7%	13.9%	18.0%
Estimated sensitivity of liabilities to a 1% change in the inflation rate	6.7%	7.5%	8.2%	6.8%	7.4%	8.1%

Economic Risk

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

Demographic Risk

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

Multi-Employer Plan Funding Risk

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

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

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

13. Detailed Operating Results

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

	2022				2021
	Gaming (a)	Liquor	Cannabis (b)	Total	Total
Net revenue	$ 1,055,332	$ 876,677	$ 37,003	$ 1,969,012	$ 1,582,468
Operating expenses	(198,063)	(32,740)	(47,126)	(277,929)	(275,250)
Profit (loss) from operations	857,269	843,937	(10,123)	1,691,083	1,307,218
Other revenue	3,167	9,743	5,771	18,681	14,831
Share of income from WCLC	344,718	-	-	344,718	336,631
Net income (loss)	$ 1,205,154	$ 853,680	$ (4,352)	$ 2,054,482	$ 1,658,680

(a) includes slot terminals, video lottery terminals and online gambling.
(b) includes sales to licensed retailers and sales through an online platform.

Gaming net revenue is comprised of the following:

	2022	2021
	Total	Total
Net sales	$ 1,407,335	$ 798,542
Commissions		
Operators/retailers	(219,939)	(121,657)
Charities	(121,067)	(44,161)
Federal tax expense (c)	(10,997)	(6,083)
Net revenue	$ 1,055,332	$ 626,641

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

14. Operating Expenses

	2022	2021
Salaries and benefits	$ 105,112	$ 107,855
Supplies and services		
Fees and services	20,020	20,572
Data processing	17,351	15,702
Marketing and retailer relations	13,284	9,843
Goods and Services Tax	6,907	5,006
Equipment and vehicles	5,201	7,748
Property	4,804	6,033
Insurance and bank charges	3,849	3,652
Data communications	3,664	3,368
Travel and training	833	663
Miscellaneous	830	967
Stationery and supplies	803	493
Liquor product expense	147	228
Freight and product delivery (recovery)	(828)	155
	76,865	74,430
Leased gaming equipment	22,202	9,763
Net interest in net defined benefit pension plan	1,370	2,050
Amortization	72,380	81,152
	$ 277,929	$ 275,250

15. Other Revenue

	2022	2021
Licences, fees and fines	$ 12,234	$ 8,129
Premises rentals	3,805	3,900
Miscellaneous	843	1,069
Interest	822	1,102
Liquor levies	808	485
Chargebacks and recoveries	678	684
Loss on disposal of non-current assets	(509)	(538)
	$ 18,681	$ 14,831

16. Investment in Western Canada Lottery Corporation

AGLC's interest in WCLC is based on Alberta's proportionate share of WCLC's revenues and expenses derived from the sale and operation of interprovincial lottery games. WCLC is a non-profit entity that is not listed on any public exchange.

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

		2022		2021
WCLC Statement of Financial Position				
Current assets	$	102,874	$	89,356
Property and equipment		33,353		29,993
Intangible assets		10,288		10,598
Employee benefits		4,602		501
	$	151,117	$	130,448
Current liabilities	$	138,354	$	126,378
Lease liability		3,364		1,514
Equity		9,399		2,556
	$	151,117	$	130,448
Alberta's Proportionate Share of Revenues and Expenses				
Lottery sales (a)	$	992,251	$	963,772
Direct expenses (a)		(597,901)		(582,104)
Gross income		394,350		381,668
Operating expenses		(36,444)		(32,123)
Interest and other income		1,955		1,951
Net income from operations		359,861		351,496
Federal tax expense (a)		(5,182)		(5,110)
Payment to federal government (b)		(9,961)		(9,755)
Share of income from WCLC	$	344,718	$	336,631

(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 WCLC on behalf of Alberta and is based on current population statistics and the province's share of ticket lottery sales.

Statement of Change in Investment in WCLC

		2022		2021
Investment in WCLC, beginning of year	$	30,219	$	19,777
Share of income from WCLC		344,718		336,631
Advances received from WCLC		(339,913)		(326,189)
Investment in WCLC, end of year	$	35,024	$	30,219

17. Contractual Obligations

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

2023	$	28,419
2024		9,469
2025		8,282
2026		6,151
2027		5,675
Thereafter		4,650
	$	62,646

18. Contingent Liabilities

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

19. Salaries and Benefits

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

		2022				2021
	Note	Base Salary (a)	Other Cash Benefits (b)	Other Non-Cash Benefits (c)	Total	Total
Chair of the Board		$ 149	$ -	$ 20	$ 169	$ 140
Members of the Board	d	302	-	10	312	389
Chief Executive Officer	e	262	6	62	330	719
Executive Members						
VP, Human Resources	f	220	391	42	653	248
VP, Regulatory Services		202	1	43	246	246
VP, Liquor Services		184	-	41	225	225
VP, Corporate Services and Chief Financial Officer	g	177	7	39	223	256
VP, Policy and Public Affairs		177	2	37	216	215
VP, Information Technology and Chief Information Officer	h	175	2	36	213	-
VP, Gaming and Cannabis	h	171	-	37	208	-
Chief Operating Officer	i	9	11	1	21	282
VP, Corporate Strategic Services and Chief Risk Officer	j	-	-	-	-	80

a) Consists of regular base pay, including acting pay. For Chair and members of the Board, it consists of remuneration paid, based on rates prescribed in the *Committee Remuneration Order,* for time spent on the business of the Board.

b) Consists of vacation payouts, severance payments, honoraria and health and personal spending account payments. There were no bonuses paid during the year.

c) Include 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) At any given time, the Board consisted of no more than 8 members plus the Chair, whose remuneration is disclosed separately.

e) Other cash benefits include automobile benefits of $6 (2021 - $6). In Fiscal 2021, total included $303 of severance benefits paid as a result of a termination agreement.

f) Other cash benefits include $352 of severance benefits paid as a result of a termination agreement. Occupancy of the position changed on November 5, 2021.

g) Occupancy of the position changed on February 14, 2022.

h) Positions created on April 15, 2021.

i) Occupancy of the position ended on April 15, 2021.

j) Position eliminated on August 8, 2020.

20. Financial Instruments and Risk Management

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

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

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

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

21. Related Party Transactions

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

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

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

During the year AGLC made payments totaling $468 (2021 - $468) to the Alberta Risk Management Fund. Transactions with the General Revenue Fund are disclosed in Note 11.

WCLC, an associated entity as disclosed in Note 3h, is also a related party to AGLC. Details of transactions with WCLC are disclosed in Note 16. In addition to these transactions, AGLC received $743 (2021 - $705) in retailer service fees from WCLC.

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

22. Approved Budget

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

	2022
Cannabis revenue	$ 502,612
Cannabis cost of sales	(471,433)
Cannabis net revenue	31,179
Gaming net sales	1,556,048
Commissions and federal payments	(389,861)
Gaming net revenue	1,166,187
Liquor net revenue	920,678
Net revenue	2,118,044
Operating expenses	(307,428)
Profit from operations	1,810,616
Other revenue	15,824
Share of income from Western Canada Lottery Corporation	305,427
Net income	$ 2,131,867

23. Comparative Figures

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

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