



WESTERN  
CANADA  
LOTTERY  
CORPORATION

# ANNUAL REPORT 2023

WESTERN CANADA LOTTERY CORPORATION  
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WINNIPEG, MB R3C 4J1  
1-800-665-3313  
[wclc.com](http://wclc.com)

## **Board of Directors – Fiscal 2022**

**(April 1, 2022 to March 31, 2023)**

Kevin Gilroy	Board Chair	Saskatchewan
Gerry Sul	First Vice Chair (until June 19, 2022)	Manitoba
Manny Atwal	First Vice Chair (from October 12, 2022 – March 7, 2023)	Manitoba
Gerry Sul	First Vice Chair (from March 15, 2023)	Manitoba
Len Rhodes	Second Vice Chair	Alberta
Randy Williams	Director (until June 9, 2022)	Manitoba
Manny Atwal	Director (from June 9, 2022 – October 12, 2022)	Manitoba
Bonnie Mitchelson	Director (from June 19, 2022)	Manitoba
Steve Lautischer	Director	Alberta
Darin Banadyga	Director	Saskatchewan

## **Western Canada Lottery Corporation Structure**

Western Canada Lottery Corporation (WCLC) is a non-profit organization authorized to manage, conduct and operate lottery and gaming-related activities for its members, the Governments of Alberta, Saskatchewan and Manitoba. The Yukon, the Northwest Territories, and Nunavut participate as associate members.

The Corporation works in conjunction with the provincial and territorial organizations in its region: Alberta Gaming, Liquor & Cannabis, Sask Lotteries, Manitoba Liquor & Lotteries, Lotteries Yukon and NWT & Nunavut Lotteries.

WCLC is a participating member of the Interprovincial Lottery Corporation (ILC). ILC is incorporated to manage and conduct lotteries on behalf of his Majesty the King in right of all provinces.

WCLC's affairs are governed by a Board of Directors, comprising two representatives from each of the participating provincial governments.

## **Land Acknowledgement**

We affirm that the lands on which we work and gather are the traditional territories of diverse Indigenous peoples. Across the region – encompassing the expansive Prairies and the vast Arctic – Indigenous communities that include the Cree, Saulteaux, Dakota, Nakota, Dene, Métis, and Inuit peoples have nurtured and safeguarded these lands for generations.

Our presence on this land is a reminder of the enduring connection between Indigenous peoples and their territories. We pay our respects to the original caretakers, express gratitude for the opportunity to work in this space, and commit to understanding and honouring the histories, cultures, and ongoing contributions of Indigenous communities.

## Message from the Chair

As we reflect upon the remarkable achievements of the past fiscal year, I am pleased to share that WCLC has achieved record sales for the second consecutive year, reaching \$1.568 Billion in F23 (↑1.3% vs LY). This is the second year the organization's sales have exceeded \$1.5 Billion, and we continue to provide important revenue to our member governments in the Prairies and the North.

Within the WCLC region, national draw-based games (DBG) are a main driver of sales, and in F23, they accounted for half (50.1%) of total lottery sales. Sales for the entire national DBG portfolio were up over last year. LOTTO 6/49 reached \$231.1 Million (↑5.8% versus F22), Lotto Max attained \$533.5 Million (↑0.5%), and Daily Grand saw sales over \$30.2 Million (↑1.2%).

Canada's longest-running game, Lotto 6/49, marked its 40th year in June 2022, and in September saw changes to its format. The biggest enhancement to the game was the innovative Gold Ball Jackpot mechanic, which allows the top prize to grow bigger than ever before, and for big jackpot events to happen more frequently. Paired with the \$5 Million Classic Jackpot featured in every draw, the addition of the Gold Ball Jackpot means that Lotto 6/49 now offers two multi-million jackpots every Wednesday and Saturday evening. The effects of these changes were immediately apparent, with sales in the second half of F23 up 20% over the same period in F22. For the full year, Lotto 6/49 finished strong with \$231.1 Million in sales, up 5.8% over last year.

After a record year in F22, Lotto Max inched even higher in F23 thanks to another record jackpot event, when the jackpot carried over for an unprecedented 20 consecutive draws. Big jackpots are a reliable leading indicator of high sales, and jackpot levels remained favourable throughout the fiscal year: 49 of 104 jackpots in F23 were \$50 Million or higher, and 18 were at the maximum \$70 Million level. This helped to push the game event beyond last year's record performance, ending the year with \$533.5 Million in sales.

On the regional side of the DBG portfolio, highlights included the add-on game, EXTRA, which was up nearly \$5 Million to end the year at \$166.6 Million (↑3.1%). Poker Lotto and its adjunct All-In, were up 7.8% and 9.8% respectively, finishing with \$29.0 Million and \$13.7 Million for the year.

F23 was the first full year of sales since the Sport Select product saw significant enhancements; the modernized sports product included single-event wagers after a legislative change to the Criminal Code for authorized lotteries and betting providers. Notably, Sport Select also introduced better odds on Over/Under and Point Spread wagers during this period, enhancing the overall appeal for sports enthusiasts. These enhancements continued to resonate with players and saw the addition in F23 of exciting new leagues, sports, and events, ranging from women's basketball to car racing and even the Academy Awards. The new Futures product has enjoyed success in F23, and single-event bets comprised more than a fifth of all Sport Select bets. As a result, Sport Select concluded the year with a 7.1% increase in sales compared to F22, reaching a total of \$94.3 Million.

Nearly 5,000 independent businesses across the region sell lottery tickets. The strong sales in F23 benefited these retailers to the tune of \$104.2 Million in sales and redemption commissions.

Meanwhile, winners in the region took home a combined \$820.1 Million in prizes. This total is not only an increase of more than \$8 Million over last year, but the highest annual prize total ever paid in the region. This record included multi-Million wins on Lotto Max (two of \$70 Million, as well as \$50 Million, \$20 Million, and \$13 Million), Lotto 6/49 (a \$17 Million jackpot), Daily Grand (two \$7 Million wins), and Western 649 (a \$2 Million jackpot). Rounding out the year's new Millionaires are 64 \$1 Million prizes won by residents of communities large and small throughout the region.

The year resulted in one more record: WCLC returned \$534.3 Million in income to our members and associate members, helping to support priority programs and services through the Prairies and the North. This represents a 1.2% increase over last year.

Beyond financial performance, we are proud of the progress made in strategic initiatives, notably the expansion of sales capabilities through the Lotto Spot app across the entire region. Providing sales through the app complements our other digital options and now ensures that, for the first time, single-draw lottery tickets are available through safe and regulated digital channels in every province and territory across Canada. The substantial rise in digital sales to 4.3% of our overall sales in the F23 fiscal year underscores the growing importance of our digital presence. Looking ahead into F24, we remain committed to the evolution of our digital strategy and to responsibly meeting the evolving needs of our players and strategically aligning our products with their preferences and preferred modes of play.

We continue to strive to provide innovative and engaging products through our brick-and-mortar retail network. Throughout F23, our teams dedicated significant efforts to develop a new Plinko® Instant ticket, slated for launch in the early days of F24. The game follows on the success of The Big Spin and The Bigger Spin games, bringing a sense of excitement to the discovery of prizes at retail, and enabling dynamic live events where top winners discover live just how much they've won.

As the Chair of the WCLC Board of Directors, I want to congratulate all those who contributed to another record year. To the staff and leadership of WCLC, and to the provincial organizations who collaborate to offer lotteries in the region, thank you for your efforts. Thank you to everyone who played a part in continuing to provide a world-class entertainment experience to players across the jurisdiction, while at the same time raising funds for the priority programs and services throughout the region that benefit from lottery proceeds.



Kevin Gilroy, Chair  
Board of Directors

# Lottery Revenue Disbursement

Contact the following organizations for information regarding lottery revenue disbursement:

## **Alberta Gaming, Liquor & Cannabis**

50 Corriveau Avenue  
St. Albert, Alberta T8N 3T5  
Phone: (780) 447-8600  
Fax: (780) 447-8931  
aglc.ca

## **Sask Lotteries**

1870 Lorne Street  
Regina, Saskatchewan S4P 2L7  
Phone: (306) 780-9300  
Fax: (306) 781-6021  
sasklotteries.ca

## **Manitoba Liquor & Lotteries**

Unit A, 1555 Buffalo Place  
Winnipeg, Manitoba R3T 1L9  
Phone: (204) 957-2500  
Fax: (204) 957-2621  
mbl.ca

## **Lotteries Yukon**

101-205 Hawkins Street  
Whitehorse, Yukon Y1A 1X3  
Phone: (867) 633-7890  
Fax: (867) 668-7561  
lotteriesyukon.com

## **NWT & Nunavut Lotteries**

P.O. Box 1676 X1A 2P3  
Centre Ice Plaza  
480 Range Lake Road  
Yellowknife, Northwest Territories X1A 3R9  
Phone: (867) 767-9166 Ext 21115  
Fax: (867) 920-6467  
whenyoudisplay.ca

*Financial Statements of*

**WESTERN CANADA LOTTERY  
CORPORATION**

*March 31, 2023*

## INDEPENDENT AUDITOR'S REPORT

To the Members and Board of Directors of  
Western Canada Lottery Corporation

### **Opinion**

We have audited the financial statements of Western Canada Lottery Corporation (the "Corporation"), which comprise the statement of financial position as at March 31 2023, and the statement of comprehensive income, statement of changes in equity, statement of changes in amounts due to provincial governments or appointed organizations, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

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

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS 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 GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Chartered Professional Accountants

May 31, 2023  
Winnipeg, Manitoba

## TABLE OF CONTENTS

	<u>Page</u>
Statement of Comprehensive Income	1
Statement of Financial Position	2
Statement of Changes in Equity	3
Statement of Changes in Amounts Due to Provincial Governments or Appointed Organizations	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 – 21

# WESTERN CANADA LOTTERY CORPORATION

## Statement of Comprehensive Income

For the year ended March 31

(in thousands of Canadian dollars)

	2023	2022
LOTTERY REVENUE (Note 4)	\$ 747,804	\$ 736,465
DIRECT EXPENSES		
Retailer commissions	104,158	104,073
Ticket printing	17,819	17,367
	121,977	121,440
GROSS INCOME	625,827	615,025
OPERATING EXPENSES		
Administration and operations	73,092	69,633
Depreciation - Property and equipment (Note 6)	9,518	8,314
Amortization - Intangible assets (Note 7)	2,876	2,596
	85,486	80,543
OPERATING INCOME	540,341	534,483
OTHER INCOME (EXPENSE)		
Interest and other income	3,168	1,174
Federal tax expense (Note 8)	(9,181)	(8,267)
	(6,013)	(7,093)
NET INCOME	534,328	527,389
Other comprehensive income		
Remeasurement gain (Note 10)	5,394	6,843
OTHER COMPREHENSIVE INCOME	5,394	6,843
<b>COMPREHENSIVE INCOME</b>	<b>\$ 539,722</b>	<b>\$ 534,232</b>
Net income allocated to the following provinces or territories		
Alberta	\$ 363,360	\$ 354,770
Saskatchewan	85,536	81,496
Manitoba	74,396	80,127
Yukon Territory	4,338	4,182
Northwest Territories and Nunavut	6,698	6,814
	534,328	527,389
Other comprehensive income		
Remeasurement gain	5,394	6,843
OTHER COMPREHENSIVE INCOME	5,394	6,843
<b>COMPREHENSIVE INCOME</b>	<b>\$ 539,722</b>	<b>\$ 534,232</b>

# WESTERN CANADA LOTTERY CORPORATION

## Statement of Financial Position

As at March 31

(in thousands of Canadian dollars)

<b>ASSETS</b>	<b>2023</b>	<b>2022</b>
<b>CURRENT</b>		
Cash	\$ 62,631	\$ 70,453
Accounts receivable	19,749	22,985
Interprovincial Lottery Corporation receivable	-	65
Inventories (Note 5)	6,529	7,245
Prepaid expenses	2,113	2,126
	<b>91,022</b>	<b>102,874</b>
PROPERTY AND EQUIPMENT (Note 6)	<b>36,630</b>	33,353
INTANGIBLE ASSETS (Note 7)	<b>10,592</b>	10,288
EMPLOYEE BENEFITS (Note 10)	<b>7,591</b>	4,602
Total Assets	<b>\$ 145,835</b>	<b>\$ 151,116</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Prizes payable	\$ 25,104	\$ 39,716
Accounts payable and accrued charges	24,054	22,643
Lease liability (Note 9)	1,799	1,610
Deferred revenue	12,739	15,937
Payable to Interprovincial Lottery Corporation	2,584	-
Due to Provincial Governments or appointed organizations	61,969	58,448
	<b>128,249</b>	<b>138,354</b>
LEASE LIABILITY (Note 9)	<b>2,793</b>	3,364
Total Liabilities	<b>131,042</b>	<b>141,717</b>
<b>EQUITY</b>		
Deficit	(8,664)	(8,664)
Accumulated other comprehensive gain	23,457	18,063
Total Equity	<b>14,793</b>	<b>9,399</b>
	<b>\$ 145,835</b>	<b>\$ 151,116</b>

APPROVED BY THE BOARD

..... Director

..... Director

# WESTERN CANADA LOTTERY CORPORATION

## Statement of Changes in Equity

For the year ended March 31

(in thousands of Canadian dollars)

	<u>Deficit</u>	<u>Accumulated other comprehensive income</u>	<u>Total Equity</u>
<b>Balance at March 31, 2021</b>	\$ (8,664)	\$ 11,220	\$ 2,556
Defined benefit plan remeasurement gains	-	6,843	6,843
Total other comprehensive income	-	6,843	6,843
<b>Balance at March 31, 2022</b>	\$ (8,664)	\$ 18,063	\$ 9,399
<b>Balance at March 31, 2022</b>	\$ (8,664)	\$ 18,063	\$ 9,399
Defined benefit plan remeasurement gains	-	5,394	5,394
Total other comprehensive income	-	5,394	5,394
<b>Balance at March 31, 2023</b>	\$ (8,664)	\$ 23,457	\$ 14,793

**WESTERN CANADA LOTTERY CORPORATION**  
**Statement of Changes in Amounts Due to Provincial**  
**Governments or Appointed Organizations**

**For the year ended March 31**

*(in thousands of Canadian dollars)*

	<u>2023</u>	<u>2022</u>
Due to Provincial Governments or appointed organizations, beginning of year	\$ 58,448	\$ 48,069
Add net income for the year	<b>534,328</b>	527,389
	<b>592,776</b>	575,458
Deduct		
Distributions during the year	<b>514,372</b>	501,649
Payment to the Federal Government on behalf of the Provincial Governments (Note 8)	<b>16,435</b>	15,361
	<b>530,807</b>	517,010
Due to Provincial Governments or appointed organizations, end of year	\$ 61,969	\$ 58,448
Due as follows:		
Alberta	<b>\$39,167</b>	\$ 35,353
Saskatchewan	<b>10,543</b>	10,498
Manitoba	<b>10,930</b>	11,283
Yukon Territory	<b>432</b>	496
Northwest Territories and Nunavut	<b>897</b>	818
	<b>\$ 61,969</b>	\$ 58,448

# WESTERN CANADA LOTTERY CORPORATION

## Statement of Cash Flows

For the year ended March 31

(in thousands of Canadian dollars)

	<u>2023</u>	<u>2022</u>
<b>OPERATING ACTIVITIES</b>		
Comprehensive income for the year	\$ <b>539,722</b>	\$ 534,232
Items not affecting cash		
Depreciation - Property and equipment	<b>9,518</b>	8,314
Amortization - Intangibles	<b>2,876</b>	2,596
Loss on disposal - Property and equipment	<b>44</b>	-
Employee benefits	<b>(2,989)</b>	(4,100)
	<b>549,171</b>	541,042
Changes in non-cash operating working capital items (Note 11)	<b>(9,785)</b>	(10,639)
	<b>539,386</b>	530,403
<b>FINANCING ACTIVITIES</b>		
Distributions to Provincial Governments or appointed organizations	<b>(514,372)</b>	(501,649)
Principal repayment of lease obligations	<b>(1,702)</b>	(1,663)
Increase in right of use assets lease obligations	<b>1,320</b>	4,225
Payment to Federal Government (Note 8)	<b>(16,435)</b>	(15,361)
	<b>(531,189)</b>	(514,448)
<b>INVESTING ACTIVITIES</b>		
Purchase of:		
Property and equipment	<b>(11,475)</b>	(7,448)
Right of use assets	<b>(1,320)</b>	(4,225)
Intangible assets	<b>(3,224)</b>	(2,286)
	<b>(16,019)</b>	(13,959)
(DECREASE) INCREASE IN CASH DURING THE YEAR	<b>(7,822)</b>	1,996
CASH POSITION, BEGINNING OF YEAR	<b>70,453</b>	68,457
CASH POSITION, END OF YEAR	\$ <b>62,631</b>	\$ 70,453

# WESTERN CANADA LOTTERY CORPORATION

## Notes to the Financial Statements

Year Ended March 31, 2023

*(in thousands of Canadian dollars)*

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### 1. NATURE OF THE CORPORATION

The Western Canada Lottery Corporation (the “Corporation”) 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. The Provincial Governments of Manitoba, Saskatchewan and Alberta are members in the Corporation, and the Yukon Territory, the Northwest Territories and Nunavut participate with the provinces as associate members in the sale of gaming products. Each province and territory has appointed a lottery organization to assist the Corporation with the distribution of gaming products in its jurisdiction. The registered address of the Corporation is 125 Garry Street, Winnipeg, Manitoba, R3C 4J1.

The Corporation is responsible for the conduct and management of lottery games in Western Canada. It solely conducts the WESTERN MAX, WESTERN 649, POKER LOTTO, POKER LOTTO ALL IN, PICK 2, PICK 3, PICK 4, SPORT SELECT, KENO, EXTRA and INSTANT lottery games and participates in the conduct of the LOTTO 6/49, LOTTO MAX, DAILY GRAND and NATIONAL INSTANT lotteries through the Interprovincial Lottery Corporation. In addition, the Corporation manages projects for member provinces such as the operation of video lottery terminals in the Province of Saskatchewan. The revenues and expenses of these projects are not included in these financial statements.

The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by His Majesty the King in right of the respective provinces. The Western Canada Lottery Corporation is a Regional Marketing Organization for the LOTTO 6/49, LOTTO MAX, DAILY GRAND and NATIONAL INSTANT lotteries in its members’ jurisdictions. The Ontario Lottery and Gaming Corporation, Loto Quebec, the Atlantic Lottery Corporation and the British Columbia Lottery Corporation are the other Regional Marketing Organizations.

The functional currency of the Corporation is Canadian dollars.

### 2. BASIS OF PRESENTATION

#### a) *Statement of compliance*

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

The financial statements were approved by the Board of Directors on May 31, 2023.

#### b) *Basis of measurement*

The financial statements have been prepared on the historical cost basis except for certain liabilities that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

**WESTERN CANADA LOTTERY CORPORATION**  
**Notes to the Financial Statements**  
Year Ended March 31, 2023  
*(in thousands of Canadian dollars)*

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**2. BASIS OF PRESENTATION (continued)**

*c) Use of estimates and judgments*

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The assets and liabilities which require management to make significant estimates and assumptions in determining carrying values include property and equipment, intangible assets, legal accruals, prizes payable, as well as the accrued benefit obligation. Actual results could differ from these estimates.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

*a) Accounting for the expenses of the LOTTO 6/49, LOTTO MAX, DAILY GRAND and NATIONAL INSTANT lotteries.*

As the Corporation is a Regional Marketing Organization for the LOTTO 6/49, LOTTO MAX, DAILY GRAND and NATIONAL INSTANT lotteries, it pays the Interprovincial Lottery Corporation its share of the cost of prizes for these games as well as its share of ticket printing costs for the NATIONAL INSTANT lotteries. These costs amount to \$460,252 (2022 - \$453,685) and are included in the Corporation's expenses.

In addition, the Corporation's share of the Interprovincial Lottery Corporation's operating expenses, amounting to \$1,510 (2022 - \$1,574), and interest revenues, amounting to \$985 (2022 - \$615) are included in the Corporation's expenses and interest revenue respectively.

*b) Revenue recognition*

Under IFRS 15, lottery revenue will continue to be recorded as of the date of the draw with the exception of INSTANT game revenue which is recorded at the time the retailer activates a specific book of tickets via the on-line accounting system for sale to customers.

IFRS 15 presents a single model of recognizing revenue from contracts with customers with the exception of certain contracts under other IFRSs. The standard requires revenue

# WESTERN CANADA LOTTERY CORPORATION

## Notes to the Financial Statements

Year Ended March 31, 2023

*(in thousands of Canadian dollars)*

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the expected consideration receivable in exchange for transferring those goods or services.

Presentation:

Under IFRS 15, revenue is measured at the transaction price, which is allocated to the performance obligations identified in the contract with the customer. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to customers.

As a result, revenue is required to be reported as net of expected prize expense. This results in all of the corporations Lottery Sales income being combined into a single line on the consolidated statement of comprehensive income, labeled Lottery Revenue.

#### c) *Inventories*

Inventories are measured at the lower of cost and net realizable value and include expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### d) *Property and equipment*

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses and are depreciated over their estimated useful lives. Expenditures for repairs and maintenance are charged to income when incurred.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When significant components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment and are depreciated over the useful life of the component.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within other income in the statement of comprehensive income.

# WESTERN CANADA LOTTERY CORPORATION

## Notes to the Financial Statements

Year Ended March 31, 2023

*(in thousands of Canadian dollars)*

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### d) *Property and equipment (continued)*

Property and equipment also includes Right of use (ROU) assets. The ROU assets for building, computer equipment and vehicles are initially measured at an amount equal to the associated lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or the site on which it is located, less any lease incentives received. They are subsequently measured at cost less accumulated depreciation and impairment losses. ROU assets are depreciated based on the lease term using the straight-line method.

The Company applies IAS 36 to determine whether a ROU is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy.

Depreciation is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment less its residual value, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Central gaming system hardware	8 to 10 years
Other computer systems hardware	3 to 8 years
Retailer signage and fixtures	5 years
Building and leasehold improvements	10 years
Office furniture and fixtures	5 to 10 years
Right of use assets	3 to 8 years

The Corporation conducts an annual assessment of the estimated residual balances, useful lives, and depreciation methods being used for property and equipment and any changes arising from this assessment are applied by the Corporation prospectively.

#### e) *Intangible assets*

Intangible assets that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives for the current and comparative periods are as follows:

Central gaming software	8 to 10 years
Other computer software	3 to 8 years

# WESTERN CANADA LOTTERY CORPORATION

## Notes to the Financial Statements

Year Ended March 31, 2023

*(in thousands of Canadian dollars)*

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) *Accounting for free ticket prizes*

Lottery tickets issued as a consequence of the redemption of free ticket prizes are not recorded as ticket sales or as prizes paid.

g) *Employee benefits*

In accordance with IAS 19, a defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Corporation's net obligation in respect of the defined benefit pension plans (the "Plans") is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that benefit to determine its present value.

For defined benefit retirement plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Re-measurement comprising of actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding expected interest) are recognized immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Re-measurement recorded in other comprehensive income is ultimately not recorded in net income in future periods. However, the entity may transfer those amounts recognized in other comprehensive income within equity. Past service costs are recognized in profit or loss in the period in which they occur. Net interest expense or income is calculated by applying the discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- service cost
- net interest expense or income
- re-measurement gains or losses

The Corporation presents the first two components of defined benefit costs in the line item 'administration and operations' in its statement of comprehensive income.

Re-measurement is recorded in other comprehensive income and remains as part of accumulated other comprehensive income within the Corporation's equity.

Pension assets recognized in the statement of financial position are limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

# WESTERN CANADA LOTTERY CORPORATION

## Notes to the Financial Statements

Year Ended March 31, 2023

*(in thousands of Canadian dollars)*

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *h) Provisions*

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### *i) Financial instruments*

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets or 'loans and receivables'. Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. Financial liabilities are classified as FVTPL when the financial liability is either held for trading or it is designated as at FVTPL. The classification depends on the nature and purpose of the financial assets or liabilities and is determined at the time of initial recognition.

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The Corporation's financial instruments consist of cash, accounts receivable, prizes payable, accounts payable and accrued charges, payable to Interprovincial Lottery Corporation and due to Provincial Governments or appointed organizations.

**WESTERN CANADA LOTTERY CORPORATION**  
**Notes to the Financial Statements**  
Year Ended March 31, 2023  
*(in thousands of Canadian dollars)*

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*j) IFRS 16 - Leases*

IFRS 16 specifies how the Corporation will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the asset group has a low value. It also eliminates the separate treatment of operating leases. The focus of this standard is on controlling the use of an asset.

The Corporation leases the following types of assets:

- Buildings
- Computer equipment
- Vehicles

*k) New standards and interpretations not yet adopted*

None

**4. LOTTERY REVENUE**

Sales revenue by product is as follows:

	<u>2023</u>	<u>2022</u>
LOTTO 6/49	\$ 231,057	\$ 218,447
INSTANT	351,444	359,445
LOTTO MAX	533,548	530,655
WESTERN MAX	32,453	33,045
DAILY GRAND	30,207	29,863
POKER LOTTO	29,018	26,916
POKER LOTTO ALL IN	13,668	12,451
SPORT SELECT	94,288	88,026
WESTERN 649	39,687	41,306
EXTRA	166,605	161,655
PICK 2	2,020	2,036
PICK 3	18,766	19,189
PICK 4	7,942	7,521
KENO	17,244	17,776
	<b>1,567,947</b>	<b>1,548,331</b>
LESS PRIZES	<b>820,143</b>	<b>811,866</b>
<b>LOTTERY REVENUE</b>	<b>\$ 747,804</b>	<b>\$ 736,465</b>

**WESTERN CANADA LOTTERY CORPORATION**  
**Notes to the Financial Statements**  
Year Ended March 31, 2023  
*(in thousands of Canadian dollars)*

**5. INVENTORIES**

	<u>2023</u>	<u>2022</u>
Offline ticket inventory	\$ 4,974	\$ 5,858
Online ticket inventory	1,539	1,370
Office supplies inventory	16	17
	<u>\$ 6,529</u>	<u>\$ 7,245</u>

During 2023, \$17,578 (2022 - \$17,108) of ticket inventory was recognized as an expense.

**6. PROPERTY AND EQUIPMENT**

	Central gaming system	Other computer systems hardware	Retailer signage and fixtures	Building and leasehold improvements	Office furniture and fixtures	Right of use assets	Total
At March 31, 2021	3,149	52,489	23,066	8,381	1,579	4,338	93,002
Additions	409	5,156	1,704	179	-	4,225	11,673
Disposals	-	-	-	-	-	-	-
At March 31, 2022	3,558	57,645	24,770	8,560	1,579	8,563	104,675
Additions	284	7,500	3,451	77	163	1,320	<b>12,795</b>
Disposals	-	-	-	-	-	-	-
<b>At March 31, 2023</b>	<b>3,842</b>	<b>65,145</b>	<b>28,221</b>	<b>8,637</b>	<b>1,742</b>	<b>9,883</b>	<b>117,470</b>

<b>Accumulated Depreciation</b>							
	Central gaming system	Other computer systems hardware	Retailer signage and fixtures	Building and leasehold improvements	Office furniture and fixtures	Right of use assets	Total
At March 31, 2021	2,338	33,127	16,995	7,484	1,318	1,746	63,008
Depreciation	344	5,176	919	238	89	1,548	8,314
Disposals	-	-	-	-	-	-	-
At March 31, 2022	2,682	38,303	17,914	7,722	1,407	3,294	71,322
Depreciation	273	5,780	1,172	171	4	2,118	<b>9,518</b>
Disposals	-	-	-	-	-	-	-
<b>At March 31, 2023</b>	<b>2,955</b>	<b>44,083</b>	<b>19,086</b>	<b>7,893</b>	<b>1,411</b>	<b>5,412</b>	<b>80,840</b>

<b>Carrying Amounts</b>							
	Central gaming system	Other computer systems hardware	Retailer signage and fixtures	Building and leasehold improvements	Office furniture and fixtures	Right of use assets	Total
At March 31, 2022	876	19,342	6,856	838	172	5,269	33,353
<b>At March 31, 2023</b>	<b>887</b>	<b>21,062</b>	<b>9,135</b>	<b>744</b>	<b>331</b>	<b>4,471</b>	<b>36,630</b>

**WESTERN CANADA LOTTERY CORPORATION**  
**Notes to the Financial Statements**  
Year Ended March 31, 2023  
*(in thousands of Canadian dollars)*

**7. INTANGIBLE ASSETS**

	<b>Central Gaming Software</b>	<b>Other Computer Software</b>	<b>Total</b>
At March 31, 2021	\$ 33,734	\$ 11,943	\$ 45,677
Additions	356	1,930	2,286
Disposals	-	-	-
At March 31, 2022	\$ 34,090	\$ 13,873	\$ 47,963
Additions	875	2,349	3,224
Disposals	-	(666)	(666)
<b>At March 31, 2023</b>	<b>\$ 34,965</b>	<b>\$ 15,556</b>	<b>\$ 50,521</b>
<b>Accumulated Amortization</b>			
At March 31, 2021	\$ 24,185	\$ 10,894	\$ 35,079
Amortization	1,579	1,017	2,596
Disposals	-	-	-
At March 31, 2022	\$ 25,764	\$ 11,911	\$ 37,675
Amortization	2,070	806	2,876
Disposals	-	(622)	(622)
<b>At March 31, 2023</b>	<b>\$ 27,834</b>	<b>\$ 12,095</b>	<b>\$ 39,929</b>
Carrying Amounts			
At March 31, 2022	\$ 8,326	\$ 1,961	\$ 10,288
<b>At March 31, 2023</b>	<b>\$ 7,131</b>	<b>\$ 3,461</b>	<b>\$ 10,592</b>

**8. PAYMENTS TO FEDERAL GOVERNMENT**

The Corporation made the following payments to the Federal Government:

	<u>2023</u>	<u>2022</u>
Payment on behalf of the Provinces	<b>\$ 16,435</b>	\$ 15,361
Federal tax expense	<b>9,181</b>	8,267
	<b>\$ 25,616</b>	\$ 23,628

The Corporation's payments to the Federal Government are described as follows:

a) Payment to the Federal Government on behalf of the Provincial Governments

The Interprovincial Lottery Corporation makes payments to the Government of Canada as a result of an agreement between the Provincial Governments and the Federal Government on the withdrawal of the Federal Government from the lottery field. The agreement requires the provinces, on a combined basis, to make on-going payments of \$24 million in 1979 dollars annually on an inflation adjusted basis (currently \$86.7 million).

# WESTERN CANADA LOTTERY CORPORATION

## Notes to the Financial Statements

Year Ended March 31, 2023

(in thousands of Canadian dollars)

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### 8. PAYMENTS TO FEDERAL GOVERNMENT (continued)

The Corporation, as a Regional Marketing Organization of the Interprovincial Lottery Corporation, remits its member provinces' share of the above payments to the Interprovincial Lottery Corporation which is based on current population statistics and amounted to 18.6% of the total in 2023 (2022 – 18.6%). The cost is allocated between each participant / associate participant province based on their share of lottery ticket sales.

#### b) Federal tax expense

Taxes are paid to the Federal Government by the Corporation based on a specific formula. This payment is in lieu of the collection of GST on lottery ticket sales to the consumers and is in addition to the GST paid on goods and services purchased by the Corporation.

### 9. LEASE LIABILITY

Leases are recognized as right-of-use assets and corresponding liabilities at the date at which a leased asset is available for use. Payments for short-term leases and leases of low-value assets are expensed on a straight-line basis and excluded from lease liability.

As at March 31, 2023, scheduled future minimum lease payments and the present value of the finance lease obligation are as follows for the next five fiscal years:

	2024	2025	2026	2027	2028	Total
Future minimum lease payments	\$ 2,110	\$ 1,886	\$ 978	\$ 307	\$ 111	\$ 5,392
Discounted interest expense	271	286	150	66	27	800
Present value of lease liability	\$ 1,839	\$ 1,600	\$ 828	\$ 241	\$ 84	\$ 4,592

During 2023, expenses for leases designated as low value of \$67 were recorded through operating expenses. In addition, expenses for variable lease payments of \$1,043 were recorded through operating expenses. In 2022, variable lease payments totalling \$852 were recognized as an operating expense under administration and operations in respect of operating leases.

### 10. EMPLOYEE BENEFITS

The Corporation operates two defined benefit plans. The first is a funded registered pension plan covering substantially all of its employees and employees in the Saskatchewan Video Lottery Division. The Corporation identifies its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan. The second plan is an unfunded supplementary retirement plan (SRP) for certain employees. These plans are presented on a combined basis in these financial statements as the SRP comprised only 2% of the total defined benefit obligation at March 31, 2023.

# WESTERN CANADA LOTTERY CORPORATION

## Notes to the Financial Statements

Year Ended March 31, 2023

(in thousands of Canadian dollars)

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### 10. EMPLOYEE BENEFITS (continued)

The registered plan's Pension Committee is comprised of Corporation staff at various reporting levels and representatives of the active and inactive membership. The Pension Committee is required by law to act in the best interests of plan members, i.e. active employees, inactive employees and retirees. The Pension Committee is responsible for the investment policy with regard to the assets of the fund. The Corporation makes contributions to the plan which provides pension benefits for employees upon retirement. The plan entitles a retired employee to receive a monthly payment that is based on a complex calculation based on years of service, earnings, and the age of the employee.

The plans exposes the Corporation to risks such as: investment risk, interest rate risk, longevity risk and salary risk.

The most recent actuarial valuation for funding purposes was carried out as at March 31, 2022 by Aon and the next required valuation will be conducted no later than as at March 31, 2025.

The present value of the defined benefit obligation, and current service cost were determined using the Projected Unit Credit cost method.

The Corporation has determined that, in accordance with the terms and conditions of the registered plan, and in accordance with the statutory requirements of the plans under the Pensions Benefit Act (such as minimum funding requirements), the present value of refunds or reductions in future contributions is not lower than the balance of the total fair value of the plan's assets less the total present value of obligations. As such, no increase in the defined benefit obligation is necessary at March 31, 2023 (March 31, 2022 – no increase in defined benefit obligation).

The principal assumptions used for the purposes of the actuarial valuations of the plans were as follows:

	<u>2023</u>	<u>2022</u>
Discount rate	<b>4.90%</b>	4.00%
Rate of compensation increase	<b>3.00%+ SMP</b>	3.00%+ SMP
Mortality tables – post-retirement	<b>Canadian Pensioners' Mortality Table CPM2014 with MI-2017</b>	Canadian Pensioners' Mortality Table CPM2014 with MI-2017
Year's maximum pensionable earnings increase (per annum)	<b>3.00%</b>	3.00%

# WESTERN CANADA LOTTERY CORPORATION

## Notes to the Financial Statements

Year Ended March 31, 2023

(in thousands of Canadian dollars)

### 10. EMPLOYEE BENEFITS (continued)

Amounts recognized in comprehensive income in respect of these defined benefit plans are as follows:

	<u>2023</u>	<u>2022</u>
Current service costs	\$ (2,359)	\$ (2,804)
Net interest income	196	32
Non-investment expenses	(272)	-
Components of defined benefit costs recorded in net income	<u>(2,435)</u>	<u>(2,772)</u>
Re-measurement gain	5,394	6,843
Components of defined benefit costs recorded in other comprehensive income	<u>5,394</u>	<u>6,843</u>
Total of components of defined benefit costs	<u>\$ 2,959</u>	<u>\$ 4,071</u>

The current service cost and the net interest expense for the year are included in the administration and operations expense in the statement of comprehensive income. The re-measurement of the net defined benefit liability is included in the statement of comprehensive income as other comprehensive income.

The amount included in the statement of financial position arising from the Corporation's obligation in respect of its defined benefit plan is as follows:

	<u>2023</u>	<u>2022</u>
Defined benefit obligation (DBO)	\$ (44,791)	\$ (52,745)
Fair value of plan assets	52,382	57,347
Net asset arising from defined benefit obligation	<u>\$7,591</u>	<u>\$4,602</u>

Movements in the present value of the defined benefit obligation in the current year were as follows:

	<u>2023</u>	<u>2022</u>
Opening defined benefit obligation	\$ (52,745)	\$ (57,708)
Current service cost	(2,359)	(2,804)
Interest cost	(2,044)	(1,913)
Contributions from plan participants	(828)	(820)
Re-measurement gains arising from changes in financial assumptions	9,900	7,711
Benefits paid	3,285	2,789
Closing defined benefit obligation	<u>\$ (44,791)</u>	<u>\$ (52,745)</u>

**WESTERN CANADA LOTTERY CORPORATION**  
**Notes to the Financial Statements**  
Year Ended March 31, 2023  
*(in thousands of Canadian dollars)*

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**10. EMPLOYEE BENEFITS (continued)**

Movements in the present value of the plan assets in the current year were as follows:

	<u>2023</u>	<u>2022</u>
Opening fair value of plan assets	\$ 57,347	\$ 58,209
Interest income	2,240	1,946
Re-measurement gains (losses) arising from:		
return on plan assets (excluding amounts included in net interest expense)	(4,506)	(869)
Contributions from the employer	30	30
Contributions from plan participants	828	820
Benefits paid	(3,285)	(2,789)
Non-investment expenses	(272)	-
Closing fair value of plan assets	<u>\$ 52,382</u>	<u>\$ 57,347</u>

Plan assets include, but are not limited to, Canadian long bonds, infrastructure, global equity, and real estate.

The actual return (loss) on plan assets was \$(2,266) (2022 – \$1,077).

Significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, expected salary increase, and mortality. The sensitivity analyses below have been determined based on possible changes of the assumptions occurring at the end of the reporting period.

- If the discount rate increased (decreased) by 1%, the defined benefit obligation would decrease by \$7,043 (increase by \$9,094) if all other assumptions were held constant.
- If the expected salary growth increased (decreased) by 1%, the defined benefit obligation would increase by \$2,559 (decrease by \$ 2,286) if all other assumptions were held constant.
- If the life expectancy increased (decreased) by one year, the defined benefit obligation would increase by \$720 (decrease by \$745) if all other assumptions were held constant.

Interrelationships between the assumptions, especially between discount rate and expected salary increases depend, to a certain extent, on expected inflation rates. The analyses above ignores the interdependence between the assumptions and quantifies sensitivity on individual variables.

An ALM (Asset-Liability Matching) study is performed in which the consequences of the strategic investment policies are analyzed in terms of risk-and-return profiles. Investment and contribution policies are integrated within this study.

# WESTERN CANADA LOTTERY CORPORATION

## Notes to the Financial Statements

Year Ended March 31, 2023

(in thousands of Canadian dollars)

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### 10. EMPLOYEE BENEFITS (continued)

The Corporation is expected to fund the cost of the entitlements expected to be earned on a yearly basis relating to the employees of the WCLC. Employees contribute to the pension plan at a rate of 5.7% up to Year's Maximum Pensionable Earnings (YMPE) and 8.2% on earnings over YMPE. The funding requirements are based upon the advice of the actuary to provide the normal cost of the benefits currently accruing to members under the plan and for the proper amortization of any unfunded liability or solvency deficiency in accordance with the Pension Benefits Act.

The average duration of the obligation of the funded defined benefit plan at the end of the reporting period is 20.8 years. This number can be subdivided into the duration related to:

- active members: 22.1 years;
- deferred members: 21.2 years;
- retired members: 12.3 years.

The Corporation expects to fund \$30 in to the SRP in 2023 (2022 - \$30).

### 11. SUPPLEMENTARY INFORMATION FOR STATEMENT OF CASH FLOWS

Net change in non-cash working capital balances related to operations:

	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 3,236	\$ (12,202)
Prepaid expenses	13	705
Inventories	716	(105)
Receivable from Interprovincial Lottery Corporation	65	80
Accounts payable and accrued charges	1,411	(3,066)
Prizes payable	(14,612)	301
Payable to Interprovincial Lottery Corporation	2,584	-
Deferred revenue	(3,198)	3,648
	<u>\$ (9,785)</u>	<u>\$ (10,639)</u>

# WESTERN CANADA LOTTERY CORPORATION

## Notes to the Financial Statements

Year Ended March 31, 2023

(in thousands of Canadian dollars)

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### 12. FINANCIAL INSTRUMENTS & RISK MANAGEMENT

#### *Financial instruments*

The Corporation has made the following classifications:

Cash	Loans and receivables
Accounts receivable	Loans and receivables
Interprovincial Lottery Corporation receivable	Loans and receivables
Prizes payable	Other Financial Liabilities
Lease liabilities	Other Financial Liabilities
Accounts payable and accrued charges	Other Financial Liabilities
Payable to Interprovincial Lottery Corporation	Other Financial Liabilities
Due to Provincial Governments or appointed organizations	Other Financial Liabilities

#### *Fair value of financial instruments*

The carrying value of all financial assets and liabilities approximates their fair value due to the short-term nature of these instruments.

#### *Risk management*

##### *a) Credit risk*

Credit Risk represents the loss that would be recognized if the counterparties in which the Corporation holds financial assets at the reporting date fail to honour their obligations under contract. The Corporation's maximum exposure to credit risk is represented by the carrying amounts of the accounts receivable and prepaid expenses of \$21,862 (2022 - \$25,111) as at March 31, 2023 on the Statement of Financial Position.

WCLC minimizes its credit risk on receivables by undertaking its sales transactions with a large number of retailers and requiring those retailers to remit any balance owing on a weekly basis.

##### *b) Liquidity risk*

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations as they fall due. This risk is managed by cash flow planning and access to approved bank overdraft facilities. All of the Corporation's financial liabilities mature within one year of the Statement of Financial Position date.

##### *c) Interest rate risk*

Interest rate risk is the risk that the Corporation will suffer a financial or economic opportunity loss due to an unfavourable change in interest rates. WCLC's exposures to such risks are not significant due to the nature of its financial assets and liabilities.

# WESTERN CANADA LOTTERY CORPORATION

## Notes to the Financial Statements

Year Ended March 31, 2023

(in thousands of Canadian dollars)

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### 12. FINANCIAL INSTRUMENTS & RISK MANAGEMENT (continued)

#### d) Capital management

The Corporation's policy is to maintain a capital structure for the business which ensures sufficient liquidity and support for operations and positions the Corporation for future growth. The ongoing maintenance and pursuit of this policy is characterized by ongoing cash flow forecast analysis and budgeting processes directed at providing sound financial positioning for the Corporation's operations and financial management activities.

### 13. CONTINGENCIES

The Corporation is involved in various claims and litigation arising in the ordinary course and conduct of their business. Although such matters cannot be predicted with certainty, management does not consider the Corporation's exposure to such litigation to be material to these financial statements.

### 14. COMPENSATION OF KEY MANAGEMENT

Compensation awarded to key management included:

	<u>2023</u>	<u>2022</u>
Compensation and short-term employee benefits	\$ 1,325	\$ 1,508
Post-employment benefits	176	182
	<u>\$ 1,501</u>	<u>\$ 1,690</u>

Key management includes the Corporation's Board of Directors and senior management.