

WESTERN
CANADA
LOTTERY
CORPORATION

ANNUAL REPORT 2024

WESTERN CANADA LOTTERY CORPORATION
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Board of Directors – Fiscal 2024

(April 1, 2023 to March 31, 2024)

Kevin Gilroy	Board Chair	Saskatchewan	(until June 27, 2023)
Gerry Sul	Board Chair	Manitoba	(from June 27, 2023)
Gerry Sul	First Vice Chair	Manitoba	(until June 27, 2023)
Len Rhodes	First Vice Chair	Alberta	(from June 27, 2023)
Len Rhodes	Second Vice Chair	Alberta	(until June 27, 2023)
Kevin Gilroy	Second Vice Chair	Saskatchewan	(from June 27, 2023)
Steve Lautischer	Director	Alberta	
Steve Tunison	Director	Saskatchewan	
Bonnie Mitchelson	Director	Manitoba	(until December 6, 2023)
Jeff Traeger	Director	Manitoba	(from December 6, 2023)

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 of the Prairies and the North, 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 on the achievements of the past fiscal year, I am pleased to share that WCLC has achieved the third-highest sales year in the Corporation's history with a total of \$1.492 Billion in sales in F24 (↓4.87% vs F23). F24's performance remains strong, despite the slight decrease in total sales. We continued to deliver on our mandate as a fundraiser for our member governments – delivering \$484.7 Million in net revenue to the provinces of Alberta, Saskatchewan, and Manitoba, and associate members in the North.

The year featured both successes and challenges within WCLC's portfolio. In the challenges column, LOTTO MAX ended the year 27.22% down from last year with total F24 sales of \$388.32 Million. Compared to the previous year, LOTTO MAX saw a decrease in the big jackpots that drive awareness and increased sales on the game; LOTTO MAX jackpots were \$50 Million or higher on just 30 of 104 total draws, and at the maximum \$70 Million eight times through F24. By contrast, F23 jackpots reached \$50 Million and up on 49 draws, and \$70 Million 18 times.

Yet, this year provided many successes to celebrate. Top among them – both in percentage and absolute dollar value – the 42-year-old LOTTO 6/49 saw a significant increase in its first full year since a major rejuvenation. The game achieved \$279.80 Million in sales, an increase of 21.09% over F23. The new LOTTO 6/49 offers players a chance of two multi-million-dollar jackpots on every draw, and the Gold Ball Jackpot mechanic provides the ability to grow often to levels rarely seen in the past. In F24, the Gold Ball Jackpot was at or above \$60 Million on eight draws; before the game enhancement, jackpots reached \$60 Million only twice in 40 years.

The third national draw-based game, DAILY GRAND was up 7.01% over last year, a \$2.12 Million increase. And regionally, the PICK family of games – PICK 2, PICK 3, and PICK 4 – continued their organic growth. The more established PICK 3 grew by \$262,000 (↑1.40%) to reach \$19.03 Million in sales. The newer PICK 2 and PICK 4 grew by 10.35% and 20.56% to end F24 with \$2.23 Million and \$9.57 Million in sales, respectively.

The Scratch & Win portfolio remained strong in F24, seeing sales increase 3.50% over the previous year to \$363.75 Million. A significant addition to the instant line-up in F24 was the launch of PLINKO™ in April. This \$5 product joins THE BIG SPIN and THE BIGGER SPIN in a class of products that brings a dynamic in-store play experience, and exciting game-show style events for top prize winners. As well, WCLC saw growth in premium instant products, with \$50 and \$100 tickets accounting for a tenth of total Scratch & Win sales in F24.

SPORT SELECT closed out F24 up 12.00% over last year, with sales reaching \$105.60 Million. This is the third consecutive year of steady growth following the significant decline in F21 due to the COVID-19 pandemic. Our sports product continued to evolve and expand by offering new leagues and sports to players (including new hockey offerings, curling, rugby, cricket, and darts), and as well as novelty bets that included Academy Awards results. Single-event bets accounted for 22% of all SPORT SELECT sales in F24.

The regional WESTERN MAX and WESTERN 649 followed the trends of their parent national games. WESTERN MAX finished the year at \$30.26 Million (↓6.75%), a reflection of the challenges of LOTTO MAX jackpot rolls. WESTERN 649 ended the year 1.37% higher than last year, closing out F24 at \$40.23 Million. The add-on game EXTRA also finished slightly lower – at \$161.89 Million (↓2.83%).

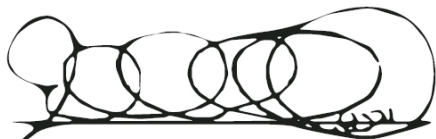
Meanwhile, winners in the region took home a combined \$794.68 Million in prizes, a slight decline (↓3.10%) from last year. This total represents the anticipation and excitement felt by millions of players throughout the region. It includes winners on the Prairies and in the North who claimed 57 prizes of \$1 Million or more. The biggest jackpots in F24 included life-changing prizes won on LOTTO MAX (prizes of \$70 Million, \$60 Million, \$55 Million, and \$50 Million) and LOTTO 6/49 (the region's first Gold Ball Jackpot ever – a \$50 Million windfall).

Also benefitting are the 5,000 independent businesses across the region who sell lottery products. For their hard work in selling tickets, redeeming prizes, and delivering services to their customers in the brick-and-mortar sales channel, Lotto Spot retailers shared in \$98.49 Million in commissions in F24.

Looking ahead, F25 will see the introduction of a new regional draw-based game early in the year. LIGHTNING LOTTO will launch in April and join POKER LOTTO as a “Watch and Win” game – a terminal printed ticket that reveals its winning status at the moment of purchase. Like POKER LOTTO and its adjunct product ALL IN, LIGHTNING LOTTO was first developed in Ontario, and WCLC has consulted with our counterparts in that province to integrate some of their lessons learned into our version of the game, including prize structure adjustments to increase “chatter” prizes and benefit word of mouth.

We are advancing key strategic initiatives and projects to enhance our business operations and product delivery. This includes significant investments in both physical retail locations and digital sales channels to provide innovative and engaging products. In F25, we will initiate a competitive procurement process to upgrade our network of retail terminals, replacing outdated hardware. At the same time, we will begin to develop a new digital identity and storefront for WCLC, unifying our current digital presence and sales channels under a single brand. Although in-store retail remains the foundation of our business, our digital sales channels experienced growth in F25, and we will sustain this momentum by developing an integrated digital platform that complements those managed by our partners. Alongside these channel investments, we are also committed to enhancing the quality and utility of data, thereby expanding our capacity as a data-driven organization.

On behalf of the WCLC Board of Directors, I extend my heartfelt thanks and congratulations to everyone whose efforts support the lottery as a fundraiser for priority programs and services throughout the Prairies and the North. I am grateful to the staff and leadership of WCLC, and to the provincial organizations who partner with us to offer a world-class lottery experience. Guided by our shared purpose and by the values of collaboration, innovation, integrity, accountability, and adaptability, your work has a real impact on winners, retailers, and ultimately, the communities in our region. Thank you for all you do to contribute to our collective success.

A handwritten signature in black ink, appearing to read 'Gerry Sul', with a stylized, looping flourish underneath.

Gerry Sul, 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
mbll.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
ntnulotteries.ca

Financial Statements of

**WESTERN CANADA LOTTERY
CORPORATION**

March 31, 2024

Independent Auditor's Report

To the Members and the 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, 2024, and the statements of comprehensive income, changes in equity, changes in amounts due to provincial governments or appointed organizations and cash flows for the year then ended, and notes to the financial statements, including material accounting policy 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 Western Canada Lottery Corporation as at March 31, 2024, 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 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 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.

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

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.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is stylized, with the "D" being large and the "LLP" being written in a cursive, flowing manner.

Chartered Professional Accountants

Winnipeg, Manitoba
May 14, 2024

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WESTERN CANADA LOTTERY CORPORATION

Statement of Comprehensive Income

For the year ended March 31

(in thousands of Canadian dollars)

	2024	2023
LOTTERY REVENUE (Note 4)	\$ 696,945	\$ 747,804
DIRECT EXPENSES		
Retailer commissions	98,485	104,158
Online Transactional	2,638	890
Ticket printing	17,886	17,819
	119,009	122,867
GROSS INCOME	577,936	624,937
OPERATING EXPENSES		
Administration and operations	79,198	72,202
Depreciation – Property and equipment (Note 6)	8,930	9,518
Amortization – Intangible assets (Note 7)	2,532	2,876
	90,660	84,596
OPERATING INCOME	487,276	540,341
OTHER INCOME (EXPENSE)		
Interest and other income	6,105	3,168
Federal tax expense (Note 8)	(8,693)	(9,181)
	(2,588)	(6,013)
NET INCOME	484,688	534,328
Other comprehensive income		
Remeasurement gain (Note 10)	1,995	5,394
OTHER COMPREHENSIVE INCOME	1,995	5,394
COMPREHENSIVE INCOME	\$ 486,683	\$ 539,722
Net income allocated to the following provinces or territories:		
Alberta	\$ 333,746	\$ 363,360
Saskatchewan	75,446	85,536
Manitoba	65,880	74,396
Yukon Territory	3,872	4,338
Northwest Territories and Nunavut	5,744	6,698
	484,688	534,328
Other comprehensive income		
Remeasurement gain	1,995	5,394
OTHER COMPREHENSIVE INCOME	1,995	5,394
COMPREHENSIVE INCOME	\$ 486,683	\$ 539,722

WESTERN CANADA LOTTERY CORPORATION

Statement of Financial Position

As at March 31

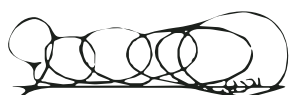
(in thousands of Canadian dollars)

ASSETS	2024	2023
CURRENT		
Cash	\$ 54,028	\$ 62,631
Accounts receivable	19,727	19,749
Interprovincial Lottery Corporation receivable	10,237	-
Inventories (Note 5)	6,064	6,529
Prepaid expenses	2,566	2,113
	92,622	91,022
PROPERTY AND EQUIPMENT (Note 6)	33,126	37,020
INTANGIBLE ASSETS (Note 7)	11,615	10,202
EMPLOYEE BENEFITS (Note 10)	7,842	7,591
Total Assets	\$ 145,205	\$ 145,835
LIABILITIES		
CURRENT		
Prizes payable	\$ 33,573	\$ 25,104
Accounts payable and accrued charges	22,359	24,054
Lease liability (Note 9)	1,668	1,799
Deferred revenue	10,969	12,739
Payable to Interprovincial Lottery Corporation	-	2,584
Due to Provincial Governments or appointed organizations	58,614	61,969
	127,183	128,249
LEASE LIABILITY (Note 9)	1,234	2,793
Total Liabilities	128,417	131,042
EQUITY		
Deficit	(8,664)	(8,664)
Accumulated other comprehensive gain	25,452	23,457
Total Equity	16,788	14,793
	\$ 145,205	\$ 145,835

APPROVED BY THE BOARD



..... Director Len Rhodes, Chair, Audit Committee



..... Director Gerry Sul, Board Chair

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>
Balance at March 31, 2022	\$ (8,664)	\$ 18,063	\$ 9,399
Defined benefit plan remeasurement gains	-	5,394	5,394
Total other comprehensive income	-	5,394	5,394
Balance at March 31, 2023	\$ (8,664)	\$ 23,457	\$ 14,793
Balance at March 31, 2023	\$ (8,664)	\$ 23,457	\$ 14,793
Defined benefit plan remeasurement gains	-	1,995	1,995
Total other comprehensive income	-	1,995	1,995
Balance at March 31, 2024	\$ (8,664)	\$ 25,452	\$ 16,788

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)

	2024	2023
Due to Provincial Governments or appointed organizations, beginning of year	\$ 61,969	\$ 58,448
Add net income for the year	484,688	534,328
	546,657	592,776
Deduct		
Distributions during the year	471,087	514,372
Payment to the Federal Government on behalf of the Provincial Governments (Note 8)	16,956	16,435
	488,043	530,807
Due to Provincial Governments or appointed organizations, end of year	\$ 58,614	\$ 61,969
Due as follows:		
Alberta	\$ 38,233	\$ 39,167
Saskatchewan	9,066	10,543
Manitoba	10,169	10,930
Yukon Territory	458	432
Northwest Territories and Nunavut	688	897
	\$ 58,614	\$ 61,969

WESTERN CANADA LOTTERY CORPORATION

Statement of Cash Flows

For the year ended March 31

(in thousands of Canadian dollars)

	2024	2023
OPERATING ACTIVITIES		
Comprehensive income for the year	\$ 486,683	\$ 539,722
Items not affecting cash		
Depreciation – Property and equipment	8,930	9,518
Amortization – Intangibles	2,532	2,876
Loss on disposal - Property and equipment	-	44
Employee benefits	(251)	(2,989)
	497,894	549,171
Changes in non-cash operating working capital items (Note 11)	(7,783)	(9,785)
	490,111	539,386
FINANCING ACTIVITIES		
Distributions to Provincial Governments or appointed organizations	(471,087)	(514,372)
Principal repayment of lease obligations	(1,879)	(1,702)
Increase in right of use assets lease obligations	189	1,320
Payment to Federal Government (Note 8)	(16,956)	(16,435)
	(489,733)	(531,189)
INVESTING ACTIVITIES		
Purchase of:		
Property and equipment	(4,847)	(11,475)
Right of use assets	(189)	(1,320)
Intangible assets	(3,945)	(3,224)
	(8,981)	(16,019)
(DECREASE) IN CASH DURING THE YEAR	(8,603)	(7,822)
CASH POSITION, BEGINNING OF YEAR	62,631	70,453
CASH POSITION, END OF YEAR	\$ 54,028	\$ 62,631

WESTERN CANADA LOTTERY CORPORATION

Notes to the Financial Statements

Year Ended March 31, 2024

(in thousands of Canadian dollars)

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 14, 2024.

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, 2024

(in thousands of Canadian dollars)

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 MATERIAL ACCOUNTING POLICY INFORMATION

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 \$428,425 (2023 - \$460,252) and are included in the Corporation's expenses.

In addition, the Corporation's share of the Interprovincial Lottery Corporation's operating expenses, amounting to \$1,098 (2023 - \$1,510), and interest revenues, amounting to \$2,689 (2023 - \$985) 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, 2024

(in thousands of Canadian dollars)

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (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, 2024

(in thousands of Canadian dollars)

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (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, 2024

(in thousands of Canadian dollars)

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (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, 2024

(in thousands of Canadian dollars)

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (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, receivable/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, 2024

(in thousands of Canadian dollars)

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (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 that are effective for the current year*

The Company has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The IAS has also developed guidance and examples to explain and demonstrate the application of the “four-step materiality process” as described in IFRS Practice Statement 2.

The Company has also adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The definition of a change in accounting estimates was deleted.

WESTERN CANADA LOTTERY CORPORATION

Notes to the Financial Statements

Year Ended March 31, 2024

(in thousands of Canadian dollars)

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

l) *New standards and interpretations in issue but not yet effective*

Standards issued but not yet effective up to the date of issuance of these financial statements are listed below. This listing is of the standards and interpretations issued, which the Company reasonably expects to be applicable at a future date.

The Company intends to adopt those standards when they become effective unless earlier application is permitted and determined to be more efficient. The Company does not expect the impact of these new standards on its financial statements to be significant. These standards are listed below:

<i>Standard</i>	<i>Description</i>	<i>Effective date</i>
<i>IAS 1, Presentation of financial statements</i>	Clarifies the classification of current or non-current liabilities, which shall be based on the rights that are in existence at the end of the reporting period	January 1, 2024

4. LOTTERY REVENUE

Sales revenue by product is as follows:

	<u>2024</u>	<u>2023</u>
LOTTO 6/49	\$ 279,798	\$ 231,057
INSTANT	363,747	351,444
LOTTO MAX	388,322	533,548
WESTERN MAX	30,264	32,453
DAILY GRAND	32,326	30,207
POKER LOTTO	28,427	29,018
POKER LOTTO ALL IN	13,442	13,668
SPORT SELECT	105,598	94,288
WESTERN 649	40,229	39,687
EXTRA	161,893	166,605
PICK 2	2,229	2,020
PICK 3	19,028	18,766
PICK 4	9,575	7,942
KENO	16,747	17,244
	1,491,625	1,567,947
LESS PRIZES	794,680	820,143
LOTTERY REVENUE	\$ 696,945	\$ 747,804

WESTERN CANADA LOTTERY CORPORATION

Notes to the Financial Statements

Year Ended March 31, 2024

(in thousands of Canadian dollars)

5. INVENTORIES

	<u>2024</u>	<u>2023</u>
Offline ticket inventory	\$ 5,071	\$ 4,974
Online ticket inventory	978	1,539
Office supplies inventory	15	16
	<u>\$ 6,064</u>	<u>\$ 6,529</u>

During 2024, \$17,604 (2023 - \$17,578) 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, 2022	\$ 3,084	\$ 58,492	\$ 25,223	\$ 8,560	\$ 1,141	\$ 8,546	\$105,046
Additions	284	7,500	3,451	77	163	1,319	12,794
At March 31, 2023	3,368	65,992	28,674	8,637	1,304	9,865	117,840
Additions	-	3,113	951	685	180	189	5,118
Disposals	(82)	-	-	-	-	-	(82)
At March 31, 2024	\$ 3,286	\$ 69,105	\$ 29,625	\$ 9,322	\$ 1,484	\$ 10,054	\$122,876

Accumulated Depreciation							
At March 31, 2022	\$ 2,209	\$ 38,993	\$ 18,194	\$ 7,780	\$ 1,137	\$ 2,988	\$ 71,301
Depreciation	273	5,780	1,172	171	4	2,119	9,519
At March 31, 2023	2,482	44,773	19,366	7,951	1,141	5,107	80,820
Depreciation	187	5,205	1,396	262	69	1,811	8,930
At March 31, 2024	\$ 2,669	\$ 49,978	\$ 20,762	\$ 8,213	\$ 1,210	\$ 6,918	\$ 89,750

Carrying Amounts							
At March 31, 2023	\$ 886	\$ 21,219	\$ 9,308	\$ 686	\$ 163	\$ 4,758	\$ 37,020
At March 31, 2024	\$ 617	\$ 19,127	\$ 8,863	\$ 1,109	\$ 274	\$ 3,136	\$ 33,126

WESTERN CANADA LOTTERY CORPORATION

Notes to the Financial Statements

Year Ended March 31, 2024

(in thousands of Canadian dollars)

7. INTANGIBLE ASSETS

	Central Gaming Software	Other Computer Software	Total
At March 31, 2022	\$ 34,089	\$ 13,660	\$ 47,749
Additions	875	2,349	3,224
Disposals	-	(665)	(665)
At March 31, 2023	\$ 34,964	\$ 15,344	\$ 50,308
Additions	1,802	2,143	3,945
At March 31, 2024	\$ 36,766	\$ 17,487	\$ 54,253
Accumulated Amortization			
At March 31, 2022	\$ 25,763	\$ 12,088	\$ 37,851
Amortization	2,070	806	2,876
Disposals	-	(621)	(621)
At March 31, 2023	\$ 27,833	\$ 12,273	\$ 40,106
Amortization	1,707	825	2,532
At March 31, 2024	\$ 29,540	\$ 13,098	\$ 42,638
Carrying Amounts			
At March 31, 2023	\$ 7,131	\$ 3,071	\$ 10,202
At March 31, 2024	\$ 7,226	\$ 4,389	\$ 11,615

8. PAYMENTS TO FEDERAL GOVERNMENT

The Corporation made the following payments to the Federal Government:

	<u>2024</u>	<u>2023</u>
Payment on behalf of the Provinces	\$ 16,956	\$ 16,435
Federal tax expense	8,693	9,181
	\$ 25,649	\$ 25,616

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 \$90 million).

WESTERN CANADA LOTTERY CORPORATION

Notes to the Financial Statements

Year Ended March 31, 2024

(in thousands of Canadian dollars)

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 2024 (2023 – 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, 2024, scheduled future minimum lease payments and the present value of the finance lease obligation are as follows for the next five fiscal years:

	2025	2026	2027	2028	Total
Future minimum lease payments	\$ 1,961	\$ 1,052	\$ 327	\$ 111	\$ 3,451
Discounted interest expense	293	160	70	26	549
Present value of lease liability	\$ 1,668	\$ 892	\$ 257	\$ 85	\$ 2,902

During 2024, expenses for leases designated as low value of \$86 were recorded through operating expenses. In addition, expenses for variable lease payments of \$969 were recorded through operating expenses. In 2023, variable lease payments totalling \$1,043 were recognized as an operating expense under administration and operations in respect of operating leases.

WESTERN CANADA LOTTERY CORPORATION

Notes to the Financial Statements

Year Ended March 31, 2024

(in thousands of Canadian dollars)

9. LEASE LIABILITY (continued)

As at March 31, 2024, scheduled future lease commitments not commenced are as follows:

	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total
Cash Flows										
Base Lease	\$ 119	\$ 257	\$ 259	\$ 264	\$ 273	\$ 170	\$ 74	\$ 74	\$ 55	\$ 1,545
Cash Flows										
Operating	26	80	80	80	81	61	25	25	19	478
Total	\$ 145	\$ 337	\$ 339	\$ 344	\$ 354	\$ 231	\$ 99	\$ 99	\$ 74	\$ 2,023

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, 2024.

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, 2024 (March 31, 2023 – no increase in defined benefit obligation).

WESTERN CANADA LOTTERY CORPORATION

Notes to the Financial Statements

Year Ended March 31, 2024

(in thousands of Canadian dollars)

10. EMPLOYEE BENEFITS (continued)

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

	<u>2024</u>	<u>2023</u>
Discount rate	4.90%	4.90%
Rate of compensation increase	3.00%+ SMP	3.00%+ SMP
Mortality tables – post-retirement	Canadian Pensioners' Mortality Table CPM2014 with MI-2017	Canadian Pensioners' Mortality Table CPM2014 with MI-2017
Year's maximum pensionable earnings increase (per annum)	3.00%	3.00%

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

	<u>2024</u>	<u>2023</u>
Current service costs	\$ (1,829)	\$ (2,359)
Net interest income	385	196
Non-investment expenses	(330)	(272)
Components of defined benefit costs recorded in net income	(1,774)	(2,435)
Re-measurement gain	1,995	5,394
Components of defined benefit costs recorded in other comprehensive income	1,995	5,394
Total of components of defined benefit costs	\$ 221	\$ 2,959

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.

WESTERN CANADA LOTTERY CORPORATION

Notes to the Financial Statements

Year Ended March 31, 2024

(in thousands of Canadian dollars)

10. EMPLOYEE BENEFITS (continued)

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>2024</u>	<u>2023</u>
Defined benefit obligation (DBO)	\$ (45,335)	\$ (44,791)
Fair value of plan assets	53,177	52,382
Net asset arising from defined benefit obligation	\$7,842	\$7,591

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

	<u>2024</u>	<u>2023</u>
Opening defined benefit obligation	\$ (44,791)	\$ (52,745)
Current service cost	(1,829)	(2,359)
Interest cost	(2,093)	(2,044)
Contributions from plan participants	(836)	(828)
Re-measurement gains arising from: changes in financial assumptions	75	9,900
Benefits paid	4,139	3,285
Closing defined benefit obligation	\$ (45,335)	\$ (44,791)

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

	<u>2024</u>	<u>2023</u>
Opening fair value of plan assets	\$ 52,382	\$ 57,347
Interest income	2,478	2,240
Re-measurement gains (losses) arising from: return on plan assets (excluding amounts included in net interest expense)	1,920	(4,506)
Contributions from the employer	30	30
Contributions from plan participants	836	828
Benefits paid	(4,139)	(3,285)
Non-investment expenses	(330)	(272)
Closing fair value of plan assets	\$ 53,177	\$ 52,382

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 \$4,398 (2023 – (\$2,266)).

WESTERN CANADA LOTTERY CORPORATION

Notes to the Financial Statements

Year Ended March 31, 2024

(in thousands of Canadian dollars)

10. EMPLOYEE BENEFITS (continued)

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 \$7,244 (increase by \$9,345) if all other assumptions were held constant
- If the expected salary growth increased (decreased) by 1%, the defined benefit obligation would increase by \$2,660 (decrease by \$2,397) if all other assumptions were held constant
- If the life expectancy increased (decreased) by one year, the defined benefit obligation would increase by \$748 (decrease by \$774) 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.

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 2024 (2023 – \$30).

WESTERN CANADA LOTTERY CORPORATION

Notes to the Financial Statements

Year Ended March 31, 2024

(in thousands of Canadian dollars)

11. SUPPLEMENTARY INFORMATION FOR STATEMENT OF CASH FLOWS

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

	<u>2024</u>	<u>2023</u>
Accounts receivable	\$ 22	\$ 3,236
Prepaid expenses	(453)	13
Inventories	465	716
Receivable from Interprovincial Lottery Corporation	(10,237)	65
Accounts payable and accrued charges	(1,695)	1,411
Prizes payable	8,469	(14,612)
Payable to Interprovincial Lottery Corporation	(2,584)	2,584
Deferred revenue	(1,770)	(3,198)
	<u>\$ (7,783)</u>	<u>\$ (9,785)</u>

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 \$22,293 (2023 – \$21,862) as at March 31, 2024 on the Statement of Financial Position.

WESTERN CANADA LOTTERY CORPORATION

Notes to the Financial Statements

Year Ended March 31, 2024

(in thousands of Canadian dollars)

12. FINANCIAL INSTRUMENTS & RISK MANAGEMENT (continued)

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.

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>2024</u>	<u>2023</u>
Compensation and short-term employee benefits	\$ 1,300	\$ 1,325
Post-employment benefits	194	176
	<u>\$ 1,494</u>	<u>\$ 1,501</u>

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

WESTERN CANADA LOTTERY CORPORATION

Notes to the Financial Statements

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(in thousands of Canadian dollars)

15. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current year financial statement presentation.