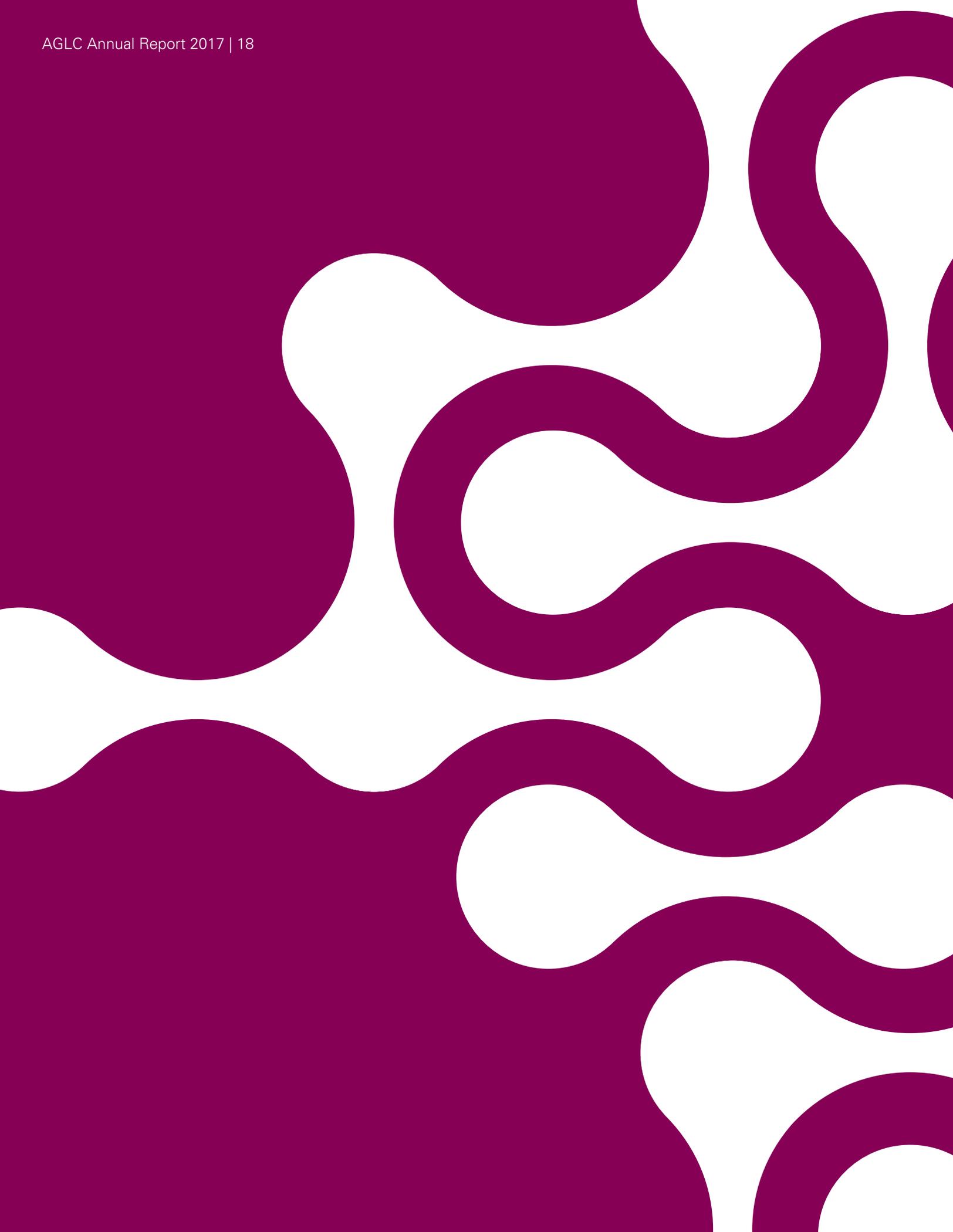




Annual Report 2017 | 18

Connected by Trust





Who We Are

AGLC is the Crown commercial enterprise that oversees the gaming and liquor industries in Alberta. As our responsibilities expand to include cannabis, our commitment to integrity and offering choices Albertans can trust will continue.¹

Visit aglc.ca for more information.

¹See pages 19 and 25 for legislative changes impacting our organization. Throughout this report AGLC will refer to our new name: Alberta Gaming, Liquor & Cannabis.



Connected by Trust

AGLC is committed to providing choices Albertans can trust.

Our employees take great pride in service and in delivering benefits across the province by striving to create positive working relationships with all of our stakeholders. Each year we also invite feedback from thousands of stakeholders and Albertans through surveys.

This helps us stay connected and build trust to deliver on what Albertans tell us is most important, including ensuring a wide range of informed choices for consumers and reducing unnecessary barriers for businesses.

See pages 13, 27, 51 and 94 for examples of how we are connected by trust.

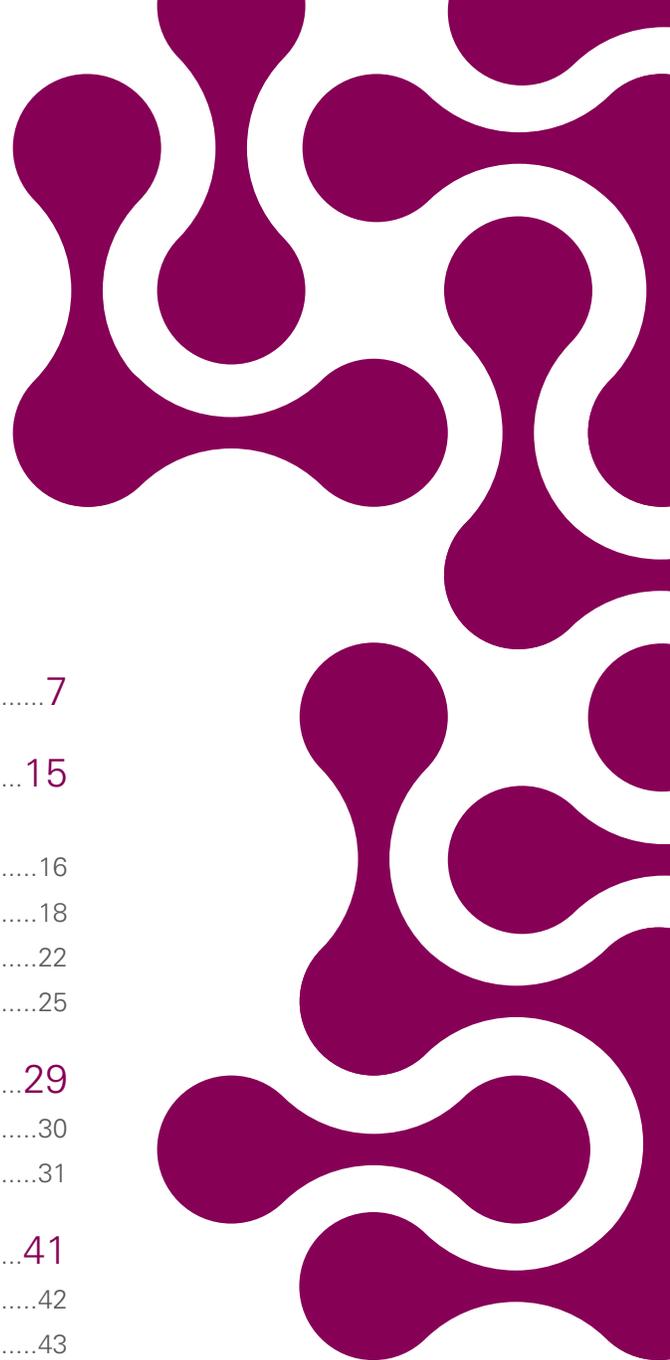
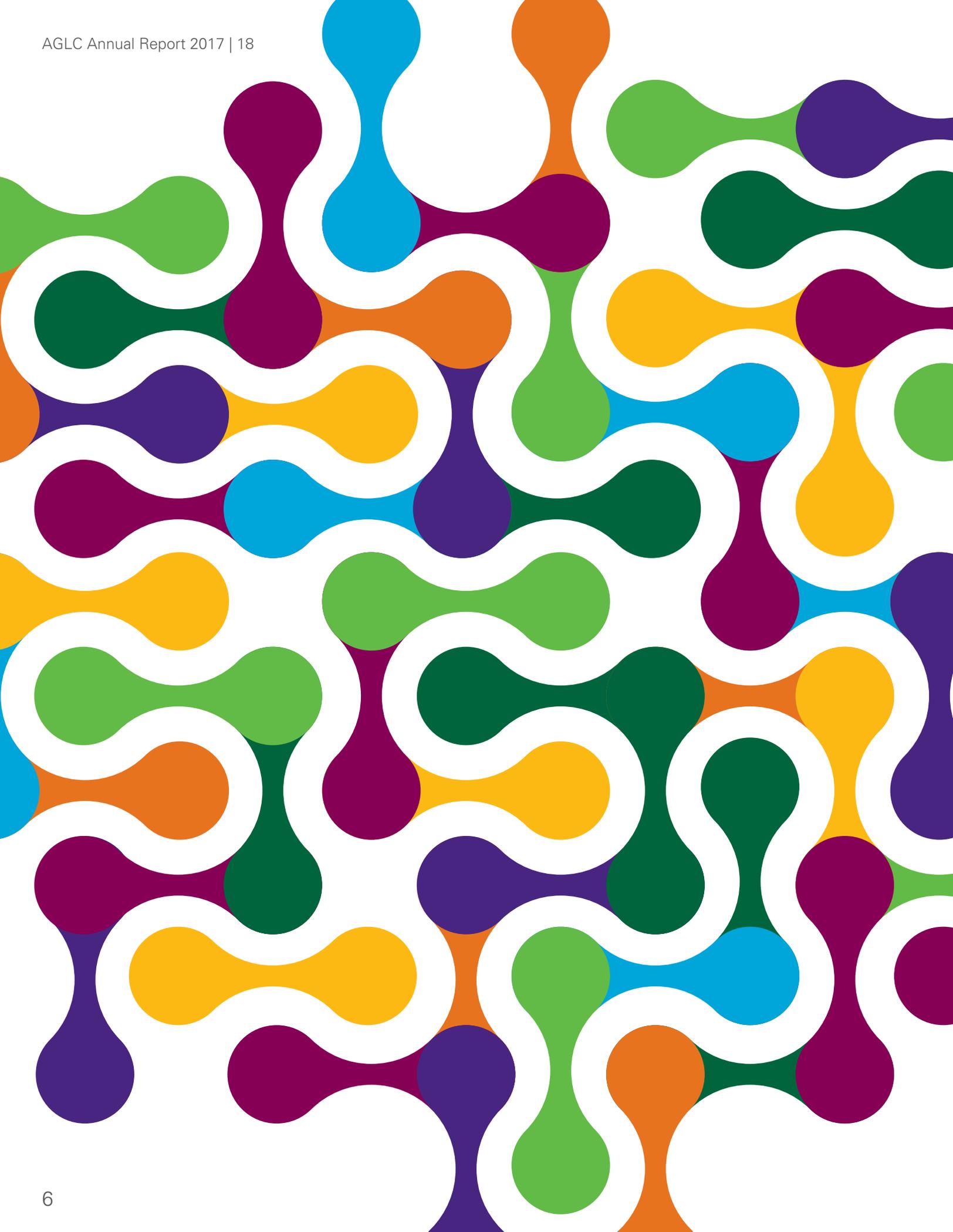


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Our Year at a Glance

2017 | 18

We generate
revenue for the
benefit of Albertans

\$1.4 billion

net income from provincial
lotteries transferred to the
Alberta Lottery Fund



\$866 million

net income from liquor
and other operations transferred
to the province's
General Revenue Fund

We are connecting with our stakeholders



93%

stakeholder satisfaction

55,707

SMART training certifications issued

112

GAIN sessions provided in 54 communities



We are committed to maintaining and maximizing charitable gaming proceeds

18,013

charitable gaming licences issued

\$331 million

earned by charities through charitable gaming activities

We ensure the integrity of the gaming and liquor industries



98%

charitable gaming compliance rate

98%

liquor compliance rate

2,903

gaming inspections conducted

22,579

liquor inspections conducted

We promote responsible gaming experiences and liquor consumption

Educating Albertans to make healthy and safe choices.

98%

of Albertans gamble responsibly

GameSense



87%

of Albertans drink responsibly

DrinkSense



We provide gaming and liquor choices Albertans can trust



19

traditional casinos



4

racing entertainment centres (RECs)



5

Host First Nation casinos



22

bingo facilities



14,160

casino gaming terminals in casinos & RECs



5,984

vlt's operating in 837 retail locations



2,731

lottery ticket centres



24,334

liquor products



5,374

licensed restaurants, bars, and lounges



2,197

licensed liquor retailers



119

Alberta liquor manufacturers



568

liquor agencies

Connecting with Albertans



In 2017-18 we launched a travelling exhibit to raise awareness of how gaming and liquor revenues provide economic benefit to communities throughout the province. The exhibit is a transformed sea-can shipping container featuring an interactive display of games and facts, as well as an Alberta-themed photo booth.

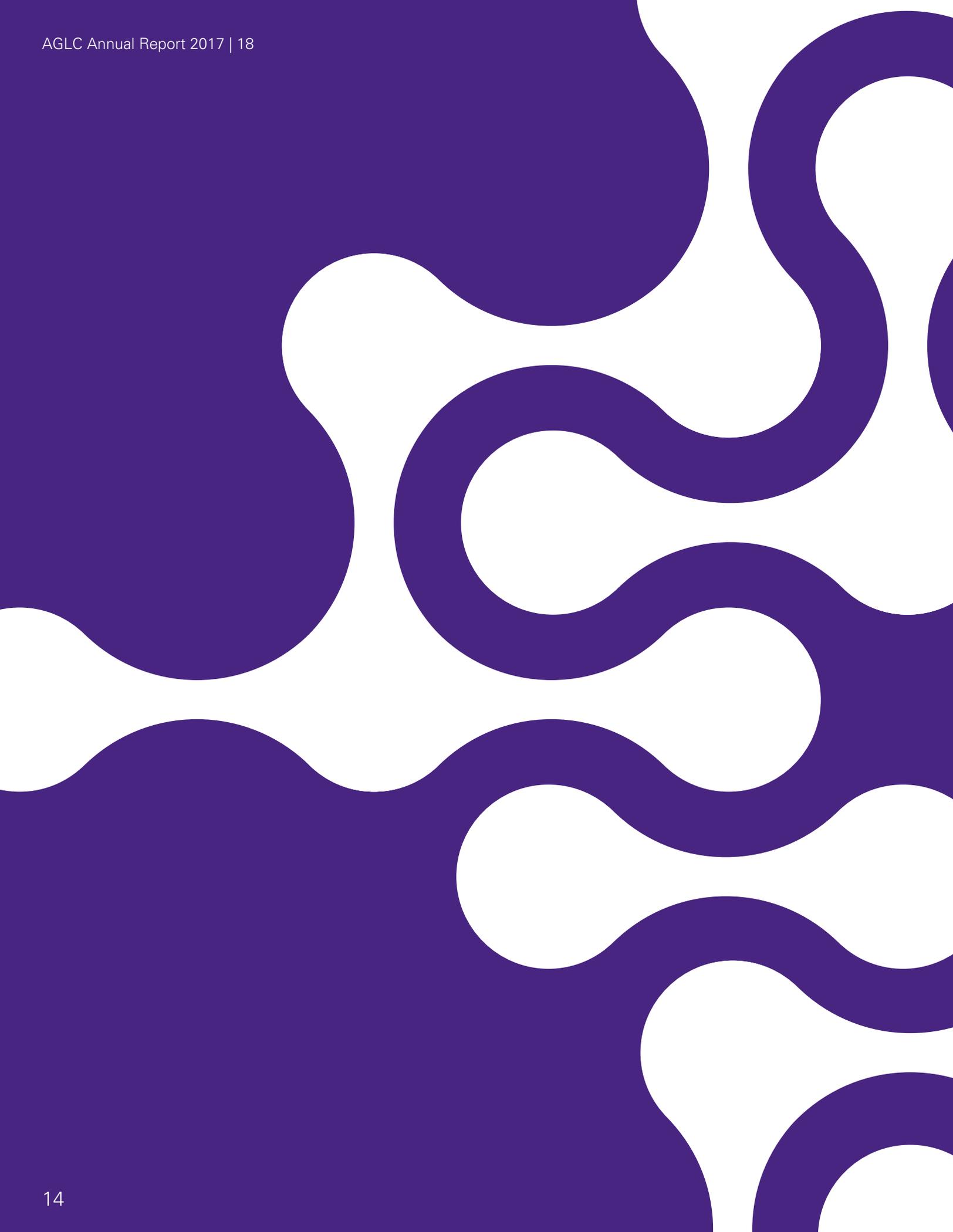
Visitors connect with us by sharing photos on social media and learning about the scope of charitable groups involved from across the province. Engaging with Albertans and charitable organizations directly allows us to hear firsthand about how we all play a part in delivering benefits to Albertans.

We also appreciate the opportunity to help Albertans understand how their gaming and liquor activities are connected to revenue that supports essential services and community organizations throughout the province.



AGLC

Visit our YouTube channel to watch videos from eligible charities highlighting how we all play a part.





Our Organization

Our Board Chair and President & Chief Executive Officer Message

The past year marked a period of evolution for **AGLC** – transforming from the Alberta Gaming & Liquor Commission into **Alberta Gaming, Liquor & Cannabis**. The changes made in preparation for the introduction of legalized cannabis were fundamental: a new name, changes to guiding legislation, service to a new and emerging industry, and interactions with Albertans in different and developing ways. However, despite these significant changes, the organization remains the same at its foundation. AGLC remains guided by our core purpose of delivering choices Albertans can trust.

Our Strategic Directions guided our 2017-18 year, and the pages of this report highlight our performance on these elements. Our four Directions – *Responsible Growth*, *Culture of Moderation*, *Regulatory Innovation* and *Continuous Improvement* – capture our commitment to a balanced approach. Following the federal announcement of cannabis legalization, the Government of Alberta assigned cannabis responsibilities to AGLC based on our reputation as a strong, experienced, team that has earned the trust of Albertans for over 20 years. As we prepared for legal cannabis, we did so with a continued commitment to balancing choice and social responsibility.

AGLC will guide Alberta's cannabis retail market in offering choices Albertans can trust. We will work with our stakeholders to ensure that the regulatory environment matches the expectations of Albertans with respect to protecting public health, keeping cannabis out of the hands of children and youth, promoting safety, and limiting the illegal cannabis market. Our commitment to social responsibility remains stronger than ever. With our focus on education about responsible and moderate consumption of cannabis, and working with the producer and retail industry, AGLC will provide Albertans with access to cannabis in a safe and secure manner throughout the province. As an example, we introduced *SellSafe Cannabis Staff Training*, a mandatory certification program to ensure industry staff understand how to sell legal recreational cannabis in a responsible manner.

In addition to our significant effort over the last year related to introducing cannabis, we are proud of the organization's continued dedication to Alberta's gaming and liquor industries. Thanks to our dedicated staff and our collaborative relationships with stakeholders, we continued to deliver benefits to Albertans from gaming and liquor. We continued to modernize technology in the gaming industry and introduce innovative gaming options while remaining dedicated to Alberta's charitable gaming model in support of the valuable programs and services that are delivered by eligible charitable organizations.

We also reviewed policies related to liquor licences and, with feedback from industry and Albertans, made changes that allowed for greater flexibility. We were thrilled to launch the purchase of special event liquor licences for private events online at aglc.ca. This illustrated AGLC's progress towards improving the delivery of services and products to Albertans and modernizing our business. As well, we continued our commitment to the programs that provide Albertans with information on responsible gambling and responsible alcohol consumption.

We are proud of all of the ways that the AGLC team serves Albertans and are excited to show these connections in the pages of this report. We also highly value the instrumental guidance and knowledge our Board brings. Thank you to all AGLC employees, and our previous and current Board members, for being so dedicated as we embark on new accomplishments while maintaining stability.

The 2017-18 year saw significant change for AGLC and we recognize that there is more to come. We know that expectations for gaming, liquor, and cannabis will continue to evolve and we are dedicated to connecting with Albertans to ensure that we remain relevant and modern in our approach. We recognize that Alberta's diversity is a great strength. We will strive to hear all viewpoints so we are aligned with what Albertans tell us they value; and, that we continue to earn the trust of Albertans.

Original signed by

Gael MacLeod

Chair of the Board

Original signed by

Alain Maisonneuve

President and Chief Executive Officer

“We know that expectations for gaming, liquor, and cannabis will continue to evolve and we are dedicated to connecting with Albertans to ensure that we remain relevant and modern in our approach.”

Our Structure

Vision

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

Mission

Our promise is to ensure responsible gaming and liquor choices that deliver economic and social benefit to Albertans.

Values



Integrity

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



Respect

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



Collaboration

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



Excellence

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



Innovation

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

Legal Status

AGLC is a provincial corporation defined by Government of Alberta legislation and associated regulation.

On November 30, 2017, the Legislative Assembly of Alberta passed *An Act to Control and Regulate Cannabis*. Through this legislation, AGLC was given the mandate to oversee the regulation and distribution of cannabis in Alberta, in addition to the existing mandates related to gaming and liquor. On February 16, 2018, the Gaming, Liquor and Cannabis Regulation (GLCR) was updated.

Additional changes occurred until the end of the 2017-18 fiscal year and further changes occurred after March 31, 2018, during preparation of this report. These include:

- May 30, 2018: passing of the *Gaming and Liquor Statutes Amendment Act*; the *Gaming and Liquor Act* has become the *Gaming, Liquor and Cannabis Act (GLCA)*.
- June 27, 2018: change of our full legal name to The Alberta Gaming, Liquor & Cannabis Commission.

It is expected that all legislative changes will be proclaimed by October 17, 2018 – the date of federal cannabis legalization. The updated legislation continues to guide the governance, structure and responsibilities of our organization and Board, with the forward-looking information captured in this report for reference.

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

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

Accountability

Government of Alberta
President of Treasury Board, Minister of Finance

Honourable Joe Ceci

AGLC Board¹,

Chair, Gael MacLeod²

Patti Grier

Ken Knowles³

Brad Krizan

Barbara Ritzen⁴

Bob Wyatt⁵

AGLC President & Chief Executive Officer⁶

Alain Maisonneuve

Office of the President & Chief Executive Officer

Divisions

Corporate Services provides corporate business support services for AGLC including corporate administrative and records management, finance, procurement and properties.

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

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

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

Gaming & Cannabis manages the business operations related to the conduct and management of the province's gaming industry. This division will also manage the business operations and distribution of cannabis in the province, including Alberta's only legal online cannabis sales through albertacannabis.org.

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

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

Jody Korchinski, Vice President, Liquor Services

Human Resources and Employee Development plans, develops and delivers all human resource programs, policies and practices for AGLC and promotes the alignment of strategic human resource initiatives that support AGLC's business and strategic goals.

Wendy Romanko, Vice President, Human Resources and Employee Development

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

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

Regulatory Services ensures the integrity of the gaming, liquor, and cannabis industries in Alberta including audit services, compliance, investigations, anti-money laundering and social responsibility.

Dave Berry, Vice President, Regulatory Services

Notes:

1. Terms expired June 28, 2017 for Brent Shervey and Thorna Lawrence.
2. Appointed as Chair of the Board June 28, 2017.
3. Re-appointed to the Board on June 28, 2017.
4. Appointed to the Board on June 28, 2017.
5. Appointed to the Board on March 13, 2018.
6. AGLC's President & Chief Executive Officer is a non-voting member of the Board, appointed December 5, 2017.

Our Governance

The Board of AGLC provides oversight to AGLC in accordance with its policy, monitoring, and regulatory roles as defined in the *GLCA*.

Mandate

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

- governing AGLC under the *GLCA*;
- overseeing AGLC's strategic direction and operational policies;
- monitoring financial results, and the performance of the President & Chief Executive Officer;
- making decisions about gaming, liquor, and cannabis licences and registrations; and
- conducting hearings related to alleged violations of: the *GLCA*; *GLCR*; or, AGLC policies.

Composition

As defined in the *GLCA*, the Board of AGLC consists of up to nine independent members, appointed by the Lieutenant Governor in Council, acting on the recommendation of the President of Treasury Board, Minister of Finance. From the members, the Lieutenant Governor in Council appoints a Chair of the Board via an Order in Council. Board members are chosen from the general public by open competition, with a term of appointment of up to three years in length (and a maximum service of up to ten years in total).

The Board of AGLC functions independently of management and its members must remain free from any business relationship that would impede their ability to make decisions in the best interests of Albertans and the Commission.

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

Biographies of the Board members are available online at aglc.ca/about-us/board-directors.

Responsibility

Specifically, the Board of AGLC has three major areas of responsibility in its governance role for the Commission.

1. Monitoring Responsibilities

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

2. Policy Responsibilities

The AGLC Board has the responsibility for developing, maintaining and revising its policies, and for determining and approving the policies for which it is responsible through legislation. The Board is engaged early and intensively in the process of policy development, including reviewing proposed policies to ensure compliance with all applicable laws and regulations. The Board may also advise the President of Treasury Board, Minister of Finance on policy matters. In addition, the Board has the responsibility to follow policy decisions directed by the Minister with respect to gaming, liquor, and cannabis, pursuant to the *GLCA*, section 7(1).

3. Regulatory Responsibilities

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

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

In 2017-18, the Board conducted a total of 33 hearings held in St. Albert and Calgary. These hearings are in addition to the Board and committee meetings held throughout the year.

Internal Audit

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

Public Interest Disclosure (Whistleblower Protection) Act

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

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

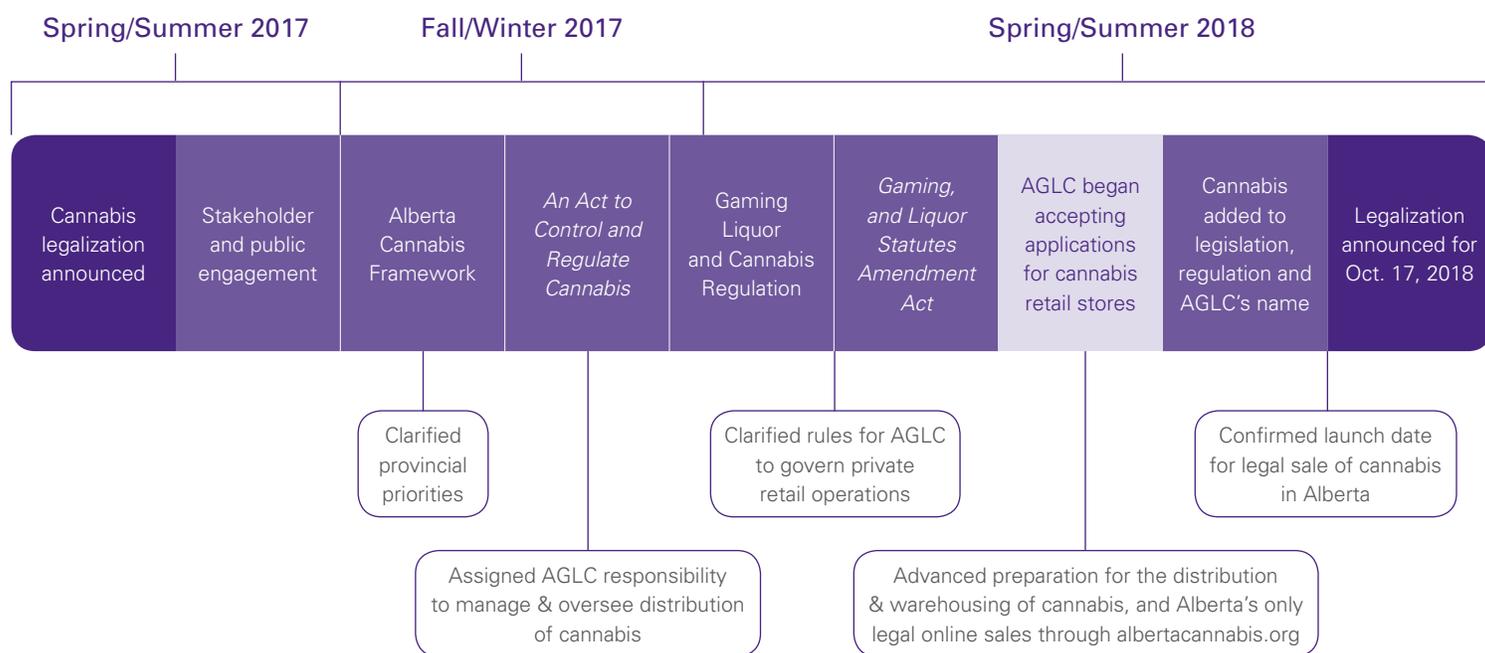
- (a) The number of disclosures received by, or referred to, the designated officer, the number of disclosures acted on and the number of disclosures not acted on by the designated officer;
- (b) The number of investigations commenced by the designated officer as a result of disclosures;
- (c) In the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

In 2017-18, there were no disclosures received under the *Public Interest Disclosure (Whistleblower Protection) Act*.

Our Future – Introducing Legal Cannabis to Alberta

For more than 20 years, AGLC has been a regulatory leader in the management of Alberta’s gaming and liquor industries. Our commitment to integrity and offering choices Albertans can trust will continue as our responsibilities expand to include cannabis.

In April 2017, the federal government introduced legislation to legalize cannabis across Canada, and significant preparations occurred in Alberta throughout 2017-18. The Government of Alberta designated AGLC to be the entity responsible for regulating private retail cannabis licensing, the distribution of cannabis, and the operation of online cannabis sales.



This has resulted in significant changes for our organization as we prepare for the launch of legal cannabis on October 17, 2018. One fundamental change is our name – the Alberta Gaming & Liquor Commission has formally become the Alberta Gaming, Liquor & Cannabis Commission (and we will continue to use the AGLC acronym). However, what has not changed is our commitment to staying connected to our stakeholders and to delivering benefits for Albertans.

In addition to overseeing the licensing of private cannabis retail stores, AGLC will manage the distribution of cannabis in Alberta as the wholesaler, regulating how cannabis is received from licensed growers and ensuring that only legally produced, federally regulated cannabis products are sold in Alberta.

Efforts in 2017-18 also included the development of Alberta's single online store (albertacannabis.org), which will appropriately balance consumer expectations regarding online purchasing with necessary age verification mechanisms and product and responsible consumption information.

We remain committed to supporting Albertans in making informed choices as cannabis is legalized. We are developing a provincewide public awareness education program regarding the responsible use of cannabis products. For additional detail on the legalization of cannabis in Alberta and the most up-to-date information on AGLC's role in cannabis, please visit aglc.ca/cannabis.

AGLC is committed to:

- Keeping cannabis out of the hands of children and youth.
- Protecting public health.
- Promoting safety on roads, in workplaces and in public spaces.
- Limiting the illegal cannabis market.
- Continuing to offer choices Albertans can trust.

AGLC began accepting applications for retail cannabis stores on March 6, 2018. By March 31, 2018, more than 300 applications were received.

In alignment with the Alberta Cannabis Framework's policy priorities, AGLC will:

- Provide clear oversight over the distribution of cannabis products, ensuring only legally produced products are sold into Alberta.
- Ensure cannabis is distributed to specialized retail outlets, which won't be allowed to sell alcohol, tobacco or pharmaceuticals.
- Work with producers and retailers to provide Albertans with access to federally regulated cannabis products.
- Publish policies regarding the sale of cannabis, including licensing criteria and other rules for private retailers.



AGLC remains committed to social responsibility in Alberta's gaming and liquor industries, and extends this commitment to cannabis. In 2017-18, AGLC SMART Programs were expanded to include *SellSafe Cannabis Staff Training*, a mandatory certification program to help industry staff understand how to sell legal recreational cannabis responsibly.

Connected By Trust

Best Bar None bestbarnone.drinksenseab.ca

Best Bar None (BBN) is a voluntary accreditation program recognizing excellence in Alberta's bars and lounges and providing a resource for Albertans to seek out licensed establishments that make guest safety, solid management, responsible liquor service and community involvement high priorities. The program is currently active in Edmonton, Calgary, Lethbridge and Grande Prairie.

City of Grande Prairie

“BBN benefits Alberta by creating a safer and more connected late night industry for patrons and staff.

AGLC has provided continual support to help implement the BBN program in our community all the way from emceeding our annual BBN Awards to ongoing offers to help out anytime.

Our community's BBN program continues to grow at a fast rate each year because we have taken an innovative implementation approach. Based on our success, AGLC invited us to talk with other communities on how we were able to work this program into our hospitality industry, as well as the municipality. They have trusted us to be ambassadors of the program.

AGLC has also invited our input through questionnaires and feedback on documents. We feel the information sharing gives us an opportunity to also discuss changes with our stakeholders, which leads to a better understanding for everyone.”

~ **Kristi Lea** Community Enhancement Facilitator, Crime Prevention, City of Grande Prairie

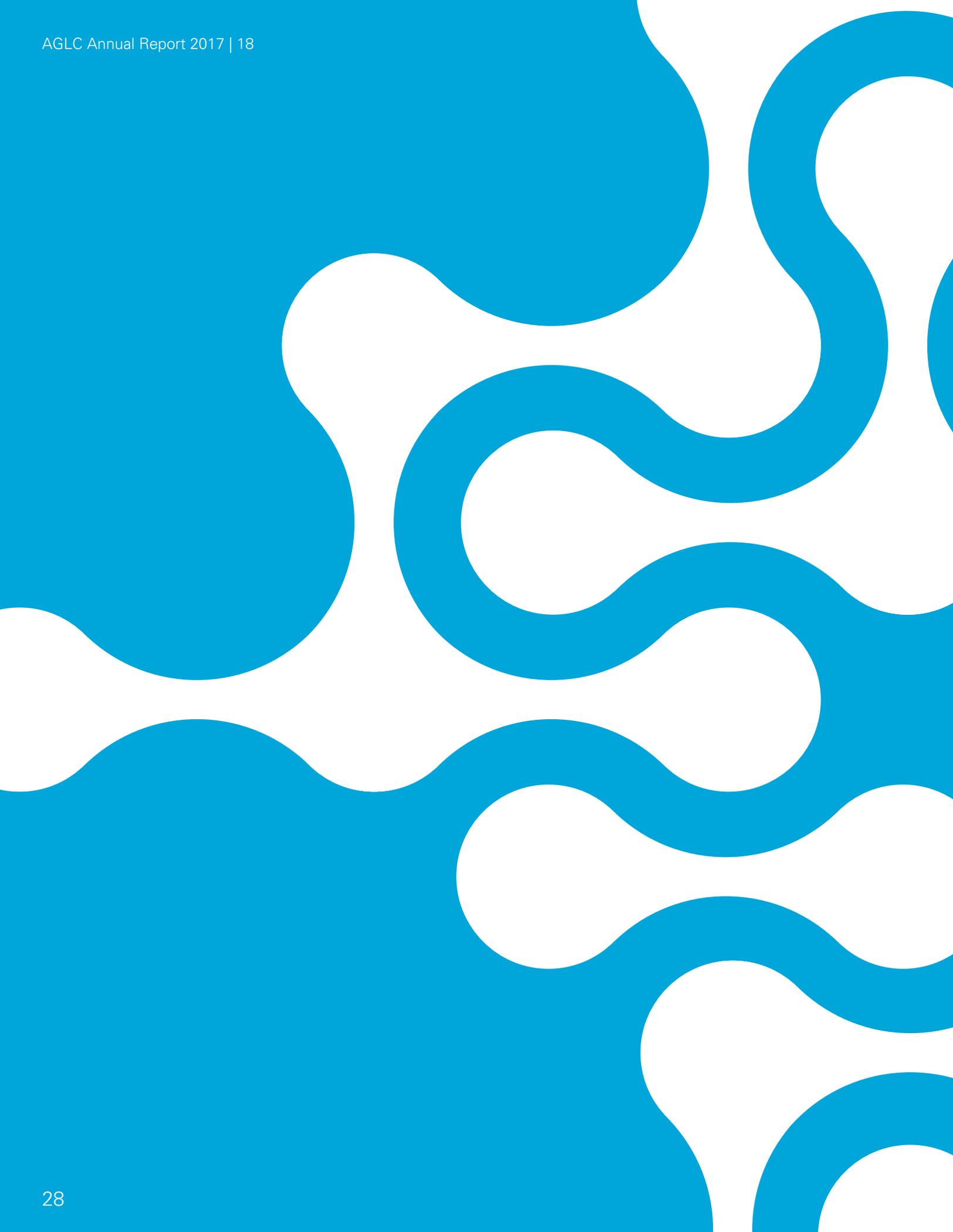
AGLC

“We've learned that Albertans value safety. We've also learned that by working collaboratively the 'bar can be raised' for standards.

Grande Prairie's approach of holding monthly meetings with the city's bar industry, RCMP, City of Grande Prairie Bylaw Services, Grande Prairie Fire Department and ourselves works well for their community. This allows for open discussion, collaboration and cooperation between industry and regulators, which fosters their overall success.

BBN connects participants with the shared goal of striving for better and safer operations. This creates benefits for Albertans ranging from less noise and litter to better evacuation and fire safety training. I believe this program is a really tangible example how AGLC and the community are working to provide choices Albertans can trust.”

~ **David Young** Program Specialist, AGLC





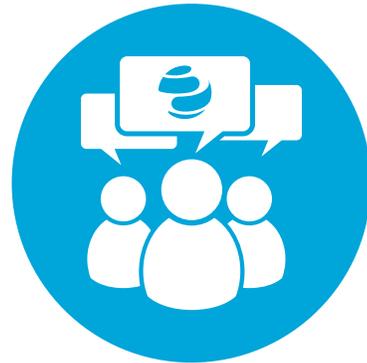
Our Strategy & Performance

Our Strategic Directions

Our four Strategic Directions guide the organization as we strive to achieve our Vision and provide choices Albertans can trust. These Strategic Directions propel us forward and set the overall direction of AGLC; as such, they guide our business priorities and are the foundation of our annual corporate planning process. Adjustments in the next fiscal year will occur to reflect our expanding cannabis responsibilities.



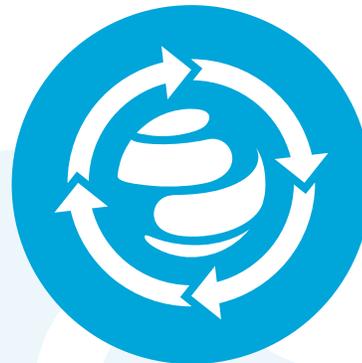
We will **promote responsible growth** of the gaming and liquor industries for the benefit of Albertans.



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



We will develop **policies that enable** the gaming and liquor industries, and that respect our **commitment to compliance**.



By living our values, we will **continuously improve** the delivery of benefits, services and products to stakeholders and each other.

The 2017-18 Annual Report includes measurement of performance against our Strategic Directions, as described in our 2017-20 AGLC Business Plan.

Our Performance at a Glance

Strategic Direction	Performance Measure	Target	Actual
 Responsible Growth	Gaming Net Operating Results (in thousands of dollars)	\$1,445,144	\$1,416,872 ¹
	Liquor & Other Net Operating Results (in thousands of dollars)	\$876,090	\$866,017 ²
 Culture of Moderation	Responsible Gamblers	97%	98% ³
	Responsible Drinkers	88%	87% ⁴
 Regulatory Innovation	Stakeholder Satisfaction	92%	93% ⁵
 Continuous Improvement	Employee Engagement	n/a	68% ⁶
	Albertans' confidence in AGLC	77%	75% ⁷

Note:

1. See Financial Statements – AGLC, Note 12, page 71.
2. See Financial Statements – AGLC, Note 12, page 71.
3. See Methodology Details, page 92, for the methodology of the calculation of Responsible Gamblers.
4. See Methodology Details, page 92, for the methodology of the calculation of Responsible Drinkers.
5. See Methodology Details, page 93, for the calculation of Stakeholder Satisfaction Index.
6. The bi-annual survey of AGLC employees was not completed during the 2017-18 fiscal year. As no survey results are available for the current fiscal year, the most recent results from 2016-17 (68%) are carried over.
7. See Methodology Details, page 93, for the calculation of the Confidence Score.



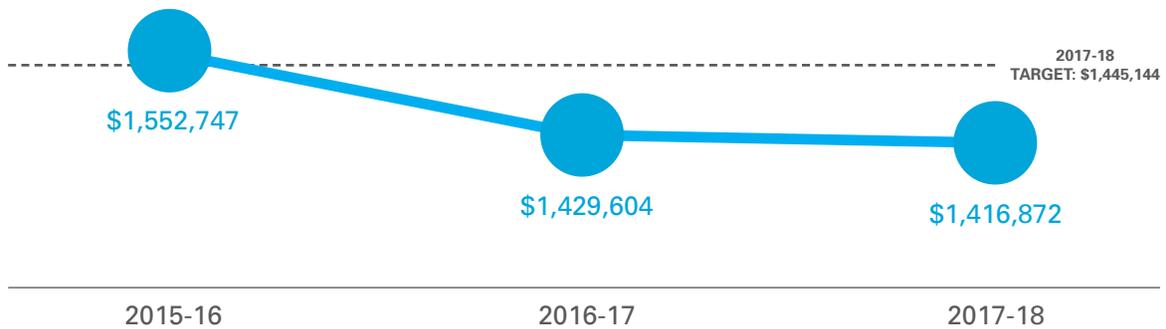
Responsible Growth

We will promote responsible growth of gaming and liquor industries for the benefit of Albertans.

AGLC remains committed to providing these benefits responsibly through a focus on reducing potential harms related to gaming and liquor. We achieve growth by meeting the expectations of Albertans and continuing to innovate for the future. We remain responsible by consulting with key stakeholders, industry leaders and associations to ensure AGLC is as transparent, responsive and as efficient as possible.

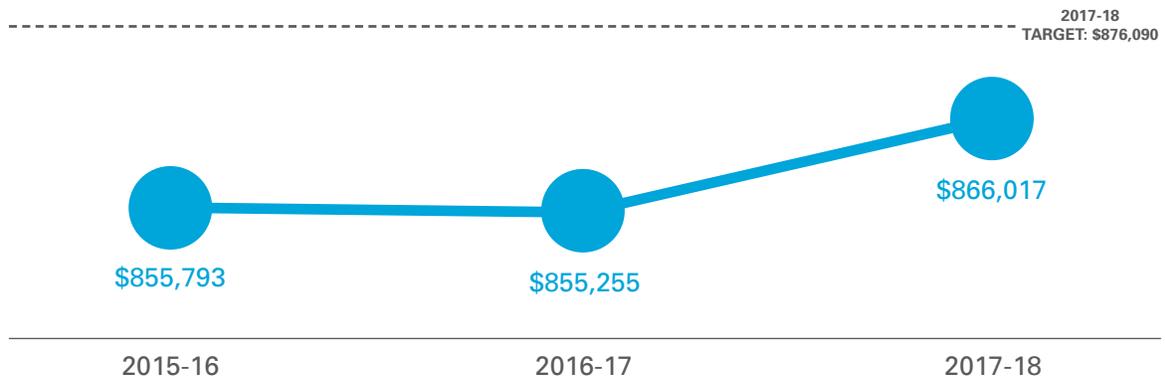
Performance Measure: Gaming Net Operating Results¹

(in thousands of dollars)



Performance Measure: Liquor and Other Net Operating Results¹

(in thousands of dollars)



Note:

1. See Financial Statements – AGLC, Note 12, page 71.

Highlights:

- **Casino modernization** projects continued over the year with the goal of modernizing the gaming experience to meet player expectations and grow revenue from casino gaming terminals.
- Development of a provincial **casino player loyalty program** continued in 2017-18. Once available in 2019, the program will provide members enhanced responsible gambling information while offering special promotions and rewards – generating increased revenue in a responsible manner to benefit Albertans.
- Over 165,000 network updates, installations and upgrades were completed to upgrade existing infrastructure and develop **innovative gaming options**.
- For the first time, Alberta casinos participated in the TournEvent of Champions, a slot machine tournament that was run in multiple jurisdictions. A total of 28 lucky Albertans won the chance to attend the Million Dollar Event in Las Vegas, Nevada and third place was won by a finalist from Calgary.
- The **new liquor distribution centre** will accommodate both current and future products, and reduce the need for additional leased space. Completion is slated for the Fall of 2018.



80% of Albertans report purchasing liquor in the last 12 months.



71% of Albertans report engaging in some form of gaming activity in the last 12 months.

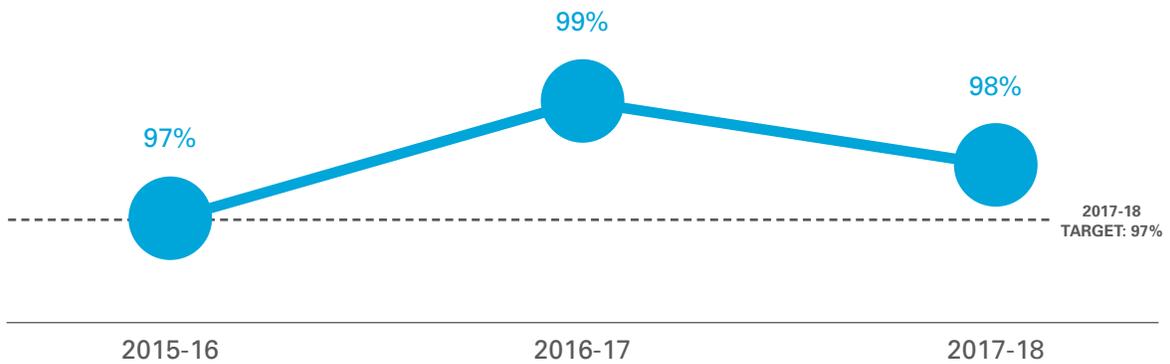


Culture of Moderation

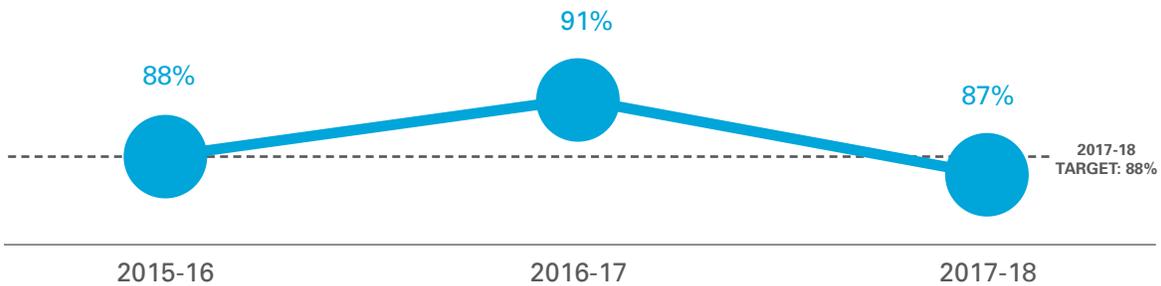
We will foster a culture of moderation by promoting responsible liquor and gaming experiences.

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

Performance Measure: Responsible Gamblers¹



Performance Measure: Responsible Drinkers¹



Note:

1. See Methodology Details, page 92, for the methodology of the calculation of Responsible Gamblers and Responsible Drinkers.

Highlights:

- AGLC remains committed to delivering *GameSense*, our responsible gambling awareness program designed to help Albertans learn more about how gambling works, the odds and randomness of gambling, the differences between the games, and find tools and resources to play better.
- 26 *GameSense* Advisors supply information and connect with patrons in casinos and RECs throughout the province.
- To broaden the reach of responsible gambling information, brochures and websites were made available in additional languages. Albertans can now access '*How to Play*' and '*Know the Odds*' information in Punjabi, French, Vietnamese, Filipino and Chinese.
- *DrinkSense*, our responsible alcohol consumption program, promotes Canada's low-risk drinking guidelines. Additionally, AGLC provided specific information for moms-to-be through the Dry9 campaign and distributed Students Against Drinking and Driving (SADD) information.
- *Best Bar None (BBN)*, our voluntary accreditation program recognizing excellence in Alberta's nightlife, continued in 2017-18 with a total of 154 licensed establishments successfully accredited. A total of 75 bars obtained accreditation in Edmonton, 58 in Calgary, 11 in Grande Prairie and the program was launched in Lethbridge, with 10 licensees obtaining accreditation in that city.



For most Albertans, alcohol is a social beverage and **95%** of Albertans who choose to drink are happy with the selection of products.



Most Albertans participate in gaming activities; the top three are lottery tickets, raffle tickets, and slot machines.

Responsible Gambling and Drinking Awareness



We created and released our new initiative, Dry9, to deliver specific information for moms-to-be. Dry9 encourages and supports healthy pregnancies by delivering the message that no amount of alcohol has been proven safe to drink while pregnant. The program encourages friends and family to support moms-to-be in “doing a Dry9” the decision to not drink any alcohol throughout pregnancy, which can prevent Fetal Alcohol Spectrum Disorder (FASD) and other alcohol-related harms.

Dry9 launched in December 2017. By the end of March 2018, 987 Albertans registered to do a Dry9. Awareness of the initiative also expanded beyond Canada, reaching over 50 countries including Japan, Australia and numerous European and North American nations.

80%

Of Albertans aware of AGLC, over 80% trust AGLC to manage liquor and gaming activities in Alberta.

97%

97% of Albertans who purchased liquor at a liquor store are satisfied that liquor is sold in a responsible manner.

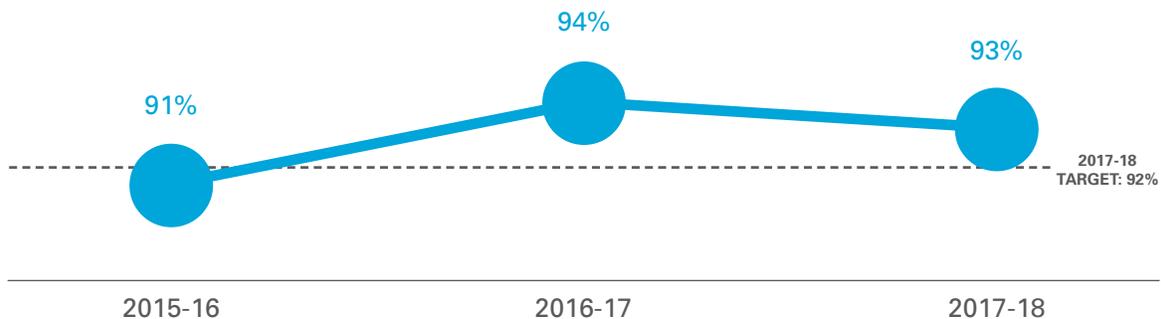


Regulatory Innovation

We will develop policies that enable the gaming and liquor industries, and that respect our commitment to compliance.

AGLC works closely with stakeholders to understand the key issues and expectations of both consumers and business operators. As such, AGLC delivers a balanced regulatory environment that remains relevant and effective in reducing social harms and mitigating risks, and in reducing unnecessary barriers so that gaming and liquor businesses can operate without undue burden.

Performance Measure: Stakeholder Satisfaction¹

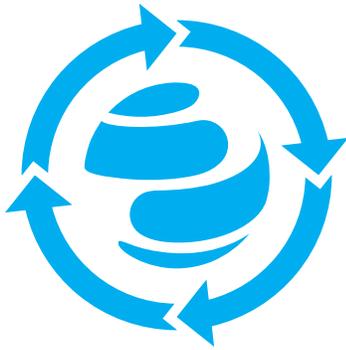


Highlights:

- Policies that govern liquor licensees were **reviewed and updated**. As examples, policies pertaining to how licensed premises can offer a patio setting to patrons were modernized, allowing for greater flexibility. Policy was also amended to support liquor licensing in spas, salons and barbershops and to allow Special Event liquor licence holders to offer free tastings at liquor industry trade shows.
- Further **liquor policy amendments** included the creation of a single licence class for small Alberta liquor manufacturers. These producers can now also own and operate Class A licensed premises (bars and restaurants) and sell their product at approved farmers' markets.
- A **review of Alberta's charitable gaming model** continued in 2017-18, with the intent of modernizing the model to ensure that it reflects Albertans' priorities and meets the current standards for gaming integrity.

Note:

1. See Methodology Details, page 93, for the methodology of the calculation of Stakeholder Satisfaction.

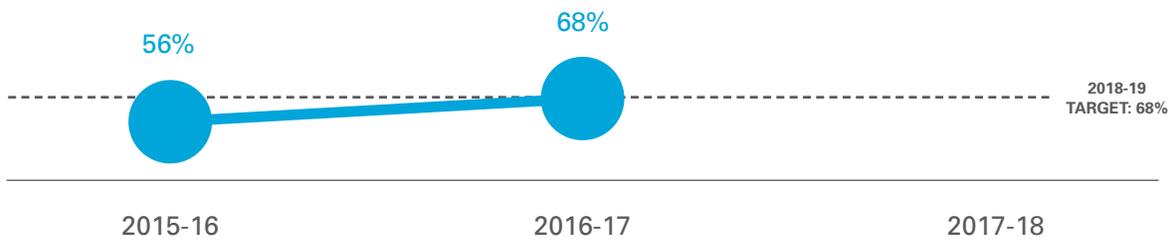


Continuous Improvement

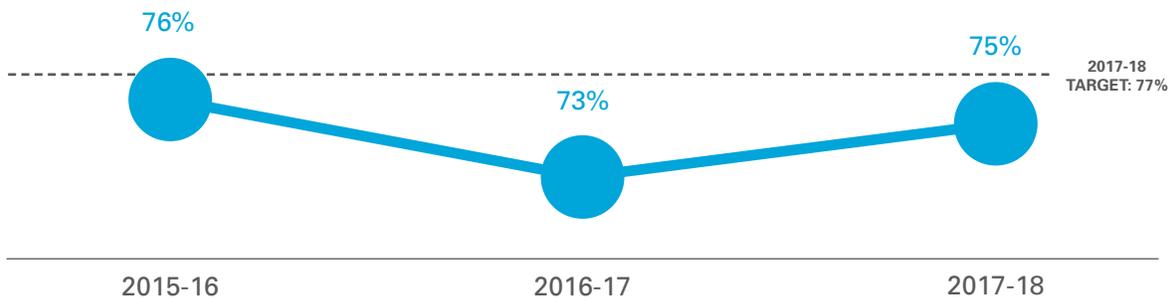
By living our values, we will continuously improve the delivery of benefits, services and products to stakeholders and each other.

We continually modernize operations with a focus on innovation, internal efficiency and continued excellence to ensure that Albertans are satisfied with AGLC's products and services and the ways in which they are delivered. Our results are a product of our values and our commitment to our Mission and Vision.

Performance Measure: Employee Engagement²



Performance Measure: Albertans' Confidence that AGLC Responsibly Manages Gaming and Liquor Activities¹

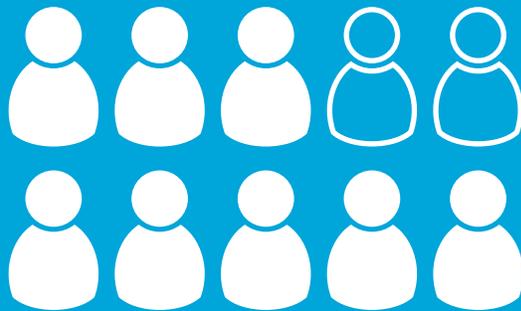


Note:

1. See Methodology Details, page 93, for the methodology of the calculation of the Confidence Score.
2. The target for this measure is slated for 2018-19 as per the 2017-20 Business Plan.

Highlights:

- AGLC introduced **additional online services** in 2017-18; Albertans may now obtain a Special Event liquor licence online from aglc.ca. A total of 6,477 licences were delivered to Albertans through online applications after the launch of this service in November 2017.
- A traveling exhibit was set up at major Alberta events in 2017 to **raise awareness** of how gaming and liquor revenues and charitable gaming have social and economic benefit to communities across the province. See page 13 for more detail.
- Staff across the organization were surveyed to examine where opportunities exist to **better communicate with stakeholders** of all languages and abilities; AGLC is committed to removing accessibility barriers for our stakeholders and licensees.



AGLC can say with confidence that we are meeting the expectations of Albertans, our stakeholders and our employees – 8 in 10 feel that AGLC has an excellent reputation.





Our Business

AGLC works closely with stakeholders in Alberta's gaming and liquor industries to understand the key issues and expectations of both consumers and business operators. By doing so, AGLC delivers a balanced regulatory environment that remains relevant and effective in reducing social harms and mitigating risks, and in reducing unnecessary barriers so that gaming and liquor businesses can operate without undue burden. As cannabis becomes a line of business for AGLC later in 2018 (see page 25), our commitment to working with stakeholders and Alberta consumers will extend to Alberta's emerging cannabis industry.

Where the Money Goes

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

Provincial Gaming

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

Charitable Gaming

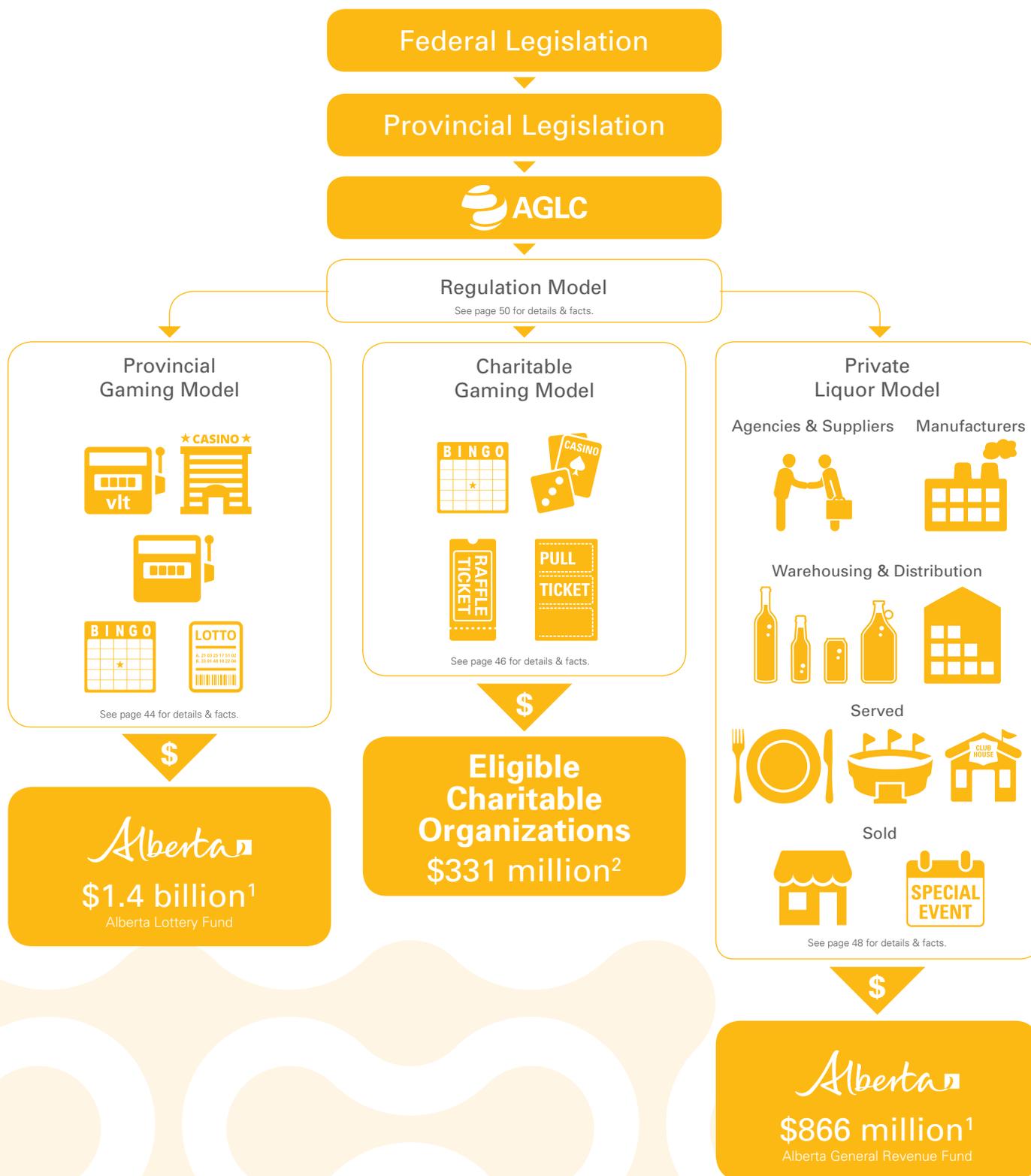
Other than fees for licences and trustee services for charitable proceeds from traditional casino events, AGLC does not receive any revenue from charitable gaming. Eligible charitable and religious groups that conduct raffles, sell pull tickets, and conduct bingo and casino table games use the proceeds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

Liquor

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

Legislation

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



¹ See AGLC Financial Statements, Note 12, page 71 for detail.

² See page 46 for detail.

Provincial Gaming Key Facts

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

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

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

Slots

(As at March 31, 2018)

	2017-18	2016-17	2015-16
Casinos			
Edmonton	4,480	4,616	4,543
Calgary	4,616	4,662	4,601
Other	3,715	3,688	3,688
RECs	1,349	1,315	1,304
TOTAL	14,160	14,281	14,136

vlts

(As at March 31, 2018)

	2017-18	2016-17	2015-16
Within the Distributed Network (bars, pubs, Gaming Entertainment Centres (GECs))			
Number of operating vlts	5974	5986	5946
vlt retail locations	836	851	871
GECs (included in the total number of retail locations above)	73	76	73
Within Casinos			
Number of operating vlts	448	346	322

vlt Revenue 2017-18

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

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

Credits (in thousands of dollars)		Cash (in thousands of dollars)	
Credits Played	\$7,563,952	Cash In	\$2,408,986
Credits Won (Prizes)	(\$6,965,878)	Cash Out	(\$1,810,912)
Net Sales	\$598,074	Net Sales	\$598,074
Payout Percentage: Credits Won/Credits Played	92%	Cashout Percentage: Cash Out/Cash In	75%

Lottery Ticket Centres

	2017-18	2016-17	2015-16
Number of Lottery Ticket Centres	2,731	2,744	2,722

Charitable Gaming Key Facts

We are responsible for maintaining the accountability of Alberta's gaming activities, including charitable gaming events. The Criminal Code (Canada) requires that groups participating in charitable gaming are charitable or religious in nature, and that the proceeds from gaming activities be directed to charitable or religious purposes. In general, the criteria used to determine eligibility include: relief of poverty, advancement of education, advancement of religion, and other purposes beneficial to the community.

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

Eligible organizations may apply for charitable gaming licences to conduct and manage events, as noted in the Summary table on page 46. In accordance with Alberta's charitable gaming model, Host First Nation (HFN) casinos operate in parallel to traditional casinos. The HFN is the casino facility operator; a dedicated HFN licensed charity, as a separate and distinct organization, conducts and manages the charitable casino event at each HFN facility.

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

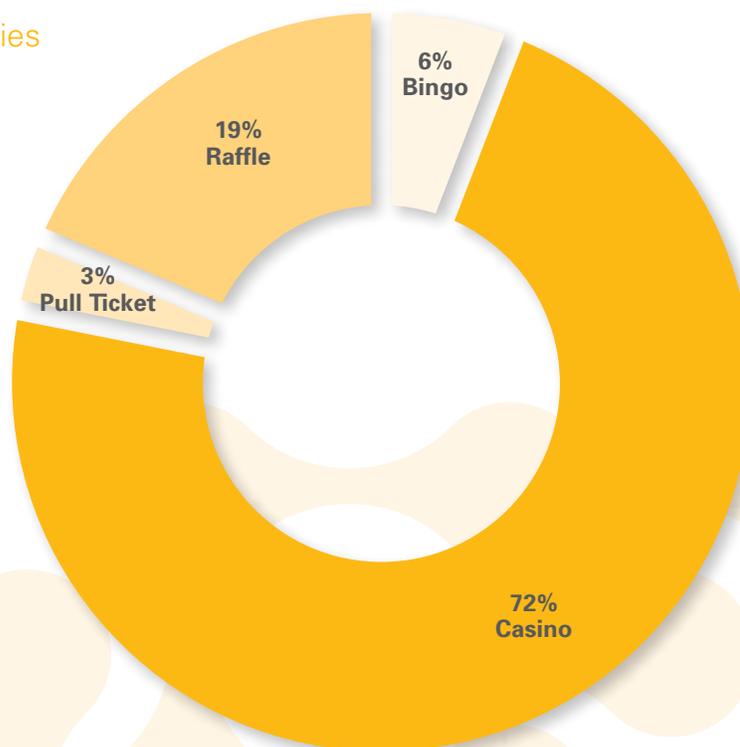
Summary

In 2017-18, 18,013 charitable gaming licences were issued; charitable gaming activities related to these licences generated over \$331 million in proceeds.

	2017-18					2016-17	2015-16
	Bingos ³	Casinos ⁴	Pull Tickets ⁵	Raffles ⁶	Total	Total	Total
Charity Licences ¹	961	3,445	285	13,322	18,013	17,904	16,802
(in thousands of dollars) Total Gross	\$119,379	\$1,211,202	\$86,119	\$162,235	\$1,578,935	\$1,596,683	\$1,679,219
Prizes/Winnings	(77,634)	(976,146)	(60,485)	(66,080)	(1,180,345)	(1,198,104)	(1,259,285)
Expenses ²	(30,399)	(151,048)	(14,762)	(34,538)	(230,747)	(226,375)	(242,874)
	(108,033)	(1,127,194)	(75,247)	(100,618)	(1,411,092)	(1,424,479)	(1,502,159)
Net proceeds	11,346	84,008	10,872	61,617	167,843	172,204	177,060
Electronic Gaming Proceeds	7,868	155,227			163,095	163,698	175,186
Keno Proceeds	201	19			220	291	292
Total Proceeds to Charity	\$19,415	\$239,254	\$10,872	\$61,617	\$331,158 ⁷	\$336,192	\$352,537

1. Bingo and pull-ticket licences are generally in effect for two years. Licences for casinos and raffles are generally for a single event.
2. Expenses include fixed fees/event expenses (including licence fees), pool expenses and electronic bingo net sales (sales less prizes). After program expenses are paid, electronic bingo net sales are returned to charities in the electronic gaming proceeds and proceeds to charity rows.
3. Includes current year information for bingo events conducted at licensed bingo facilities and prior year data for bingo events conducted at community bingo facilities. Does not include community bingos with gross sales under \$2,500.
4. Includes data for HFN casinos.
5. Includes current year information for pull-tickets sold at licensed bingo facilities and prior year information for pull-tickets sold at all other locations.
6. Includes prior year information for raffles with gross sales over \$10,000 and current year information for raffles with gross sales under \$10,000.
7. Data is collected from many sources and may be based on the current fiscal year and/or prior year therefore it does not reconcile with AGLC financial statements.

Proceeds to Charities by Gaming Stream



Use of Proceeds

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

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

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

Use of Proceeds by Charitable Groups

For 2016-17¹

Facility	32%
Equipment/Uniforms/Vehicles	15%
Wages, Salaries, Fees for Service and Honorariums	12%
Donations within Alberta	10%
Raffle < \$10,000 Expenditures	8%
Administrative Costs	7%
Program Support/Development	6%
Travel	5%
Promotional Activities	2%
Bursaries and Scholarships	1%
Research	1%
Senior Citizen Activities	1%
Sports	1%
Donations outside of Alberta	1%
Youth Development	<1%
Volunteer Expenses	<1%
Endowment Funds	<1%

Use of HFN Casino Proceeds

For 2016-17¹

Housing and Infrastructure	35%
Education	22%
Medical/Health Aid and Relief	10%
Charity Worker Wages and Expenses	8%
Administrative Costs	6%
Cultural Events	4%
Facility	3%
Sports/Youth Development	2%
Addictions Treatment	2%
Aid of the Distressed	2%
Children/Youth/Adults in Care	2%
Community Safety Programs	2%
Elders/Senior Citizens	2%
Historical Resources	1%
Promotional Activities	<1%
Equipment	<1%
Emergency Funds	<1%

1. Charitable organizations report on use of proceeds on an ongoing basis, therefore complete data for 2017-18 is not yet available and will be reported in the 2018-19 Annual Report.

Liquor Key Facts

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

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

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

Liquor Licences

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

	2017-18	2016-17	2015-16
Class A (open to the public)	5,374	5,303	5,240
Class B (facilities where people pay an entrance fee or buy a ticket)	678	664	622
Class C (private clubs)	781	787	785
Class D (retail outlets that sell liquor for off-premises consumption)	2,197	2,136	2,065
Class E (liquor manufacturers and packaging)	119	85	52
TOTAL	9,149	8,975	8,764

Liquor Manufacturing Licences in Alberta

	2017-18	2016-17	2015-16
Breweries	81	54	33
Distilleries	21	16	7
Estate Manufacturers	14	13	11
Packaging	3	2	1
TOTAL	119	85	52

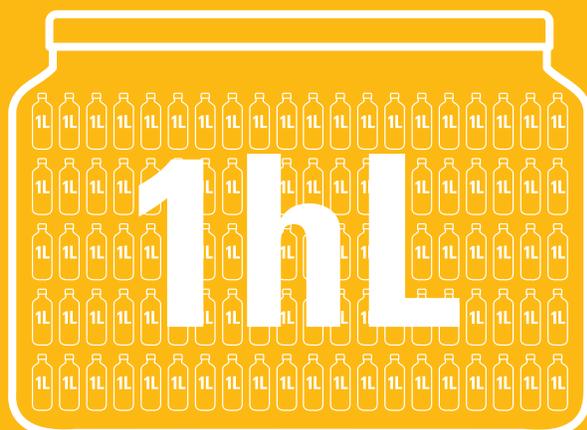
Liquor Products & Sales

Market demand determines product availability and sales.

Liquor Products Available (as at March 31, 2018)	2017-18	2016-17	2015-16
Spirits	4,862	4,778	4,273
Wine	13,866	13,260	13,458
Coolers/Cider	660	608	553
Beer	4,946	4,169	3,509
TOTAL	24,334	22,815	21,793

Liquor Sales by Type (in thousands of dollars)	2017-18	2016-17	2015-16
Spirits	\$756,281	\$750,606	\$763,792
Wine	609,418	591,781	601,670
Coolers/Cider	150,561	141,563	141,639
Beer	1,061,563	1,061,169	1,127,155
TOTAL	\$2,577,823	\$2,545,119	\$2,634,256

Liquor Sales by Volume (in hectolitres, hL)	2017-18	2016-17	2015-16
Spirits	267,893	270,935	278,574
Wine	450,577	442,458	453,192
Coolers/Cider	302,014	282,278	291,593
Beer	2,560,870	2,590,336	2,756,429
TOTAL	3,581,354	3,586,007	3,779,788



What is a hectolitre?

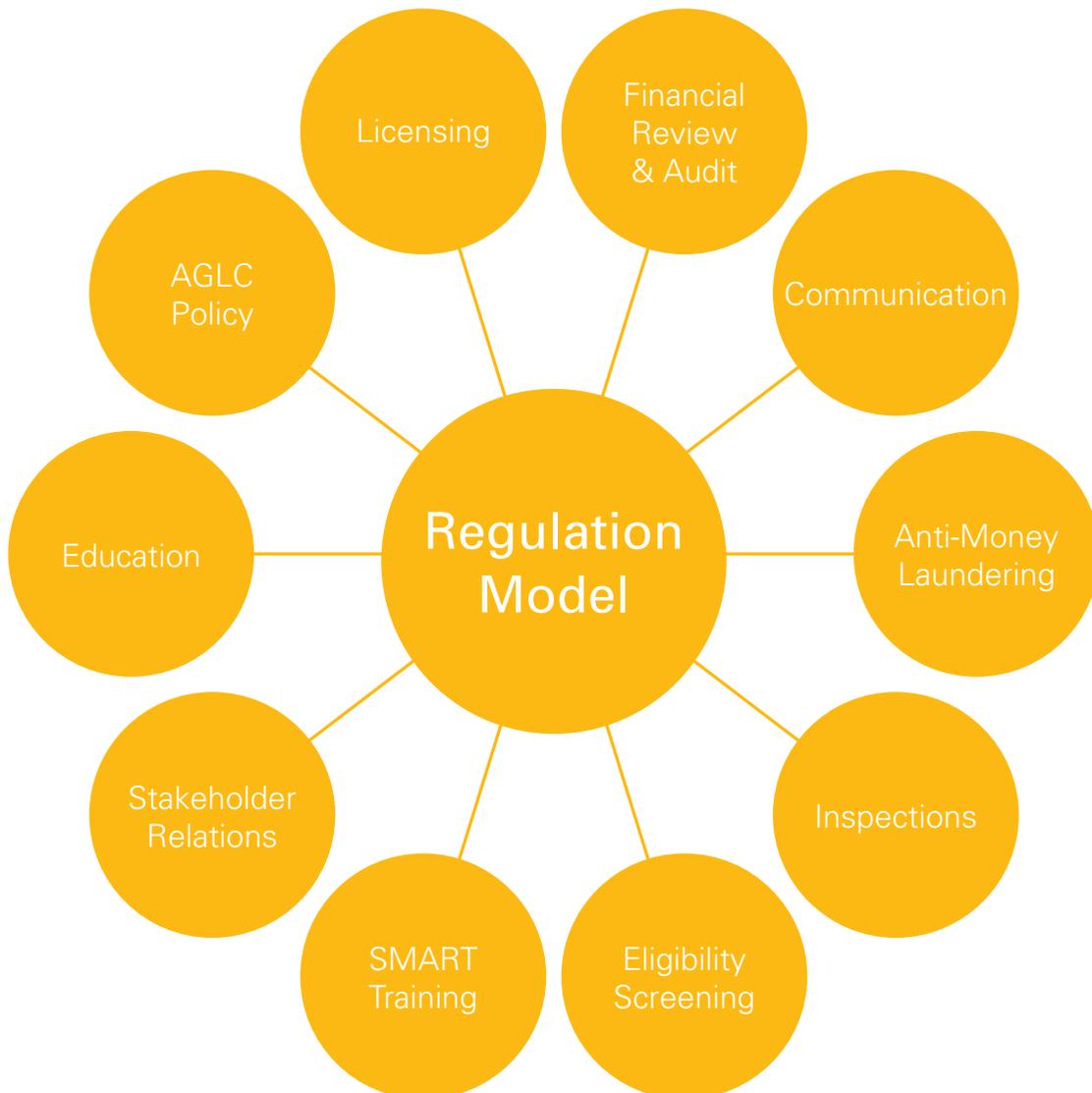
A hectolitre is equivalent to 100 litres (1 hL = 100 L)

A Modern Regulator

We are responsive to stakeholder needs and feedback. Regulations and policies are reviewed to ensure that they meet Albertans' current expectations and that they provide for an effective balance.

We engage with stakeholders as a best practice. AGLC is dedicated to a regulatory and policy environment that maintains our commitment to compliance yet reduces barriers for our licensees and industry stakeholders. We are equally dedicated to providing education about responsible and moderate consumption to enable consumers to make healthy and informed choices.

Our licensee compliance rates of 98% for charitable gaming and 98% for liquor are strong indicators of our regulatory success.



Connected By Trust

Lottery

AGLC respects Albertans' choice to enjoy gambling activities in a fun and responsible way, which includes the option to buy lottery products from lottery ticket centres across the province.

London Drugs

“Founded in 1945, London Drugs is 100% Canadian owned. Across Alberta, Saskatchewan, Manitoba and British Columbia, London Drugs' 80 stores employ more than 7,000 staff dedicated to providing their customers with a superior shopping experience.

We launched the addition of lottery products to our retail environment on September 20, 2017 at North Town Centre in Edmonton.

When played appropriately, Lottery is a fun addition to our product mix, allowing staff and customers to connect about the *'what ifs'* and the excitement this brings.

London Drugs also realizes the importance of the fact that a portion of lottery sales goes back to benefit Albertans through AGLC and the Government of Alberta.”

~ London Drugs Team

AGLC Team

“Our team was thrilled with the opportunity to collaborate with this highly-regarded western Canada company.

Our goal from day one was to be supportive and connect with London Drugs based on their needs to further their retail goals and support customers. Overall our core team worked hard to ensure interacting with us, as AGLC, felt like working with a trusted partner that cares about the success of the business.

Communication was essential. We stayed connected through daily calls and emails, doing our best to quickly find solutions to any challenges. We were able to create a customized training approach to support the London Drugs teams and also identify a solution to support their accounting needs.

At one point we trained 162 people over three weeks! Launching lottery in London Drugs stores was a big, exciting endeavor and we are proud to have worked collaboratively to meet success.”

~ Gaming Account Services Team





Financial Statements

AGLC

Independent Auditor's Report

To the Members of the Alberta Gaming and Liquor Commission

Report on the Financial Statements

I have audited the accompanying financial statements of the Alberta Gaming and Liquor Commission, which comprise the statement of financial position as at March 31, 2018, and the statements of net income, comprehensive income, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Gaming and Liquor Commission as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Auditor General
May 24, 2018
Edmonton, Alberta

Statement of Management's Responsibility for Financial Reporting

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

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

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

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

The Office of the Auditor General has been engaged to perform an independent external audit of these financial statements and prepared an Independent Auditor's Report, which is presented as part of the financial statements. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

Original signed by

Alain Maisonneuve

President and Chief Executive Officer

Original signed by

Kandice Machado

Vice President, Corporate Services
and Chief Financial Officer

Statement of Financial Position

As at March 31
(in thousands of dollars)

	Note	2018	2017
ASSETS			
Current Assets			
Cash and cash equivalents	4	\$ 170,617	\$ 147,958
Trade and other receivables		34,153	18,789
Inventories and prepaid expenses	5	12,274	11,858
		<u>217,044</u>	<u>178,605</u>
Non-Current Assets			
Property and equipment	6	223,740	247,325
Intangible assets	7	44,316	28,106
Investment properties	8	127,755	88,508
Investment in Western Canada Lottery Corporation	2g & 15	35,457	36,101
		<u>431,268</u>	<u>400,040</u>
		<u>\$ 648,312</u>	<u>\$ 578,645</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		\$ 189,999	\$ 160,287
Due to Alberta Lottery Fund	9	58,144	59,045
		<u>248,143</u>	<u>219,332</u>
Non-Current Liabilities			
Due to General Revenue Fund	10	360,526	322,509
Net defined benefit pension liability	2f & 11	49,115	62,364
		<u>409,641</u>	<u>384,873</u>
Accumulated Other Comprehensive Loss	11	(9,472)	(25,560)
		<u>\$ 648,312</u>	<u>\$ 578,645</u>

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

Approved by:

BOARD

Original signed by

Barbara Ritzen
Audit Committee Chair

MANAGEMENT

Original signed by

Alain Maisonneuve
President and Chief Executive Officer

Statement of Net Income

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

	Note	2018	2017
Liquor revenue		\$ 2,577,823	\$ 2,545,119
Liquor cost of sales		(1,686,340)	(1,667,977)
	12	891,483	877,142
Gaming revenue	12	1,736,064	1,731,841
		2,627,547	2,608,983
Commissions and federal payments	12	(430,635)	(430,201)
Operating expenses	13	(227,449)	(224,598)
Profit from Operations		1,969,463	1,954,184
Other revenue	14	14,596	15,164
Share of income from Western Canada Lottery Corporation	15	298,830	315,511
Net Income	21 & 12	2,282,889	2,284,859
Net income allocation to Alberta Lottery Fund	9	(1,416,872)	(1,429,604)
Net income allocation to General Revenue Fund	10	(866,017)	(855,255)
Net Income after Allocations		\$ -	\$ -

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

Statement of Comprehensive Income

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

	Note	2018	2017
Net income	21 & 12	\$ 2,282,889	\$ 2,284,859
Other Comprehensive Income (Loss)			
Net actuarial gain (loss)	11	16,088	(1,612)
Comprehensive Income		\$ 2,298,977	\$ 2,283,247

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

Statement of Cash Flows

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

	2018	2017
Operating Activities		
Comprehensive income	\$ 2,298,977	\$ 2,283,247
Amortization	61,836	61,312
Loss on disposal of non-current assets	1,565	2,428
Write-down of intangible assets	-	871
(Decrease) increase in net defined benefit pension liability	(13,249)	3,458
Net change in non-cash working capital items:		
(Increase) decrease in trade and other receivables	(15,364)	10,743
Increase in inventories and prepaid expenses	(416)	(696)
Increase (decrease) in trade and other payables	29,712	(30,673)
	2,363,061	2,330,690
Transfers to Alberta Lottery Fund	(1,417,773)	(1,441,875)
Transfers to General Revenue Fund	(828,000)	(838,000)
Cash Provided by Operating Activities	117,288	50,815
Investing Activities		
Purchase of property and equipment	(31,716)	(48,443)
Purchase of intangible assets	(23,790)	(9,008)
Additions to investment properties	(39,801)	(46,917)
Proceeds on disposal of non-current assets	34	1,965
Net change in investment in Western Canada Lottery Corporation	644	(6,808)
Cash Used in Investing Activities	(94,629)	(109,211)
Net Increase (Decrease) in Cash During the Year	22,659	(58,396)
Cash, beginning of year	147,958	206,354
Cash, end of year	\$ 170,617	\$ 147,958
Supplemental Cash Flow information:		
Interest received	\$ 1,857	\$ 1,717

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

Notes to the Financial Statements

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

1. Nature of Operations

The Alberta Gaming and Liquor Commission (AGLC) operates under the authority of the *Gaming and Liquor Act*, Chapter G-1, Revised Statutes of Alberta 2000. Under the *Gaming and Liquor Act*, the AGLC was established as a provincial Crown corporation governed by the Board appointed by the Lieutenant Governor in Council. The registered office is located at 50 Corriveau Avenue, St. Albert, Alberta.

The AGLC is an agency of the Government of Alberta which conducts and manages Provincial Lotteries, carries out functions respecting gaming under the Criminal Code (Canada), and controls, in accordance with legislation, the manufacture, import, sale, purchase, possession, storage, transportation, use and consumption of liquor for the Government of Alberta. As an agent of the Government of Alberta, the AGLC is not subject to federal or provincial corporate income taxes.

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

2. Significant Accounting Policies

a. Basis of Preparation

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

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

The financial statements for the year ended March 31, 2018 were authorized for issue by the Board on May 24, 2018.

b. Financial Instruments

Financial instruments are classified based on their characteristics and the intention of management upon their acquisition. They are recognized in the Statement of Financial Position when the AGLC becomes a party to the contractual terms of the instrument, which represents its trade date.

All financial instruments are initially recognized at fair value plus directly attributable transaction costs, and their subsequent measurement is dependent on their classification as outlined below.

Cash and cash equivalents	Loans and receivables
Trade and other receivables	Loans and receivables
Trade and other payables	Other financial liabilities
Due to Alberta Lottery Fund	Other financial liabilities
Due to General Revenue Fund	Other financial liabilities

Loans and receivables

Subsequent to initial recognition, loans and receivables continue to be measured at cost. Due to the short-term nature of these assets, the estimated fair value is considered to be equal to their carrying value.

Financial assets are derecognized when the right to receive cash flows from the asset has expired. Any difference in the carrying amounts of the asset is recognized in the Statement of Net Income.

Other financial liabilities

Subsequent to initial recognition, other financial liabilities continue to be measured at cost. Due to the short-term nature of these liabilities, the estimated fair value is considered to be equal to their carrying value.

Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled or it expires. Any difference in the carrying amounts of the financial liability is recognized in the Statement of Net Income.

Impairment

Financial assets and liabilities are assessed for indicators of impairment on an annual basis. If there is objective evidence that an impairment exists, the loss is recognized in the Statement of Net Income. An impairment loss is measured as the difference between the carrying value and the current fair value.

c. Inventories

Gaming parts and supplies are valued at weighted average cost which is not in excess of net realizable value.

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

d. Properties, Equipment and Intangible Assets

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

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

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

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

e. Investment Properties

Investment properties are comprised of land, building or a combination thereof, that are held by the owner to earn rental income. They include the distribution and storage facility located in St. Albert (50 Corriveau Avenue), currently leased to Connect Logistics Services Inc., as well as the liquor distribution centre under construction in St. Albert (2 Boudreau Road).

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

f. Defined Benefit Pension Plan

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

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

The Net Defined Benefit Pension Liability, including the underlying assumptions for future salary increases, inflation rates and discount rates, is reviewed annually.

g. Investment in an Associate – Western Canada Lottery Corporation

The Western Canada Lottery Corporation (WCLC) was incorporated without share capital under Part II of the *Canada Corporations Act* on April 16, 1974. It is a non-profit organization authorized to manage, conduct and operate lottery and gaming-related activities for its members - the Governments of Alberta, Saskatchewan, and Manitoba. The Yukon Territory, the Northwest Territories and Nunavut participate as associate members.

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

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

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

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

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

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

h. Revenue and Expense Recognition

Revenue from casino gaming terminals, video lottery terminals and personal-play electronic bingo is based on bets placed and is recognized at the time when play was completed and all credits were played or converted to cash. Revenue from play-along electronic bingo is recognized at the time of purchase of the cards. Prizes, commissions and federal payments are recognized on the same basis as related revenues.

Revenue from sale of liquor is recognized when goods are shipped and title has passed to the customer. Revenue received in advance of shipment is classified as deferred revenue. Cost of product sold is recognized on the same basis as related revenues.

i. Impairment of Non-Financial Assets

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

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

j. Federal Taxes

As a Crown agent of the Government of Alberta, the AGLC has a tax-exempt status. However, under the *Excise Tax Act* and *Games of Chance (GST/HST) Regulations*, the AGLC is required to pay GST and Federal Tax on gaming operations.

k. Operating Expenses

Operating expenses are allocated against Provincial Lotteries Revenue or Liquor and Other Revenue based on the nature of the expense.

l. Allocation of Net Income

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

Net income arising from the conduct of authorized casino gaming, video lottery, lottery ticket, and electronic bingo in Alberta is transferred to the Alberta Lottery Fund. Note 9 discloses further information on amounts due to the Alberta Lottery Fund.

Net income from liquor operations and other revenue is transferred to the General Revenue Fund. Note 10 provides additional information regarding the amount due to the General Revenue Fund.

m. Contingent Liabilities and Provisions

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

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

n. Future Accounting Policy Changes

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

IFRS 9 Financial Instruments – Issued on July 24, 2014, mandatorily effective for annual reporting periods commencing on or after January 1, 2018, with early adoption permitted. The Standard includes requirements for recognition, measurement, impairment and de-recognition of financial instruments, as well as guidance on hedge accounting. An assessment of the impact of applying IFRS 9 is underway however management has not identified any material differences from its current accounting practice related to financial instruments. The AGLC does not currently hold hedging instruments. The standard will be adopted in the period beginning April 1, 2018 using the retrospective approach.

IFRS 15 Revenue from Contracts with Customers – Issued on May 28, 2014, mandatorily effective for annual reporting periods commencing on or after January 1, 2018. The Standard provides framework for recognition, measurement and disclosure of revenue and cash flows arising from contracts with customers, as well as requirements for entities to provide users of financial statements with more informative and relevant revenue-related disclosures. An assessment of the impact of applying IFRS 15 is underway however, apart from providing more extensive disclosures related to revenue transactions, management has not identified any material differences from its current revenue measurement and recognition practice. The AGLC will adopt the standard in the period beginning April 1, 2018 using the modified retrospective approach.

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

3. Significant Accounting Estimates, Assumptions and Critical Judgments

In conformity with IFRS, the preparation of AGLC's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the affected asset or liability in future periods.

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

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

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

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

4. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, current balances in banks and deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Government of Alberta. Additionally, cash and cash equivalents include the proceeds from table games which the AGLC holds on behalf of charities; further details are provided in Note 18.

The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term and mid-term fixed income securities with a maximum term to maturity of three years. For the year ended March 31, 2018, securities held by the CCITF had a time-weighted yield of 1.1% per annum (March 31, 2017: 0.9% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

5. Inventories and Prepaid Expenses

Inventories
Prepaid expenses

	2018		2017
	\$ 10,777	\$	10,232
	1,497		1,626
	<u>\$ 12,274</u>	<u>\$</u>	<u>11,858</u>

6. Property

	2018					2017
	Land	Buildings and Leasehold Improvements	Equipment and Computer Hardware	Gaming Equipment and Terminals	Total	Total
Cost, beginning of year	\$ 2,057	\$ 39,827	\$ 40,568	\$ 477,141	\$ 559,593	\$ 528,552
Additions	–	400	2,509	28,807	31,716	48,443
Adjustments	–	(107)	–	–	(107)	–
Disposals	–	(4)	(3,864)	(30,827)	(34,695)	(17,402)
Cost, end of year	2,057	40,116	39,213	475,121	556,507	559,593
Accumulated amortization, beginning of year	–	(23,445)	(27,061)	(261,762)	(312,268)	(274,018)
Additions	–	(1,105)	(4,171)	(48,473)	(53,749)	(51,579)
Disposals	–	3	3,864	29,383	33,250	13,329
Accumulated amortization, end of year	–	(24,547)	(27,368)	(280,852)	(332,767)	(312,268)
Net book value, end of year	\$ 2,057	\$ 15,569	\$ 11,845	\$ 194,269	\$ 223,740	\$ 247,325

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

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

7. Intangible Assets

	2018				2017
	Computer Software	Gaming Software	Work in Progress	Total	Total
Cost, beginning of year	\$ 29,160	\$ 35,431	\$ 7,271	\$ 71,862	\$ 64,386
Additions	2,302	631	20,857	23,790	9,008
Adjustments	910	(624)	(286)	–	–
Disposals/write-downs	–	(2,315)	–	(2,315)	(1,532)
Cost, end of year	32,372	33,123	27,842	93,337	71,862
Accumulated amortization, beginning of year	(21,308)	(22,448)	–	(43,756)	(35,171)
Additions	(2,214)	(5,212)	–	(7,426)	(8,926)
Adjustments	1,676	(1,676)	–	–	–
Disposals/write-downs	–	2,161	–	2,161	341
Accumulated amortization, end of year	(21,846)	(27,175)	–	(49,021)	(43,756)
Net book value, end of year	\$ 10,526	\$ 5,948	\$ 27,842	\$ 44,316	\$ 28,106

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

Computer software	Up to 10 years
Gaming software	5 years

8. Investment Properties

	2018				2017
	Land	Buildings	Work in Progress	Total	Total
Cost, beginning of year	\$ 21,126	\$ 31,738	\$ 60,420	\$ 113,284	\$ 66,367
Additions	–	180	39,621	39,801	46,917
Adjustments	–	2	105	107	–
Disposals	–	(4)	–	(4)	–
Cost, end of year	21,126	31,916	100,146	153,188	113,284
Accumulated amortization, beginning of year	–	(24,776)	–	(24,776)	(23,969)
Additions	–	(660)	–	(660)	(807)
Disposals	–	3	–	3	–
Accumulated amortization, end of year	–	(25,433)	–	(25,433)	(24,776)
Net book value, end of year	\$ 21,126	\$ 6,483	\$ 100,146	\$ 127,755	\$ 88,508

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

Buildings	Up to 40 years
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(b) The Liquor Distribution Centre under construction is classified as work in progress.

(c) Net Profit from Investment Properties

	2018	2017
Rental income derived from investment properties	\$ 3,149	\$ 3,251
Direct operating expenses (including repair and maintenance)	(1,131)	(1,179)
Net profit arising from investment properties	\$ 2,018	\$ 2,072

Estimated rental income for the current lease term expiring on March 31, 2019 is:

2018-19	\$ 2,640
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(d) Fair Value of Investment Properties

	2018	2017
Fair value of investment properties	\$ 167,146	\$ 131,770

Investment properties are recorded and reported at cost.

The fair value is based on a valuation performed by Bourgeois Chin Associates Ltd., an accredited independent valuator. Bourgeois Chin Associates Ltd. has appropriate qualifications and recent experience in the valuation of similar properties.

The fair value valuation was performed on the distribution and storage facility at 50 Corriveau Avenue using income and direct comparison approaches, while the land purchased at 2 Boudreau Road for the construction of a liquor distribution centre was valued using the direct comparison approach. The valuation did not include the liquor distribution centre currently under construction as the \$100.1 million in costs incurred to-date are assumed to equal the current fair market value. Both properties are located in St. Albert, Alberta.

9. Due to Alberta Lottery Fund

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

	Note	2018	2017
Due to Alberta Lottery Fund, beginning of year		\$ 59,045	\$ 71,316
Net income allocation to Alberta Lottery Fund	12	1,416,872	1,429,604
Transfers to Alberta Lottery Fund		(1,417,773)	(1,441,875)
Due to Alberta Lottery Fund, end of year		\$ 58,144	\$ 59,045

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

10. Due to General Revenue Fund

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

	Note	2018	2017
Due to General Revenue Fund, beginning of year		\$ 322,509	\$ 305,254
Net income allocation to General Revenue Fund	12	866,017	855,255
Transfers to General Revenue Fund		(828,000)	(838,000)
Due to General Revenue Fund, end of year		\$ 360,526	\$ 322,509

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

11. Employee Benefit Plans

Change in Net Defined Benefit Pension Liability

	2018				2017
	PSPP	MEPP	SRP	Total	Total
Change in Fair Value of Plan Assets					
Fair value of plan assets, beginning of year	\$ 133,685	\$ 55,133	\$ 2,135	\$ 190,953	\$ 171,377
Employer contributions	7,719	2,030	41	9,790	10,485
Benefits paid	(8,280)	(2,645)	(75)	(11,000)	(7,895)
Interest income	4,803	1,919	83	6,805	6,222
Actuarial gain (loss) on plan assets	7,117	1,283	(1,014)	7,386	10,764
Fair value of plan assets, end of year	\$ 145,044	\$ 57,720	\$ 1,170	\$ 203,934	\$ 190,953
Change in Defined Benefit Obligation					
Defined benefit obligation, beginning of year	\$ 181,250	\$ 69,069	\$ 2,998	\$ 253,317	\$ 230,283
Current-service cost	7,793	2,525	68	10,386	10,213
Benefits paid	(8,280)	(2,645)	(75)	(11,000)	(7,895)
Interest expense	6,516	2,415	117	9,048	8,340
Actuarial (gain) loss on plan liabilities	(4,714)	(2,626)	(1,362)	(8,702)	12,376
Defined benefit obligation, end of year	\$ 182,565	\$ 68,738	\$ 1,746	\$ 253,049	\$ 253,317
Net Defined Benefit Pension Liability	\$ (37,521)	\$ (11,018)	\$ (576)	\$ (49,115)	\$ (62,364)

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

Accumulated Other Comprehensive Loss (AOCL)

	2018				2017
	PSPP	MEPP	SRP	Total	Total
Actuarial (gain) loss on plan assets	\$ (7,117)	\$ (1,283)	\$ 1,014	\$ (7,386)	\$ (10,764)
Actuarial (gain) loss on plan liabilities	(4,714)	(2,626)	(1,362)	(8,702)	12,376
Net actuarial (gain) loss	(11,831)	(3,909)	(348)	(16,088)	1,612
AOCL, beginning of year	19,634	5,278	648	25,560	23,948
AOCL, end of year	\$ 7,803	\$ 1,369	\$ 300	\$ 9,472	\$ 25,560

Pension Expense

	2018				2017	
	PSPP	MEPP	SRP	Total	Total	
Current service cost (employer)	\$ 7,793	\$ 2,525	\$ 68	\$ 10,386	\$ 10,213	
Interest expense	6,516	2,415	117	9,048	8,340	
Interest income	(4,803)	(1,919)	(83)	(6,805)	(6,222)	
Pension Expense	\$ 9,506	\$ 3,021	\$ 102	\$ 12,629	\$ 12,331	

Key Assumptions, Sensitivities and Risks

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

	2018			2017		
	PSPP	MEPP	SRP	PSPP	MEPP	SRP
Discount rate:	3.40%	3.40%	3.60%	3.60%	3.50%	3.90%
Inflation rate:	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Average wage increases:	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
AGLC's share of plan payroll:	2.14%	1.98%	0.97%	2.22%	2.07%	1.90%
Date of the most recent actuarial valuation:	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2015
AGLC's expected contributions for the next period – all plans:	\$ 11,000			\$ 10,353		

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

	2018			2017		
	PSPP	MEPP	SRP	PSPP	MEPP	SRP
Estimated sensitivity of liabilities to a 1% change in the discount rate:	13.00%	12.80%	19.10%	14.20%	13.50%	18.90%
Estimated sensitivity of liabilities to a 1% change in the inflation rate:	7.30%	7.40%	8.90%	7.70%	7.10%	8.00%

Economic risk

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

Demographic risk

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

Multi-employer plan funding risk

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

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

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

12. Gaming and Liquor Operating Results

Management monitors the operating results of the revenue sectors in order to make decisions about resource allocation and performance assessment. Operating expenses are not allocated to the individual revenue sectors, but are allocated between Provincial Lotteries revenue and liquor and other revenue as set out in the *Gaming and Liquor Act*.

	2018					2017	
	Provincial Lotteries				Liquor and Other	Total	Total
	Casino Gaming Terminals	Video Lottery Terminals	Electronic Bingo (a)	Subtotal			
Net sales	\$ 1,126,508	\$ 598,074	\$ 11,482	\$ 1,736,064	\$ 891,483	\$ 2,627,547	\$ 2,608,983
Commissions							
Operators/retailers	(165,885)	(89,711)	(1,722)	(257,318)	–	(257,318)	(256,536)
Charities	(155,000)	–	(1,769)	(156,769)	–	(156,769)	(157,917)
Federal tax expense (b)	(10,653)	(5,709)	(186)	(16,548)	–	(16,548)	(15,748)
	(331,538)	(95,420)	(3,677)	(430,635)	–	(430,635)	(430,201)
Net revenue	\$ 794,970	\$ 502,654	\$ 7,805	1,305,429	891,483	2,196,912	2,178,782
Operating expenses				(185,405)	(42,044)	(227,449)	(224,598)
Profit from operations				1,120,024	849,439	1,969,463	1,954,184
Other revenue				(1,982)	16,578	14,596	15,164
Share of income from Western Canada Lottery Corporation				298,830	–	298,830	315,511
Net income				\$ 1,416,872	\$ 866,017	\$ 2,282,889	\$ 2,284,859

(a) includes Keno charity commissions

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

13. Operating Expenses

	2018	2017
Salaries and benefits	\$ 94,068	\$ 94,215
Amortization	61,836	61,312
Leased gaming terminals	23,148	25,282
Equipment and vehicles	8,999	9,173
Data processing	7,906	6,923
Data communications	6,687	6,243
Fees and services	5,802	4,952
Property	4,060	3,561
Marketing and retailer relations	3,359	2,799
Freight and ticket product delivery	2,495	2,181
Net interest in net defined benefit pension liability	2,243	2,118
Travel and training	2,141	1,976
Insurance and bank charges	2,094	1,525
Stationery and supplies	1,530	1,468
Miscellaneous	870	724
Liquor product expense	211	146
	<u>\$ 227,449</u>	<u>\$ 224,598</u>

14. Other Revenue

	2018	2017
Licences	\$ 7,323	\$ 6,551
Premises rental revenue	3,149	3,251
Interest	1,857	1,717
Liquor levies	1,228	1,980
ProServe fees	1,165	1,194
Retailer service fees	721	712
Administrative sanctions	546	373
Miscellaneous	172	1,814
Loss on disposal of non-current assets	(1,565)	(2,428)
	<u>\$ 14,596</u>	<u>\$ 15,164</u>

15. Investment in Western Canada Lottery Corporation

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

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

	2018	2017
WCLC Statement of Financial Position		
Current assets	\$ 73,718	\$ 89,726
Property and equipment	25,275	9,195
Intangible assets	8,457	8,716
	<u>\$ 107,450</u>	<u>\$ 107,637</u>
Current liabilities	\$ 108,116	\$ 108,133
Employee benefits	10,446	11,145
Equity	(11,112)	(11,641)
	<u>\$ 107,450</u>	<u>\$ 107,637</u>
Alberta's Proportionate Share of Revenue and Expenses		
Lottery sales, net (a)	\$ 835,731	\$ 865,529
Direct expenses (a)	(493,331)	(503,442)
Gross income	<u>342,400</u>	<u>362,087</u>
Operating expenses	(31,932)	(33,694)
Interest and other income	2,571	977
Net income from operations	<u>313,039</u>	<u>329,370</u>
Federal tax expense (a)	(5,017)	(4,775)
Payment to the Federal Government (b)	(9,192)	(9,084)
Share of Income from WCLC	<u>\$ 298,830</u>	<u>\$ 315,511</u>

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

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

Statement of Change in Investment in WCLC

	2018	2017
Investment in WCLC, beginning of year	\$ 36,101	\$ 29,293
Share of income from WCLC	298,830	315,511
Advances received from WCLC	(299,474)	(308,703)
Investment in WCLC, end of year	<u>\$ 35,457</u>	<u>\$ 36,101</u>

16. Contractual Obligations

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

	2018	2017
2018	\$ –	\$ 70,934
2019	96,937	51,991
2020	45,029	17,244
2021	16,272	4,909
2022	6,861	4,753
2023	5,449	–
Thereafter	1,272	3,121
	<u>\$ 171,820</u>	<u>\$ 152,952</u>

17. Contingent Liabilities

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

The AGLC amended a lease agreement with a tenant on February 5, 2016. Under the terms of the amended agreement, the AGLC has agreed to assume certain third party premises leases for the remainder of the lease term, if a significant change in the terms of the tenant's appointment occurs before January 31, 2020. As at March 31, 2018, the AGLC's potential liability is \$9.1 million (2017 - \$17.3 million).

18. Funds Under Administration

The AGLC manages the collection, investment and distribution of the charities' share of proceeds/losses from table games at licensed charitable casino events.

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

	2018	2017
Charitable proceeds	\$ 16,897	\$ 17,049
Held charitable proceeds	115	153
	<u>\$ 17,012</u>	<u>\$ 17,202</u>

19. Salaries and Benefits

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

	Note	2018			2017	
		Base Salary (a)	Other Cash Benefits (b)	Other Non-Cash Benefits (c)	Total	Total
Chair of the Board	d	\$ 106	\$ –	\$ 1	\$ 107	\$ 123
Members of the Board	e	199	–	20	219	237
President and Chief Executive Officer	f	234	3	74	311	569
Vice Presidents (VP)						
VP, Gaming and Cannabis and Chief Operating Officer	g	209	4	66	279	247
VP, Corporate Services and Chief Financial Officer		189	1	48	238	249
VP, Human Resources and Employee Development		179	7	44	230	471
VP, Regulatory Services		179	1	42	222	384
VP, Liquor Services		175	3	42	220	225
VP, Corporate Strategic Services and Chief Risk Officer		166	10	41	217	78
VP, Information Technology and Chief Information Officer		172	–	42	214	316
VP, Corporate Responsibility and Reputation	h	136	1	30	167	-
VP, Charitable Gaming Program and Regulatory Research	i	–	–	–	–	332
Senior VP, Corporate Services	j	–	–	–	–	87

- (a) Base salary consists of regular base pay, including acting pay. For Chair and members of the Board, it consists of remuneration paid, based on rates prescribed in the *Committee Remuneration Order*, for time spent on the business of the Board.
- (b) Other cash benefits consist of vacation payouts and wellness spending account payments. There were no bonuses paid during the year.
- (c) Other non-cash benefits include the AGLC's share of employee benefits and contributions/payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.
- (d) Occupancy of the position changed on April 1, 2017 and June 28, 2017.
- (e) At any given time the Board consists of no more than 6 members plus the Chair, whose remuneration is disclosed separately.
- (f) Automobile benefit of \$2 (2017 -\$6) is included in other non-cash benefits.
- (g) Position title and scope of responsibilities changed during the year.
- (h) Position created on June 5, 2017.
- (i) Position eliminated on February 28, 2017.
- (j) Position eliminated on July 15, 2016.

20. Financial Instruments and Risk Management

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

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

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

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

21. Related Party Transactions

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

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

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

During the year, the AGLC made payments totalling \$415 (2017 - \$434) to Alberta Risk Management Fund. Transactions with the Alberta Lottery Fund are disclosed in Note 9 and transactions with the General Revenue Fund are disclosed in Note 10.

The Western Canada Lottery Corporation (WCLC), an associated entity as disclosed in Note 2g, is also a related party to the AGLC. Details of transactions with the WCLC are disclosed in Note 15. In addition to these transactions, the AGLC received \$721 (2017 - \$712) in retailer service fees from the WCLC.

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

22. Approved Budget

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

	2018
Liquor revenue	\$ 2,632,607
Liquor cost of sales	(1,726,944)
	<u>905,663</u>
Gaming revenue	1,776,654
	<u>2,682,317</u>
Commissions and federal payments (a)	(441,051)
Operating expenses	(244,476)
Profit from operations	<u>1,996,790</u>
Other revenue	16,271
Share of income from WCLC	308,173
Net income	<u>\$ 2,321,234</u>
Other Comprehensive Loss	
Net actuarial loss	(11,500)
Comprehensive income	<u>\$ 2,309,734</u>

(a) includes Keno charity commissions

23. Comparative Figures

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





Financial Statements

Alberta Lottery Fund

Independent Auditor's Report

To the Members of the Alberta Gaming and Liquor Commission

Report on the Financial Statements

I have audited the accompanying financial statements of the Alberta Lottery Fund, which comprise the statement of financial position as at March 31, 2018, and the statements of operations and change in net financial assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Lottery Fund as at March 31, 2018, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

Auditor General
May 24, 2018
Edmonton, Alberta

Statement of Management's Responsibility for Financial Reporting

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

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

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

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

The Office of the Auditor General has been engaged to perform an independent external audit of these financial statements and prepared an Independent Auditor's Report, which is presented as part of the financial statements. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

Original signed by

Alain Maisonneuve

President and Chief Executive Officer

Original signed by

Kandice Machado

Vice President, Corporate Services
and Chief Financial Officer

Statement of Financial Position

As at March 31
(in thousands of dollars)

	Note	2018	2017
Financial Assets			
Cash and cash equivalents	3	\$ 25,920	\$ 37,563
Due from Alberta Gaming and Liquor Commission	5	58,144	59,045
		84,064	96,608
Liabilities			
Accounts Payable	6	\$ 31,289	\$ 43,833
		31,289	43,833
Net Financial Assets			
		\$ 52,775	\$ 52,775
Net Assets			
		\$ 52,775	\$ 52,775

The accompanying notes are part of these financial statements.

Approved by:

BOARD

Original signed by

Barbara Ritzen

Audit Committee Chair
Alberta Gaming and Liquor Commission

MANAGEMENT

Original signed by

Alain Maisonneuve

President and Chief Executive Officer
Alberta Gaming and Liquor Commission

Statement of Operations

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

	Note	Budget 2018	2018	2017
Revenues				
Net income from Provincial Lotteries	7	\$ 1,445,144	\$ 1,416,872	\$ 1,429,604
Interest		400	746	636
		1,445,544	1,417,618	1,430,240
Expenses				
Lottery Fund expenditures		1,445,544	1,417,618	1,430,240
		1,445,544	1,417,618	1,430,240
Annual Surplus		\$ –	\$ –	\$ –

The accompanying notes are part of these financial statements.

Statement of Change in Net Financial Assets

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

	Budget 2018	2018	2017
Annual surplus	\$ –	\$ –	\$ –
Net financial assets, beginning of year	52,775	52,775	52,775
Net Financial Assets, end of year	\$ 52,775	\$ 52,775	\$ 52,775

The accompanying notes are part of these financial statements.

Notes to the Financial Statements

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

1. Nature of Operations

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

The *Appropriation Act, 2017* authorizes transfers from the Lottery Fund as presented in the 2017-2018 Estimates, and provides for flexibility in the amount allocated from the Lottery Fund to the General Revenue Fund so that the annual surplus of the Lottery Fund would be zero at the year ended March 31, 2018.

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

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

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).

a. Cash Flow

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

b. Financial Assets and Liabilities

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

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

c. Financial Instruments

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

d. Future Accounting Policy Changes

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

PSAS 3430 Restructuring Transactions– Issued in June of 2015, mandatorily effective for annual reporting periods commencing on or after April 1, 2018, with early adoption permitted. The Standard provides guidance on how to account for and report restructuring transactions by both transferor and recipient of assets and/or liabilities, together with related program or operating responsibilities. The AGLC will follow the standard for any restructuring transactions on or after April 1, 2018.

3. Cash and Cash Equivalents

Cash and cash equivalents consist of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors, while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term and mid-term fixed income securities, with a maximum term-to-maturity of three years. For the year ended March 31, 2018, securities held by the CCITF had a time-weighted return of 1.1% per annum (March 31, 2017: 0.9% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

4. Related Party Transactions

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

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

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

5. Due from Alberta Gaming and Liquor Commission

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

	2018	2017
Due from AGLC, beginning of year	\$ 59,045	\$ 71,316
Net income allocation to Alberta Lottery Fund	1,416,872	1,429,604
Transfers from AGLC	(1,417,773)	(1,441,875)
Due from AGLC, end of year	<u>\$ 58,144</u>	<u>\$ 59,045</u>

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

6. Accounts Payable

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

7. Net Income from Provincial Lotteries

Net income from Provincial Lotteries received by the AGLC is recorded as revenue of the Lottery Fund.

	2018	2017
Net revenue from Provincial Lotteries	\$ 1,305,429	\$ 1,301,640
Operating expenses	(185,405)	(185,893)
Profit from operations	1,120,024	1,115,747
Other revenue	(1,982)	(1,654)
AGLC's share of income from Western Canada Lottery Corporation	298,830	315,511
Net income from Provincial Lotteries	\$ 1,416,872	\$ 1,429,604

8. Budget

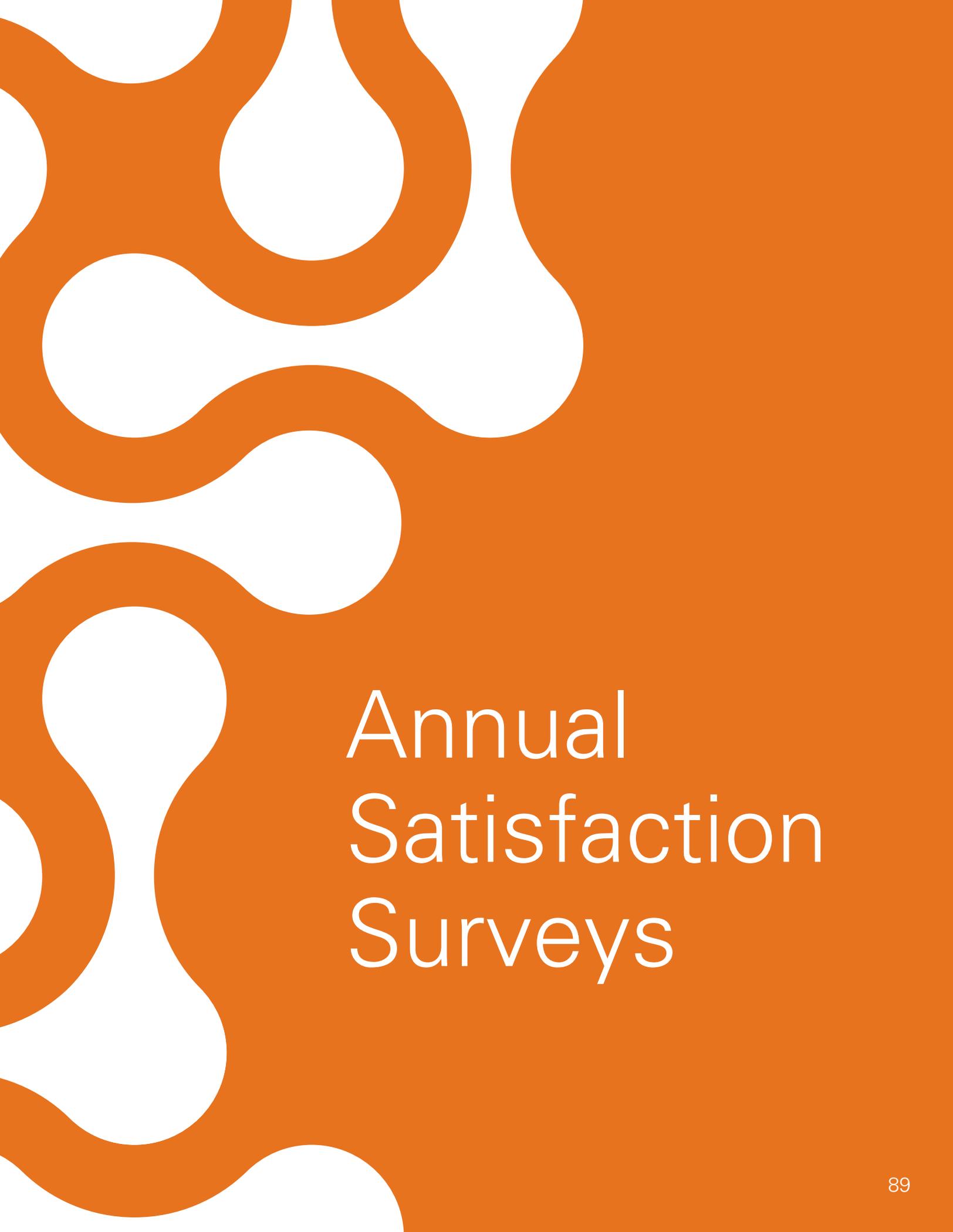
The 2018 budgeted expenditures were authorized in total by the *Appropriation Act, 2017* on May 4, 2017.

9. Comparative Figures

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





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Annual Satisfaction Surveys

AGLC conducts annual stakeholder and public satisfaction surveys to better understand gaming and liquor activities in Alberta, as well as our performance in serving Albertans.

An independent professional survey company is contracted to conduct the surveys on behalf of AGLC. NRG Research Group (NRG) has conducted the surveys for the past three years.

Surveys and Objectives

1. Survey of Albertans	2. Social Responsibility Survey	3. Survey of Gaming Retailers	4. Survey of Liquor Industry Clients	5. Survey of Charitable Gaming Licensees
Objectives				
Track Albertans' level of satisfaction with how the liquor industry is run in Alberta.	Determine the incidence of Albertans who gamble responsibly .	Measure satisfaction with the services provided to Alberta gaming retailers which includes vlt, Casino, and Lottery Ticket Retailers.	Measure satisfaction with the services provided to both Liquor Licensees and Registered Liquor Agencies.	Track satisfaction with the services provided to Charitable Gaming Licensees.
Review Albertans' confidence that AGLC responsibly manages gaming and liquor revenues to deliver benefits to Albertans.	Determine the incidence of Albertans who drink alcohol responsibly .			
Track Albertans' level of satisfaction with how legal gaming is run in Alberta.	Assess Albertans' awareness of social responsibility programs related to drinking and gambling.			
Assess the level of awareness of responsible drinking and gambling programs in Alberta.				
Track the general public perceptions of AGLC.				

Methodology Summary

	1. Survey of Albertans	2. Social Responsibility Survey	3. Survey of Gaming Retailers	4. Survey of Liquor Industry Clients	5. Survey of Charitable Gaming Licensees
Performance Measure	Albertans' confidence that the AGLC responsibly manages gaming and liquor activities	Responsible drinkers Responsible gamblers	Stakeholder Satisfaction	Stakeholder Satisfaction	Stakeholder Satisfaction
Timing (2018)	Feb. 15 - Mar. 10	Feb. 15 - Mar. 18	Feb. 27 - Mar. 23	Feb. 27 - Mar. 23	Feb. 16 - Mar. 23
Sample Size	1,000 ¹	1,100 ¹	1,018	984	2,116
Total Invited	n/a ¹	n/a ¹	3,750	8,690	4,270
% Participated	11%	13%	27%	11%	50%
Method	Random Digit Dialing ² (including cell phone numbers, consisting of Alberta residents)	Random Digit Dialing ² (including cell phone numbers, consisting of Alberta residents)	Online Survey (phone follow up)	Online Survey (phone follow up)	Online Survey (phone follow up)
Margin of error	95% confidence level +/- 3.1%	95% confidence level +/- 3.0%	95% confidence level +/- 3.1%	95% confidence level +/- 2.88%	95% confidence level +/- 1.51%
Analysis	The data were analyzed using Statistical Package for Social Sciences (SPSS) software and WinCross cross-tabulation software				

Limitations

¹ Quotas were put in place to ensure a good distribution across age, gender, and location within the province. The 2018 sample was weighted to match the population distribution based on the most recent census data available from Statistics Canada, established in 2016. Albertans were contacted until quotas were met to achieve a representative sample.

² NRG Research utilized a Random Digit Dialing (RDD) methodology to sample among the population of Alberta for the purpose of this research. Although RDD is considered the most effective way to achieve a sample that is representative of the population, it also has some limitations:

- Due to the sensitivity of the topics covered in the questionnaire, respondents may fall sway of Social Desirability Bias – that is, incidences of responsible gambling and alcohol usage is self-reported, and respondents tend to answer in such a way that makes them look favourable to the interviewer. As such, it is possible that the incidence of alcohol consumption or gambling participation is under-reported. The impact of Social Desirability Bias in survey responses is not measurable.
- While Albertans were contacted in a randomized matter, only those who agreed to participate in the survey are included in the sample. Among those contacted, 11% and 13% took part in the research.

Methodology Details

Responsible Gamblers

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

"Thinking of the last 12 months:

- *Have you bet more than you could really afford to lose?*
- *Still thinking about the last 12 months, have you needed to gamble with larger amounts of money to get the same feeling of excitement?*
- *When you gambled, did you go back another day to try to win back the money you lost?*
- *Have you borrowed money or sold anything to get money to gamble?*
- *Have you felt that you might have a problem with gambling?*
- *Has gambling caused you any health problems, including stress or anxiety?*
- *Have people criticized your betting or told you that you had a gambling problem, regardless of whether or not you thought it was true?*
- *Has your gambling caused any financial problems for you or your household?*
- *Have you felt guilty about the way you gamble or what happens when you gamble?"*

The answers for each question are totalled to provide an overall score. The higher the score the greater the risk that gambling is a problem. Answers were coded on a scale of zero (respondent never engages in a specified behaviour) to three (respondent always engages); the answers for each question were totalled to provide an overall score and respondents were considered to gamble responsibly if they had an overall score of two or less. The calculation includes non-gamblers (respondents who stated that they do not gamble). A methodology change to exclude non-gamblers is planned for 2018-2019.

Responsible Drinkers

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

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

If answered yes:

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

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

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

The calculation includes non-drinkers (respondents who stated that they do not consume alcohol). A methodology change to exclude non-drinkers is planned for 2018-2019.

Stakeholder Satisfaction Index

The Stakeholder Satisfaction Index is calculated by AGLC and is determined using an average of the satisfied/confident responses from a series of questions asked in the three stakeholder surveys (gaming retailers, liquor industry clients, and charitable gaming licensees). The questions are focused on satisfaction related to: response time, knowledge of employees, courtesy of employees, access to information, online services, easy access to services, frequency of contact, training materials, and overall service.

Employee Engagement

This measurement is calculated based on questions in the AGLC Employee Engagement Survey (Note: the most recent results available was the 2016 survey results).

Confidence Score

An overall confidence score is calculated by AGLC - averaging the results of two questions in the Survey of Albertans.



**AGLC is committed to
connecting with Albertans
and stakeholders.**

Connected By Trust

Host First Nations (HFN) Working Group

The HFN working group was established in 2014 to collaborate on issues and opportunities of mutual interest with respect to the continual development and application of the HFN casino policies.

Host First Nations

“Our joint HFN working group is a valuable, progressive and professional ‘venue’ that allows for a dialogue about provincial and federal policy. This ‘venue’ reflects the dedication to understand shared AGLC/First Nation goals and/or challenges, and is respectfully guided by Canada’s Truth and Reconciliation Commission (TRC) and the United Nations Declaration on the Rights of Indigenous Peoples principles and recommendations.

Through ongoing group communications and participation with AGLC our group has built an environment of trust and commitment. This is evident through current practice whereby a round table discussion is held at the conclusion of each meeting; each HFN is invited to share information on any developments, goals and/or challenges. This was not the case when the group was first established and illustrates that a deeper level of trust has been built over time. We believe our working group has evolved from a mindset of two competing sides into a group of people who understand that AGLC and HFN are working together to facilitate timely and effective improvements that help our communities thrive.

Trust has been built through regular visits and tours by AGLC staff, offers to volunteer at community events, and a review of the TRC findings to ensure policy are aligned. Through building relationships and developing a better understanding, AGLC has seen HFN operations and values firsthand. As such, AGLC have been willing to change and adapt policy to meet HFN needs.

Ultimately all members of the group are connected through the shared goal of addressing the needs of the communities we serve.”

~ **Kathleen Alexis**

CEO
Northern Isga Foundation
Alexis Nakota Sioux Nation

~ **George Keller**

Executive Director
Mini Thni Foundation
Stoney Nakota First Nation

~ **Kelly Fehr**

Controller
Dit'onik'odza Limited Partnership
Tsuut'ina Nation

~ **Gail Muskego**

Executive Director
Dene Ts'edi Society
Cold Lake First Nations

~ **Jason B.V. Morin**

President and CEO
Mechet Charities Limited
Enoch Cree Nation

AGLC

“AGLC staff and the members of the HFN working group use a consultative process to work together. This process, combined with a consensus based decision approach, ensures that policies meet the needs of the HFN communities while still ensuring alignment with Alberta’s charitable gaming model. We are proud to have approved and implemented successful updates each year since 2015.

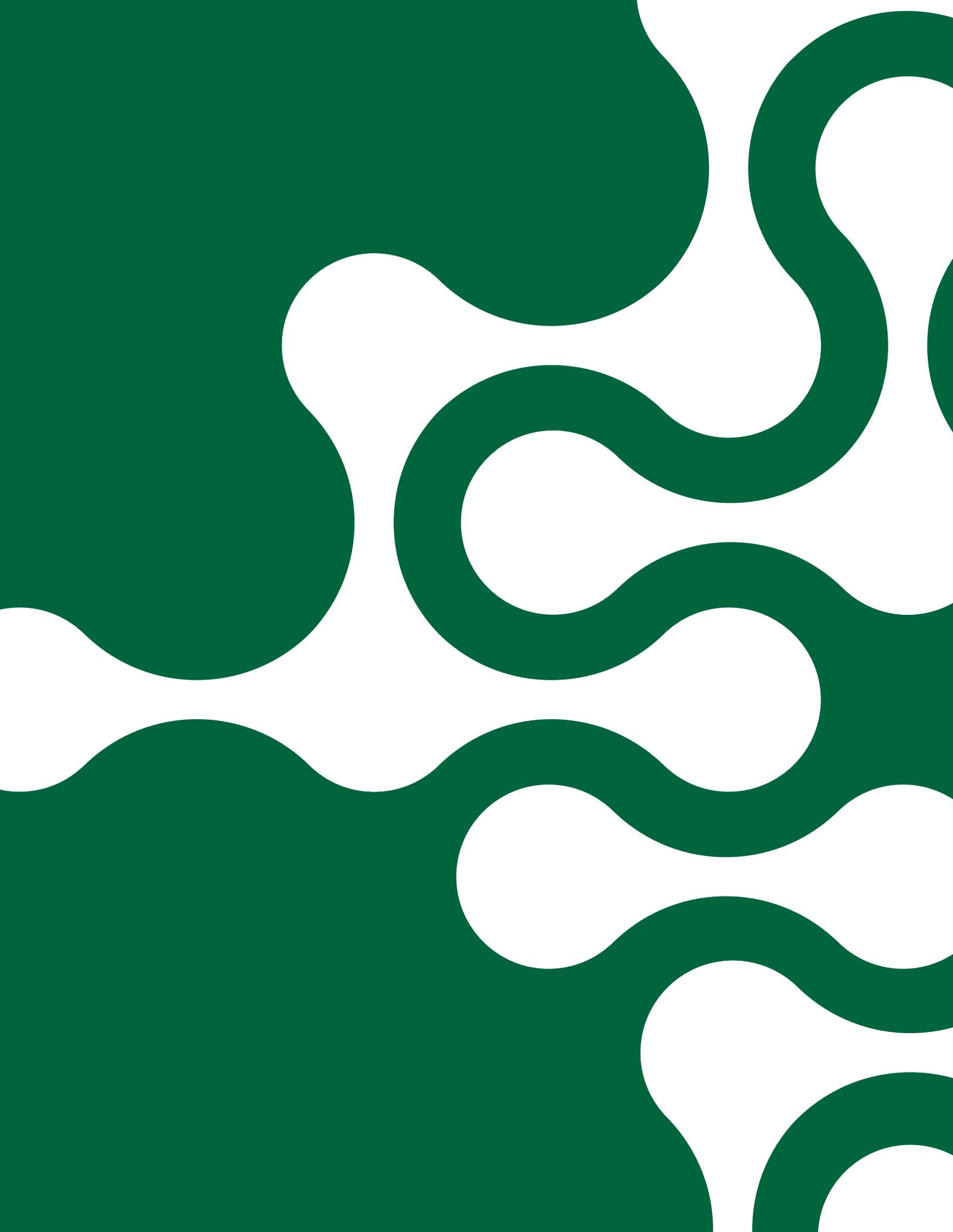
An example of effective change was evident through AGLC’s review of the Truth and Reconciliation Commission of Canada’s Calls to Action to determine if, and how, further policy enhancements could be made. This resulted in the incorporation of Jordan’s Principle to allow for immediate medical/health spending of funds for children.

We also commit to Indigenous Awareness training for AGLC employees and policy information sessions for Chief and Council, as well as HFN charity board members, community members, program managers, and staff. Attending cultural events at each Nation also helped us understand unique priorities within each HFN community.

Through a balance of education, awareness, and respect we have built strong **connections** with HFN communities across Alberta.”

~ **Judy VanDorp**

Manager
First Nation Gaming Liaison



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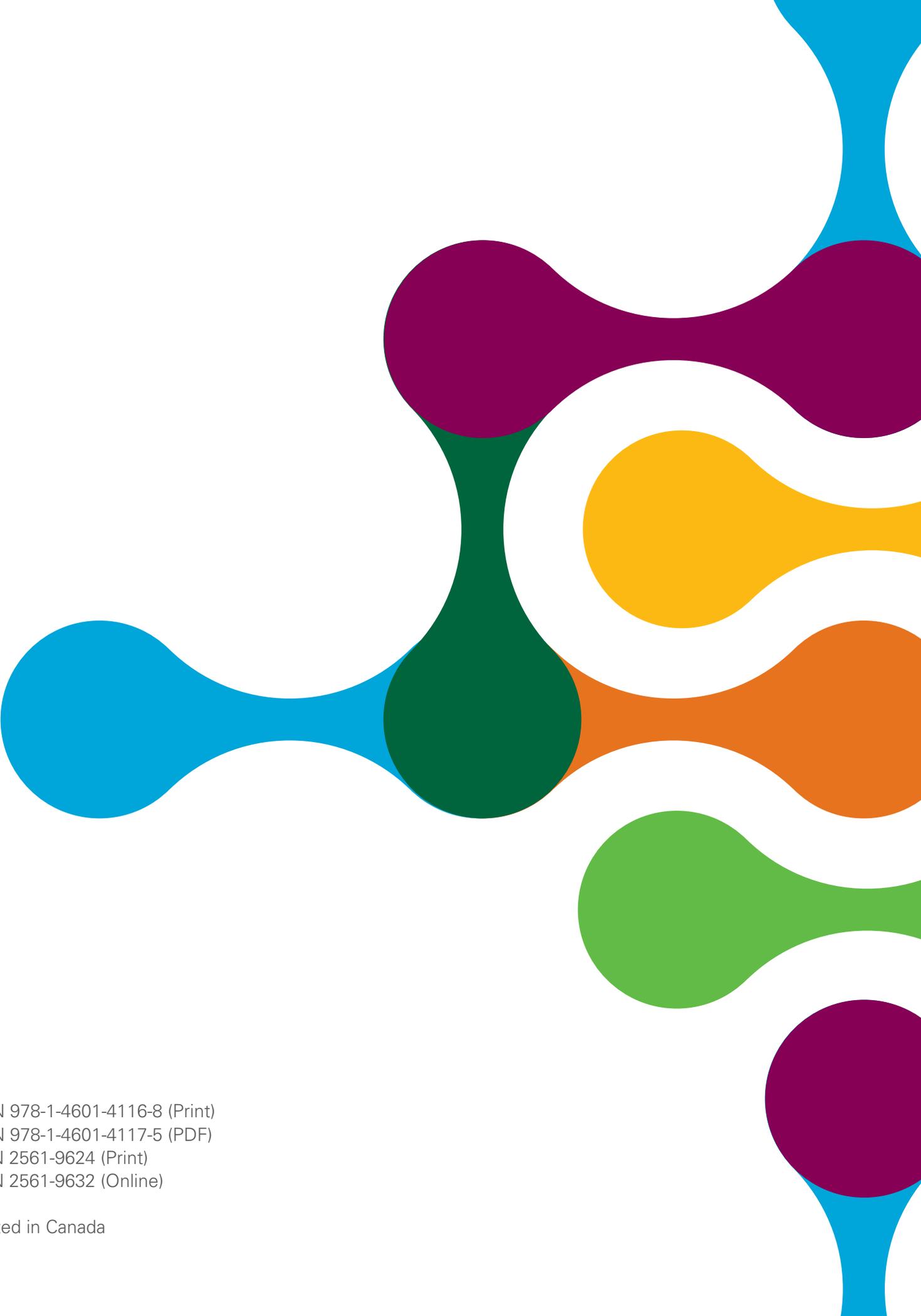


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