

Consolidated Financial Statements  
(Expressed in Canadian dollars)

**Atlantic Lottery Corporation Inc.**

And Independent Auditor's Report thereon

Year ended March 31, 2024

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of  
**Atlantic Lottery Corporation Inc.**

The consolidated financial statements presented in this Annual Report are the responsibility of the management of **Atlantic Lottery Corporation Inc.** They have been approved by its Board of Directors.

Management prepared the consolidated financial statements in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board. The financial information contained in the Annual Report is consistent with the data presented in the consolidated financial statements.

**Atlantic Lottery Corporation Inc.** maintains books of account, systems of information, systems of financial and management control, as well as a comprehensive internal audit program, which provide reasonable assurance that accurate financial information is available, that assets are protected and that resources are managed efficiently.

The Board of Directors oversees external and internal audit activities through its audit committee. The committee reviews matters related to accounting, auditing, internal control systems, the consolidated financial statements and reports of the internal and independent external auditors.



Patrick Daigle, CPA, CA  
President & CEO



Suzanne Young, CPA, CGA  
CFO



**KPMG LLP**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Atlantic Lottery Corporation Inc.

### ***Opinion***

We have audited the consolidated financial statements of Atlantic Lottery Corporation Inc. (the Corporation), which comprise:

- the consolidated statement of financial position as at March 31, 2024
- the consolidated statement of net profit for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in shareholders' equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor's Responsibilities for the Audit of the Financial Statements***” section of our auditor's report.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small red dot at the end of the line.

Chartered Professional Accountants

Moncton, Canada

June 12, 2024

**ATLANTIC LOTTERY CORPORATION INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**YEAR ENDED MARCH 31, 2024**

[In thousands of dollars]


	2024	2023
<b>ASSETS</b>		
<i>Current</i>		
Cash [note 5]	\$ 11,919	\$ 9,412
Restricted prize cash [note 5]	22,663	23,496
Accounts receivable, net of allowance [note 6]	99,927	32,045
Inventories [note 7]	14,387	11,039
Prepaid expenses and deposits	7,123	10,593
	<b>156,019</b>	<b>86,585</b>
Property and equipment, net [note 8]	97,246	84,493
Intangibles, net [note 9]	46,634	51,082
Right-of-use assets [note 10]	3,790	5,652
Other long-term assets [note 16]	411	3,263
Employee future pension benefits [note 17]	103,190	102,783
<i>Non-current assets</i>	<b>251,271</b>	<b>247,273</b>
<b>TOTAL ASSETS</b>	<b>\$ 407,290</b>	<b>\$ 333,858</b>
<b>LIABILITIES</b>		
<i>Current</i>		
Line of credit and short-term financing [note 11]	\$ 24,575	\$ 57,672
Accounts payable and accrued liabilities [note 12]	106,996	38,874
Deferred revenue	1,101	1,285
Liabilities for unclaimed prizes [note 13]	22,663	23,496
Due to shareholders [note 14]	8,262	13,085
Current portion of long-term debt [note 15]	26,178	17,713
Current portion of lease liabilities [note 10]	1,741	2,234
	<b>191,516</b>	<b>154,359</b>
Employee future other post-employment benefits [note 17]	13,799	12,615
Long-term debt [note 15]	77,601	43,368
Provisions [note 18]	414	643
Long-term lease liabilities [note 10]	2,608	4,249
<i>Non-current liabilities</i>	<b>94,422</b>	<b>60,875</b>
<b>Total liabilities</b>	<b>285,938</b>	<b>215,234</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital [note 19]	1	1
Accumulated other comprehensive income	411	3,263
Retained earnings	120,940	115,360
<b>Total Shareholders' equity</b>	<b>121,352</b>	<b>118,624</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 407,290</b>	<b>\$ 333,858</b>

Commitments [note 22]

See accompanying notes to the consolidated financial statements

On behalf of the Board

Director  
*C Sean OConnor*  
C Sean OConnor (Jun 14, 2024 09:22 ADT)

Director  
  
(Jun 13, 2024 14:02 ADT)

**ATLANTIC LOTTERY CORPORATION INC.**  
**CONSOLIDATED STATEMENT OF NET PROFIT**  
**YEAR ENDED MARCH 31, 2024**

[In thousands of dollars]

	2024	2023
<b>Revenue [note 25]</b>	<b>872,680</b>	843,901
<b>Direct expenses</b>		
Commissions	124,980	121,704
Ticket printing	10,478	10,529
Other direct cost	23,720	17,792
	<b>159,178</b>	150,025
<b>Gross profit</b>	<b>713,502</b>	693,876
<b>Expenses</b>		
Operating and administrative	136,420	119,639
Depreciation and amortization [notes 8, 9 and 10]	27,789	25,491
Interest [notes 10, 11 and 15]	5,040	2,798
	<b>169,249</b>	147,928
<b>Profit before the following</b>	<b>544,253</b>	545,948
Other income	(2,416)	(365)
Indirect taxes [note 20]	54,342	48,912
Payments to the Government of Canada [note 21]	5,299	5,152
	<b>57,225</b>	53,699
<b>Net profit</b>	<b>\$ 487,028</b>	\$ 492,249

*See accompanying notes to the consolidated financial statements*

**ATLANTIC LOTTERY CORPORATION INC.**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED MARCH 31, 2024**  
[In thousands of dollars]

	2024	2023
<b>Net profit</b>	<b>\$ 487,028</b>	<b>\$ 492,249</b>
<b>Other comprehensive income</b>		
Mark-to-market gains on derivative instruments designated and qualifying as cash flow hedges		
Change in fair value [note 16]	<b>(2,852)</b>	1,009
Employee future benefits		
Change in actuarial assumptions [note 17]	<b>5,559</b>	(8,989)
<b>Other comprehensive income</b>	<b>2,707</b>	<b>(7,980)</b>
<b>Comprehensive income</b>	<b>\$ 489,735</b>	<b>\$ 484,269</b>

*See accompanying notes to the consolidated financial statements*



**ATLANTIC LOTTERY CORPORATION INC.**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**YEAR ENDED MARCH 31, 2024**

[In thousands of dollars]

						2024
	Share capital	Accumulated other comprehensive income (loss)	Retained earnings	Total shareholders' equity		
Balance, beginning of year	\$ 1	\$ 3,263	\$ 115,360	\$ 118,624		
Net profit	-	-	487,028	487,028		
Other comprehensive income	-	(2,852)	5,559	2,707		
Comprehensive income	-	(2,852)	492,587	489,735		
Distribution of profit to shareholders [note 14]						
New Brunswick Lotteries and Gaming Corporation	-	-	(151,206)	(151,206)		
Province of Newfoundland and Labrador	-	-	(147,302)	(147,302)		
Nova Scotia Gaming Corporation	-	-	(161,654)	(161,654)		
Prince Edward Island Lotteries Commission	-	-	(26,845)	(26,845)		
Total profit allocated to shareholders	-	-	(487,007)	(487,007)		
Balance, end of year	\$ 1	\$ 411	\$ 120,940	\$ 121,352		

						2023
	Share capital	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity		
Balance, beginning of year	\$ 1	\$ 2,254	\$ 124,332	\$ 126,587		
Net profit	-	-	492,249	492,249		
Other comprehensive income	-	1,009	(8,989)	(7,980)		
Comprehensive income	-	1,009	483,260	484,269		
Distribution of profit to shareholders [note 14]						
New Brunswick Lotteries and Gaming Corporation	-	-	(153,891)	(153,891)		
Province of Newfoundland and Labrador	-	-	(148,576)	(148,576)		
Nova Scotia Gaming Corporation	-	-	(160,461)	(160,461)		
Prince Edward Island Lotteries Commission	-	-	(29,304)	(29,304)		
Total profit allocated to shareholders	-	-	(492,232)	(492,232)		
Balance, end of year	\$ 1	\$ 3,263	\$ 115,360	\$ 118,624		

*See accompanying notes to the consolidated financial statements*

**ATLANTIC LOTTERY CORPORATION INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2024**

[In thousands of dollars]

	2024	2023
<b>Cash provided by (used in)</b>		
<b><i>Operating activities</i></b>		
Net profit	\$ 487,028	\$ 492,249
Add (deduct) non-cash items and restricted prize cash:		
Restricted prize cash	833	849
Depreciation and amortization [notes 8, 9 and 10]	27,789	25,491
(Gain) loss on disposal of property and equipment	609	(97)
Loss on disposal of intangibles	183	686
Interest expense (notes 10, 11 and 15)	5,040	2,798
Employee future pension and post-employment benefits	6,336	(2,726)
Provisions	(229)	55
	<b>527,589</b>	<b>519,305</b>
Net change in non-cash components of working capital [note 23]	(655)	(14,292)
	<b>526,934</b>	<b>505,013</b>
<b><i>Investing activities</i></b>		
Purchase of property and equipment	(29,130)	(44,095)
Purchase of intangible assets	(5,938)	(3,982)
Proceeds on disposal of property and equipment	-	348
	<b>(35,068)</b>	<b>(47,729)</b>
<b><i>Financing activities</i></b>		
Interest paid on long-term debt and line of credit and short-term financing (notes 11 and 15)	(4,851)	(2,560)
Increase (decrease) in line of credit and short-term financing	(33,097)	57,672
Proceeds of long-term debt	65,000	-
Repayment of long-term debt	(22,302)	(17,440)
Repayment of lease liabilities (note 10)	(2,279)	(2,257)
	<b>2,471</b>	<b>35,415</b>
Distribution to shareholders	(491,830)	(498,880)
Increase (decrease) in cash	<b>2,507</b>	<b>(6,181)</b>
Cash, beginning of year	<b>9,412</b>	<b>15,593</b>
<b>Cash, end of year</b>	<b>\$ 11,919</b>	<b>\$ 9,412</b>

*See accompanying notes to the consolidated financial statements*

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2024

[thousands of dollars]

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### **1. NATURE OF OPERATIONS**

Atlantic Lottery Corporation Inc. [the “Corporation”] was incorporated under the *Canada Business Corporations Act* on September 3, 1976. The Corporation’s shareholders are the New Brunswick Lotteries and Gaming Corporation, Province of Newfoundland and Labrador, Nova Scotia Gaming Corporation [“NSGC”], and Prince Edward Island Lotteries Commission. The registered office of the Corporation is located at 922 Main Street in Moncton, New Brunswick, Canada.

The profit of the Corporation is distributed twice monthly to each of the shareholders. The distribution to each province consists of the calculated profit in each province as determined by the Amended and Restated Unanimous Shareholders’ Agreement.

The Corporation has been appointed to undertake, conduct and manage lotteries by and on behalf of the provinces of New Brunswick, Newfoundland and Labrador and Prince Edward Island. The Corporation has been appointed to operate lotteries in the province of Nova Scotia by the NSGC.

In 2000, The Corporation entered into a formal operating agent agreement [the “Agreement”] with NSGC that requires the Corporation to obtain the prior approval of NSGC before making certain changes related to lottery schemes in Nova Scotia. The Agreement provides that all assets acquired by the Corporation exclusively for the operation of lotteries in Nova Scotia are held by the Corporation in trust for and on behalf of NSGC, and that all liabilities incurred to acquire those assets are also the liabilities of NSGC. In the case of the Agreement being cancelled, the Corporation has a 24-month period to transfer all assets and liabilities related to the lottery schemes in Nova Scotia to NSGC. However, these assets and liabilities related to the Nova Scotia lottery activities are included on the Corporation’s consolidated statement of financial position, because NSGC does not have the intent to cancel the Agreement and, therefore, the Corporation’s expectation is that the economic benefit of all the acquired assets will stay with the Corporation over their entire useful lives.

The Corporation has conduct and manage agent agreements with the provinces of New Brunswick, Newfoundland and Labrador and Prince Edward Island, which include similar provisions. Also, these provinces currently do not have the intent to cancel the Agreements and therefore all assets and liabilities related to the lottery operations in these provinces are also recorded with the same assumption in the Corporation’s consolidated financial statements.

The Articles of Incorporation restrict the number of shareholders to four and any invitations to the public to subscribe for securities of the Corporation are prohibited. Because of these restrictions, the Corporation manages capital through working capital and debt to ensure sufficient liquidity to manage current and future operations. The acquisition of long-term debt requires the approval of the Corporation’s Board of Directors and NSGC.

The Corporation is also restricted under the *Gaming Control Acts* of each province for the management of prize funds. The Corporation is required to maintain cash on hand equivalent to the amount of prize liabilities outstanding.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

### 2. BASIS OF PRESENTATION

#### Statement of Compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board and were authorized for issue by the Board of Directors on June 12, 2024.

#### Basis of measurement

These consolidated financial statements were prepared on a going concern basis, under the historical cost basis, except for derivative financial instruments and employee future pension benefit assets. Derivative financial instruments are measured at fair value and employee future pension benefit asset is measured at the fair value of the plan assets less the present value of the defined benefit obligation as described below.

#### Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the Corporation’s functional currency. All dollar values are rounded to the nearest thousandth dollar [\$’000], except for per share amounts.

#### Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary, Atlantic Gaming Equipment Limited. The financial statements of the subsidiary are prepared for the same reporting period as the consolidated financial statements of the Corporation, using consistent accounting policies.

The subsidiary is fully consolidated from the date of acquisition, being the date at which the Corporation obtains control, and continue to be consolidated until the date that such control ceases.

All inter-Corporation balances, transactions, income and expenses, and profits and losses, including dividends resulting from inter-Corporation transactions, are eliminated in full.

#### Changes in accounting policies and disclosures

The Corporation has applied amendments to IAS 1 – *Disclosure of Accounting Policies* which is effective January 1, 2023. The amendments require the Corporation to disclose its material accounting policies, rather than its significant accounting policies. This change did not result in any additional accounting policies being disclosed.

#### Comparative Information

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year. The Corporation has reclassified certain cash flows related to its distribution to shareholders and restricted prize cash. Previously, the amounts due to shareholders were classified under operating activities and restricted prize cash was included in the ending balance of cash and restricted prize cash. The reclassification was made to provide more accurate and relevant information about the cash flow effects of operations and distributions to shareholders.

The amounts reclassified for the year ended March 31, 2023 are as follows:

Cash flows from operating activities increased by \$7,497.

Cash flows from distributions to shareholders increased by \$6,648.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

#### Cash and restricted prize cash

Cash and restricted prize cash in the consolidated statement of financial position comprise cash at banks and on hand.

For the purpose of the consolidated statement of cash flows, cash and restricted prize cash consist of cash, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Corporation's cash management.

Pursuant to provincial regulations, the Corporation maintains restricted cash accounts in an amount equivalent to current game liabilities. Withdrawals from these accounts are restricted to payment of prizes [note 13].

Funds held for alc.ca wallets represent funds provided to the Corporation through player wallets on alc.ca. These amounts are deposited into a separate bank account and are internally restricted by the Corporation exclusively for funding the alc.ca wallet liability.

#### Inventories

Inventories consists of lottery tickets [Scratch'N Win and Breakopen], food and beverage consumables, and restaurant and merchandise supplies. Inventories are valued at the lower of cost, determined on an average cost basis, and net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for as purchase costs on an average cost basis.

#### Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the assets. Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repair and maintenance expenses are charged to the consolidated statement of net profit as incurred. Borrowing costs, internal salaries and travel costs related to the acquisition, construction or production of qualifying assets, are capitalized.

Land and assets not ready for use are not depreciated. Depreciation on other assets is charged to the consolidated statement of net profit based on cost, less estimated residual value, on a straight-line basis over the estimated useful lives of the assets. The Corporation is using the following useful lives for the different asset categories:

Asset	Useful life
Building	5 to 50 years
Automotive	2 to 10 years
Operational and gaming equipment	3 to 24 years
Leasehold improvements	lesser of the lease term and useful life

If the costs of a certain component of property and equipment are significant in relation to the total cost of the item, these costs are accounted for and depreciated separately.

The assets' residual values, useful lives and methods of depreciation are reviewed annually, and adjusted prospectively, if appropriate.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

## 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES [Continued]

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset [calculated as the difference between the net disposal proceeds and the carrying amount of the asset] is included in the consolidated statement of net profit in the year the asset is derecognized.

Pre-opening costs are expensed to the consolidated statement of net profit as incurred.

**Intangibles****Intangible assets acquired separately**

Acquired intangible assets are primarily software, patents and licenses on technologies. Intangible assets acquired separately are carried at cost less accumulated amortization and/or impairment losses. Amortization is charged to the consolidated statement of net profit on a straight-line basis over their estimated useful lives as follows:

<b>Asset</b>	<b>Useful life</b>
Software licenses	3 to 15 years
Computer software	3 to 15 years
Gaming software	3 to 7 years

The Corporation only has intangible assets acquired with a finite useful life. The estimated useful lives and amortization methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of net profit in the expense category consistent with the function of the intangible asset. Intangible assets not ready for use are not amortized.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of net profit when the asset is derecognized.

**Internally generated intangible assets - research and development expenditures**

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Development costs relating primarily to the development of new gaming or lottery software or internet websites used for purposes of selling the Corporation's services are recognized as an intangible asset when the Corporation can demonstrate that the following conditions required by IAS 38, *Intangible Assets* ["IAS 38"] are met:

- the asset is identifiable and will generate expected future economic benefits; and
- the cost can be determined reliably.

The amount initially recognized for internally generated intangible assets is the sum of the acquisition and manufacturing costs that can be directly attributed to the development process as well as a reasonable portion of the development-related fixed costs. If the internally generated intangible asset does not meet the conditions of IAS 38, the development expenditure is recognized in profit or loss in the period during which it was incurred. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and/or accumulated impairment losses. Amortization of the asset begins when the development is complete, and the asset is available for use. It is amortized over the period of expected future benefit on a straight-line basis. The current useful lives applied are as follows:

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

## 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES [Continued]

Asset	Useful life
Software licenses	3 to 15 years
Computer software	3 to 15 years
Gaming software	3 to 7 years

During the period of development, the intangible asset is tested for impairment annually.

**Leases**

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation uses the definition of a lease in IFRS 16.

**Corporation acting as a lessee**

At commencement or on modification of a contract that contains a lease component, the Corporation allocates consideration in the contract to each lease component on the basis of its relative standalone price.

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to retail or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term of 2-10 years. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- the exercise price under a purchase option that the Corporation is reasonably certain to exercise, lease payments in an optional renewal period if the Corporation is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Corporation is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES [Continued]

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

#### *Short-term leases and leases of low-value assets*

The Corporation has elected not to recognize right-of-use assets and lease liabilities for software leases and leases of low-value assets and short-term leases ( $\leq 12$  months). The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **Provisions**

Provisions are recognized when the Corporation has a present obligation [legal or constructive] as a result of a past event, and the costs to settle the obligation are both probable and able to be reliably measured. Where the Corporation expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of net profit net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. The Corporation has recorded provisions for sick leave and asset decommissioning.

#### **Pensions and other post-employment benefits**

The Corporation participates in a multi-employer defined benefit contributory pension plan. The Corporation also provides certain post-employment healthcare benefits, life insurance and ad hoc supplementary pensions.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Actuarial gains and losses are recognized as income or expense in other comprehensive income (loss) immediately in the period when they occur.

The past service costs are recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognized immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation using a discount rate based on high quality corporate bonds, as explained in note 17 less past service costs and [for the pension obligation] less the fair value of plan assets, out of which the obligations are to be settled. Plan assets are not available to the creditors of the Corporation, nor can they be paid directly to the Corporation. Fair value is based on market price information and, in the case of quoted securities, is the published bid price. The value of any defined benefit asset recognized is restricted to the sum of any past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES [Continued]

#### Financial instruments

##### Initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### i) Financial assets

##### Initial recognition and measurement

The Corporation at initial recognition designates its financial assets as subsequently measured at amortized cost, fair value through other comprehensive income [OCI], and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Corporation's business model for managing them. The Corporation initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Corporation has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest [SPPI]' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Corporation's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Corporation's financial assets, which are measured at amortized cost, include cash, restricted prize cash and accounts receivable.

##### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost;
- Financial assets at fair value through OCI with recycling of cumulative gains and losses;
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition; and
- Financial assets at fair value through profit or loss.

##### Financial assets at amortized cost

The Corporation measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest [EIR] method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES [Continued]

#### Financial assets at fair value through OCI

The Corporation has not designated any financial assets upon initial recognition as at fair value through OCI.

#### Financial assets at fair value through profit or loss

The corporation has not designated any financial assets upon initial recognition as at fair value through profit and loss.

#### Derecognition

A financial asset [or, where applicable, a part of a financial asset or part of a group of similar financial assets] is derecognized when the rights to receive cash flows from the asset have expired or the Corporation has transferred its rights to receive cash flows from the asset.

When the Corporation has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Corporation continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Corporation also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Corporation has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Corporation could be required to repay.

#### Impairment of financial assets

The Corporation recognizes an allowance for expected credit losses ["ECLs"] for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months [a 12-month ECL]. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default [a lifetime ECL].

For trade receivables and contract assets, the Corporation applies a simplified approach in calculating ECLs. Therefore, the Corporation does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Corporation has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Corporation applies the low credit risk simplification. At every reporting date, the Corporation evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Corporation reassesses the internal credit rating of the debt instrument.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES [Continued]

#### ii) Financial liabilities

##### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Corporation's financial liabilities include line of credit and short-term financing, accounts payable and accrued liabilities, liabilities for unclaimed prizes, due to shareholders, debt, lease liabilities and other long-term liabilities, including derivative instruments.

##### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

##### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Corporation that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of net profit.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

##### Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of net profit.

##### Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of net profit.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES [Continued]

#### iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

#### Derivative financial instruments and hedge accounting

##### Initial recognition and subsequent measurement

The Corporation uses derivative financial instruments, such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; and
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Corporation formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Corporation will assess whether the hedging relationship meets the hedge effectiveness requirements [including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined]. A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Corporation actually hedges and the quantity of the hedging instrument that the Corporation actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

##### Fair value hedges

The change in the fair value of a hedging instrument is recognized in the statement of net profit as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statement of net profit as other expense.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2024

[thousands of dollars]

### **3. SUMMARY OF MATERIAL ACCOUNTING POLICIES [Continued]**

If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss.

#### **Cash flow hedges**

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of net profit. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a nonfinancial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, free tickets and pari-mutuel commissions.

In transactions in which the Corporation administers a game amongst players ("Administered Games"), the Corporation recognizes the portion of the wagers retained, and not distributed as prizes, as revenue from operating the game.

In transactions in which the Corporation and players are wagering against a specific outcome of an event ("Wagered Games"), the Corporation is exposed to gains or losses, which are recognized in revenue.

The Corporation's revenue is generated from major product lines as follows:

#### **Lottery games and sports betting**

Lottery revenue and the corresponding direct expenses are recognized on the draw date. Receipt for lottery tickets sold on, or before March 31 for draws held subsequent to that date, are recorded as deferred revenue. Prize expense for draw-based games is recorded based on the actual prize liability experienced for each game at the time of the draw. All obligations for prizes from these drawings are recorded as liabilities for unclaimed prizes on the consolidated statement of financial position.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2024

[thousands of dollars]

### **3. SUMMARY OF MATERIAL ACCOUNTING POLICIES [Continued]**

Revenue from sports betting, generated through contracted lottery retailers and online is recognized in the period in which the bets settle. Receipts for bets that are received before March 31 for events that occur after that date are recorded as deferred revenue and as a financial liability for the portion to be paid as prizes.

Revenue from instant ticket games and the corresponding direct expenses are recognized at the time of activation, which determines the transfer of legal ownership to the retailer. Instant ticket prizes are recognized as a percentage of ticket sales in line with the theoretical prize payout for that game.

In addition to cash prizes, the Corporation also awards free tickets on both lottery and instant tickets. The value ascribed to these prizes is equal to the sale price.

#### **Video lottery**

Revenue from video lottery and the corresponding direct expenses are recognized at the time of play and are recorded net of credits paid out.

#### **Entertainment centre**

Entertainment centre revenue includes receipts from electronic gaming devices, recorded net of credits paid out at the time of play, table games recorded net of payouts at the time of play, racing events, and restaurant sales.

#### **iGames**

Revenue from interactive games and the corresponding direct expense are recognized at the time of play.

#### **Interest income and expense**

For all financial instruments measured at amortized cost, interest income or expense is recorded using the EIR method, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

#### **Sales tax**

As a prescribed registrant, the Corporation makes GST/HST remittances to the Federal Government pursuant to the Games of Chance Regulations of the *Excise Tax Act*. The Corporation's net tax for a reporting period is calculated using net tax attributable to both gaming and non-gaming activities. The net tax attributable to gaming activities results in a tax burden of two times the GST/HST rate on most taxable gaming expenditures incurred by the Corporation [note 20]. HST is paid in New Brunswick, Newfoundland and Labrador, Nova Scotia, and Prince Edward Island at their respective HST rates.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

#### **Income taxes**

The Corporation is owned by the four Atlantic Provincial Governments and is exempt from income taxes.

#### **Payments to the Government of Canada**

Under federal/provincial agreements, the Government of Canada agreed to withdraw from the sale of lottery tickets and to refrain from re-entering the field of gaming and betting. In consideration, all provinces and territories of Canada pay \$24,000 annually, in 1979 dollars, adjusted by the consumer price index each year [note 21].

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2024

[thousands of dollars]

### **3. SUMMARY OF MATERIAL ACCOUNTING POLICIES [Continued]**

#### **Accounting Standards issued but not yet effective**

On April 9, 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. IFRS 18 replaces IAS 1 Presentation of Financial Statements. It carries forward many requirements from IAS 1 unchanged. IFRS 18 applies for annual reporting periods beginning on or after January 1, 2027. Earlier application is permitted.

It is not yet known whether the new pronouncement will have a significant impact.

### **4. SIGNIFICANT JUDGEMENT AND ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The preparation of the Corporation's consolidated financial statements requires management to make judgements and estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated statement of financial position are included in the following notes:

Right-of-use assets and lease liabilities - Note 3 and 10

Development costs – described below

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 recognized in the consolidated financial statements of the Corporation are discussed below.

#### **Determination of useful lives for tangible and intangible assets**

The Corporation has based the determination of the useful lives for its tangible and intangible assets on a detailed review of all empirical data for the different asset classes and also used the knowledge of the appropriate operations people to conclude on the useful lives. Furthermore, the Corporation at least annually updates if the current applied useful lives are still valid for the different asset classes. Any external or internal changes in the Corporation's environment may result in an impact on the expectation of the useful lives of certain assets and hence a triggering event to reconsider the expectation of the useful lives.

#### **Impairment of financial assets**

Impairment exists when the enterprise value of an asset exceeds its fair market value. Fair market value can be measured via recent market transactions or discounted cash flow model. The cash flows are derived from the budget for the next five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

### 4. SIGNIFICANT JUDGEMENT AND ACCOUNTING ESTIMATES AND ASSUMPTIONS [Continued]

#### Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

#### Employee future benefits

The cost of defined benefit pension plans and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates, the return on the investment in the plan assets and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details about the assumptions used are given in note 17.

#### Development costs

Development costs are capitalized in accordance with the accounting policy in note 3 "Intangibles". Initial capitalization of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefit.

Capitalized development costs are primarily for the customization, implementation and testing of new gaming software solutions and of web sites offering information about games to the Corporation's customers, but also to place an order on the web site resulting in revenue for the Corporation. During the development of these new gaming software solutions and the revenue orientated web sites, there is some uncertainty if these tools will be finally accepted by the market and will generate sufficient revenue. However, based on the Corporation's market research and review of other markets where these or similar solutions were already implemented, the Corporation's management is confident that the capitalized development costs will result in sufficient future benefits to cover the capitalized costs.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

## 5. CASH AND RESTRICTED PRIZE CASH

Cash is represented by cash on hand and bank balances, less outstanding cheques.

	2024	2023
Cash	\$ 6,490	\$ 5,426
Funds held for player accounts	5,429	3,986
Total cash	11,919	9,412
Restricted prize cash	22,663	23,496
Total cash and restricted prize cash	\$ 34,582	\$ 32,908

Funds held for player accounts represent funds provided to the Corporation through player accounts on alc.ca. These amounts are deposited into a separate bank account and are internally restricted by the Corporation exclusively for funding the player accounts liability. A corresponding player accounts liability in the amount of \$5,429 (2023 - \$3,986) is included in accounts payable and accrued liabilities (note 12).

## 6. ACCOUNTS RECEIVABLE

	2024	2023
Lottery retailers	\$ 28,123	\$ 24,887
Taxes receivable	1,200	5,537
Receivable from (to) the Interprovincial Lottery Corporation	68,073	(736)
Other	2,531	2,357
Total accounts receivable	\$ 99,927	\$ 32,045

Lottery retailers' receivables are collected on a weekly basis. During the year ended March 31, 2024, the Corporation had a bad debt expense of \$89 [2023 - \$nil] related to lottery retailer receivables. Included in the receivable is an allowance of \$nil [2023 - \$116].

## 7. INVENTORIES

	2024	2023
Ticket stock	\$ 14,303	\$ 10,932
Food and beverage	63	78
Restaurant and merchandise	21	29
Total inventories	\$ 14,387	\$ 11,039

During the year, the Corporation recorded inventory write-offs in the amount of \$376 [2023 - \$717].

# Atlantic Lottery Corporation Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

### 8. PROPERTY AND EQUIPMENT

		Land	Building	Automotive	Operational and gaming equipment	Leasehold improvements	Not ready for use	Total
Cost:								
<b>As at March 31, 2022</b>	\$	1,707	\$ 20,910	\$ 2,002	\$ 176,703	\$ 8,658	\$ 4,977	\$ 214,957
Additions		-	18	1,069	1,170	161	41,677	44,095
Transfers		-	191	39	39,866	131	(40,227)	-
Disposals		-	(83)	(454)	(15,164)	(17)	-	(15,718)
<b>As at March 31, 2023</b>	\$	1,707	\$ 21,036	\$ 2,656	\$ 202,575	\$ 8,933	\$ 6,427	\$ 243,334
<b>Additions</b>		-	<b>192</b>	<b>353</b>	<b>936</b>	<b>20</b>	<b>27,629</b>	<b>29,130</b>
<b>Transfers</b>		-	<b>917</b>	-	<b>9,496</b>	<b>299</b>	<b>(10,712)</b>	-
<b>Disposals</b>		-	<b>(354)</b>	<b>(220)</b>	<b>(21,956)</b>	<b>(454)</b>	-	<b>(22,984)</b>
<b>As at March 31, 2024</b>	\$	<b>1,707</b>	\$ <b>21,791</b>	\$ <b>2,789</b>	\$ <b>191,051</b>	\$ <b>8,798</b>	\$ <b>23,344</b>	\$ <b>249,480</b>
Accumulated depreciation:								
<b>As at March 31, 2022</b>	\$	-	\$ 11,899	\$ 1,199	\$ 140,381	\$ 7,681	\$ -	\$ 161,160
Depreciation for the year		-	559	337	11,805	447	-	13,148
Disposals		-	(83)	(366)	(15,001)	(17)	-	(15,467)
<b>As at March 31, 2023</b>	\$	-	\$ 12,375	\$ 1,170	\$ 137,185	\$ 8,111	\$ -	\$ 158,841
<b>Depreciation for the year</b>		-	<b>592</b>	<b>353</b>	<b>14,430</b>	<b>393</b>	-	<b>15,768</b>
<b>Disposals</b>		-	<b>(241)</b>	<b>(168)</b>	<b>(21,512)</b>	<b>(454)</b>	-	<b>(22,375)</b>
<b>As at March 31, 2024</b>	\$	-	\$ <b>12,726</b>	\$ <b>1,355</b>	\$ <b>130,103</b>	\$ <b>8,050</b>	\$ -	\$ <b>152,234</b>
Net book value:								
<b>As at March 31, 2024</b>	\$	<b>1,707</b>	\$ <b>9,065</b>	\$ <b>1,434</b>	\$ <b>60,948</b>	\$ <b>748</b>	\$ <b>23,344</b>	\$ <b>97,246</b>
As at March 31, 2023	\$	1,707	\$ 8,661	\$ 1,486	\$ 65,390	\$ 822	\$ 6,427	\$ 84,493

The above includes internal costs related to deployment of assets of \$129 [2023 - \$79].

As at March 31, 2024, assets classified as not ready for use included lottery retail network terminals \$12,517 [2023 - \$nil]; video lottery terminals \$5,315 [2023 - \$1,382]; computer hardware equipment \$2,379 [2023 - \$2,679]; Red Shores renovation \$2,222 [2023 - \$nil]; retail equipment \$499 [2023 - \$60]; self serve terminals \$251 [2023 - \$1,597]; other projects \$161 [2023 - \$104]; and building and leasehold improvement \$nil [2023 - \$605].

# Atlantic Lottery Corporation Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

### 9. INTANGIBLES

	Software licenses	Computer software	Gaming software	Not ready for use	Total
Cost:					
<b>As at March 31, 2022</b>	\$ 96,018	\$ 3,813	\$ 26,879	\$ 6,400	\$ 133,110
Additions	-	-	340	3,642	3,982
Transfers	6,913	-	790	(7,703)	-
Disposals	(1,640)	(785)	(1,710)	-	(4,135)
<b>As at March 31, 2023</b>	\$ 101,291	\$ 3,028	\$ 26,299	\$ 2,339	\$ 132,957
<b>Additions</b>	-	-	-	<b>5,938</b>	<b>5,938</b>
<b>Transfers</b>	<b>1,567</b>	<b>809</b>	<b>2,784</b>	<b>(5,160)</b>	-
<b>Disposals</b>	<b>(965)</b>	-	<b>(3,982)</b>	-	<b>(4,947)</b>
<b>As at March 31, 2024</b>	<b>\$ 101,893</b>	<b>\$ 3,837</b>	<b>\$ 25,101</b>	<b>\$ 3,117</b>	<b>\$ 133,948</b>
Accumulated Amortization:					
<b>As at March 31, 2022</b>	\$ 51,265	\$ 1,580	\$ 22,063	\$ -	\$ 74,908
Amortization	8,209	541	1,666	-	10,416
Disposals	(954)	(787)	(1,708)	-	(3,449)
<b>As at March 31, 2023</b>	\$ 58,520	\$ 1,334	\$ 22,021	\$ -	\$ 81,875
<b>Amortization</b>	<b>7,951</b>	<b>516</b>	<b>1,736</b>	-	<b>10,203</b>
<b>Disposals</b>	<b>(795)</b>	-	<b>(3,969)</b>	-	<b>(4,764)</b>
<b>As at March 31, 2024</b>	<b>\$ 65,676</b>	<b>\$ 1,850</b>	<b>\$ 19,788</b>	<b>\$ -</b>	<b>\$ 87,314</b>
Net book value:					
<b>As at March 31, 2024</b>	<b>\$ 36,217</b>	<b>\$ 1,987</b>	<b>\$ 5,313</b>	<b>\$ 3,117</b>	<b>\$ 46,634</b>
As at March 31, 2023	\$ 42,771	\$ 1,694	\$ 4,278	\$ 2,339	\$ 51,082

The above includes internally developed additions of \$1,467 [2023 - \$849].

The Corporation capitalizes internal salary and travel expenditures related to implementation and testing of new gaming software solutions and internet websites for the sale of new customer products.

During the year, the Corporation carried out a review of the recoverable amount of assets and there were \$nil [2023 - \$686] of impairments identified.

As at March 31, 2024, assets classified as not ready for use included video lottery game software \$1,277 [2023 - \$1,088]; operational software upgrade \$648 [2023 - \$nil]; enhanced verification project \$519 [2023 - \$nil]; other projects \$673 [2023 - \$563]; scan to deposit \$nil [2023 - \$415]; and optimus project \$nil [2023 - \$273].

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

## 10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Corporation leases several retail and office premises. The leases typically run for periods between 2 and 10 years, with an option to renew the lease after that date

The following table presents the right-of-use assets for the Corporation:

	Leased Offices	Leased Properties	Gaming Center	Total
Cost:				
<b>As at March 31, 2022</b>	\$14,460	\$1,927	\$3,943	\$20,330
Additions	42	574	-	616
Derecognition	(444)	(868)	-	(1,312)
<b>As at March 31, 2023</b>	\$14,058	\$1,633	\$3,943	\$19,634
<b>Additions</b>	-	<b>54</b>	-	<b>54</b>
<b>Derecognition</b>	-	<b>(343)</b>	-	<b>(343)</b>
<b>Remeasurement</b>	<b>(98)</b>	-	-	<b>(98)</b>
<b>As at March 31, 2024</b>	<b>\$13,960</b>	<b>\$1,344</b>	<b>\$3,943</b>	<b>\$19,247</b>
Accumulated amortization:				
<b>As at March 31, 2022</b>	\$8,722	\$1,315	\$3,330	\$13,367
Amortization	1,263	401	263	1,927
Derecognition	(444)	(868)	-	(1,312)
<b>As at March 31, 2023</b>	\$9,541	\$848	\$3,593	\$13,982
<b>Amortization</b>	<b>1,122</b>	<b>433</b>	<b>263</b>	<b>1,818</b>
<b>Derecognition</b>	-	<b>(343)</b>	-	<b>(343)</b>
<b>As at March 31, 2024</b>	<b>\$10,663</b>	<b>\$938</b>	<b>\$3,856</b>	<b>\$15,457</b>
Net book value:				
<b>As at March 31, 2024</b>	<b>\$3,297</b>	<b>\$406</b>	<b>\$87</b>	<b>\$3,790</b>
As at March 31, 2023	\$4,517	\$785	\$350	\$5,652

## Extension options

Some leases contain extension options exercisable by the Corporation up to one year before the end of the non-cancellable contract period. Where practicable, the Corporation seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Corporation and not by the lessors. The Corporation assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Corporation reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

## Atlantic Lottery Corporation Inc.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

#### 10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES [Continued]

##### Lease liabilities

The following table is a summary of the changes in the lease liabilities during the year:

	2024	2023
Lease liability, beginning of period	\$6,483	\$7,886
Remeasurement	(100)	42
Additions	56	574
Interest on lease liability	189	238
Lease payments	(2,279)	(2,257)
<b>Lease Liability, end of period</b>	<b>4,349</b>	<b>6,483</b>
Current portion of lease liability	1,741	2,234
Long term portion of lease liability	\$2,608	\$4,249

The aggregate payment of long-term lease liabilities for each of the five years subsequent to March 31, 2024 are approximately as follows: 2025 - \$1,741; 2026 - \$1,369; 2027 - \$1,239; 2028 - \$nil; and 2029 – \$nil.

#### 11. LINE OF CREDIT AND SHORT-TERM FINANCING

	2024	2023
Line of Credit	\$ 24,575	\$ 27,672
Short-term financing	-	30,000
<b>Total line of credit and short-term financing</b>	<b>\$ 24,575</b>	<b>\$ 57,672</b>

The Corporation has available a \$60,000 (2023 - \$125,000) line of credit, which bears interest at prime less 0.5%, and charges a standby fee on the daily unadvanced portion of the credit facility at a rate of 0.1% per annum. As at March 31, 2024, the Corporation has a balance of \$24,575 [2023 - \$27,672] drawn on its line of credit. Short-term financing reduces the amount available to be advanced on the line of credit.

For the year ended March 31, 2024, included in interest expense is \$1,180 [2023 - \$1,226] relating to the line of credit and \$843 [2023 - \$235] relating to short-term financing.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

## 12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2024	2023
Trade payables and accruals	\$ 28,676	\$ 23,048
Salaries payable	3,179	5,788
Taxes payable	5,397	5,880
Asset decommissioning provision	315	172
Lottery payable	64,000	-
Player accounts liability	5,429	3,986
Total accounts payable and accrued liabilities	\$ 106,996	\$ 38,874

## 13. LIABILITIES FOR UNCLAIMED PRIZES

	2024	2023
Unclaimed prizes		
Current prizes	\$ 22,663	\$ 23,496
Special prize fund	-	-
	\$ 22,663	\$ 23,496

	2024	2023
Special prize fund		
Balance, beginning of year	\$ -	\$ -
Unclaimed prizes expired during year	7,714	5,677
Prize payouts	(7,714)	(5,677)
Balance, end of year	\$ -	\$ -

Unclaimed prizes from regional lottery games are retained in a prize fund for 12 months from the announced beginning date of the draw and sports games purchased before March 2019 are retained in a prize fund for 744 days from the date of purchase of the ticket. Any sports games purchased after March 2019 are retained in the prize fund for 365 days from the last event on the ticket. Unclaimed prizes remaining after the respective periods are transferred to a special prize fund and are recorded as a reduction to prize expense and/or used for prizes in subsequent draws. Prizes of national lottery games are funded by the Interprovincial Lottery Corporation, with the exception of prizes for certain free tickets, which are paid out of general prize funds as incurred.

Scratch'N Win prizes from tickets printed after November 2018 have an expiry date of one year, prior to this, instant tickets did not have an expiry period. For any tickets that include an expiry date, all unclaimed prizes will be retained for 12 months from the launch of the game. For all tickets printed prior to December 2018, all unclaimed prizes are retained in a prize fund for 36 months from the date of launch of the game. Unclaimed prizes remaining after the prize claiming period ends are transferred to a special prize fund and are recorded as a reduction to prize expense and/or used for prizes in subsequent draws. Unclaimed prizes of national games are administered by the Interprovincial Lottery Corporation.

## Atlantic Lottery Corporation Inc.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

#### 14. DUE TO SHAREHOLDERS

The amount due to shareholders relates to the profit earned for the year, not yet paid.

	2024		
	Profit earned	Profit paid	Profit payable (receivable)
New Brunswick Lotteries and Gaming Corporation	\$ 151,206	\$ 149,225	\$ 1,981
Province of Newfoundland and Labrador	147,302	143,485	3,817
Nova Scotia Gaming Corporation	161,654	158,845	2,809
Prince Edward Island Lotteries Commission	26,845	27,190	(345)
	\$ 487,007	\$ 478,745	\$ 8,262

	2023		
	Profit earned	Profit paid	Profit payable
New Brunswick Lotteries and Gaming Corporation	\$ 153,891	\$ 150,025	\$ 3,866
Province of Newfoundland and Labrador	148,576	144,589	3,987
Nova Scotia Gaming Corporation	160,461	156,552	3,909
Prince Edward Island Lotteries Commission	29,304	27,981	1,323
	\$ 492,232	\$ 479,147	\$ 13,085

Profit earned is based on lottery operations and does not include the profit or loss of subsidiary companies.

On November 14, 2016, the Corporation filed an appeal with the Tax Court of Canada for notices of assessment received from the Canada Revenue Agency [“CRA”] for HST in respect of the operation of video lottery terminals on First Nations’ reserves in the province of Nova Scotia. The Corporation has been self-assessing HST and is remitting the monthly payments to CRA. All amounts paid to CRA have been reimbursed to the Corporation by the NSGC. The assessments paid and remitted for the periods from June 2009 to October 2013 totaled \$29,668. On May 10, 2024, the Tax Court of Canada has provided a judgement on the self assessed amounts in favor of a settlement of \$23,734. When the settlement is finalized, the Corporation will collect the funds from CRA and make a corresponding payment to the NSGC. The amount remitted to CRA from November 2013 to March 2023 totaled \$64,884. Currently, the outcome is indeterminable. As of April 1, 2023, the Corporation has adjusted the monthly remittances to CRA to reflect the ruling made by the Tax Court of Canada.

## Atlantic Lottery Corporation Inc.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

#### 15. LONG-TERM DEBT

	2024	2023
Bank term loan, amortized over 10 years, bearing variable interest rates based on 30-day Bankers' Acceptances, hedged by a fixed interest rate swap bearing interest at 1.98%, average quarterly payment of \$2,500, maturing July 2026.	\$ 24,258	\$ 33,618
Bank term loan, amortized over 6 years, bearing variable interest rates based on 30-day Banker's Acceptances, hedged by a fixed interest rate swap bearing interest at 1.16%, average quarterly payment of \$2,200, maturing April 2026	19,110	27,463
Bank term loan, amortized over 7 years, bearing variable interest rates based on 30-day Banker's Acceptances, hedged by a fixed interest rate swap bearing interest at 5.09%, average monthly payment of \$900, maturing August 2030	60,411	-
	103,779	61,081
Current portion of long-term debt	26,178	17,713
	\$ 77,601	\$ 43,368

The aggregate maturities of long-term debt for each of the five years subsequent to March 31, 2024 are approximately as follows: 2025 - \$26,178; 2026 - \$26,884; 2027 - \$16,145; 2028 - \$9,514; and 2029 - \$10,002.

For the year ended March 31, 2024, included in interest expense is \$2,828 [2023 - \$1,099] relating to long-term debt.

The Corporation has a debt covenant and is in compliance with this covenant. No assets have been pledged as security for the above debt.

#### 16. CASH FLOW HEDGES

##### Derivatives not designated as hedging instruments

The Corporation does not use derivative contracts to manage transaction exposures.

##### Cash flow hedges

The Corporation holds three bank term loans bearing variable interest rates based on 30-day Bankers' Acceptances, hedged by fixed interest rate swaps. The interest rate swap has the same terms as the loan agreement to realize an effective hedge situation and therefore is not expected to impact the consolidated statement of net profit. There were no highly probable transactions for which hedge accounting has been claimed that have not occurred and no significant element of hedge ineffectiveness requiring recognition in the consolidated statement of net profit.

During the year ended March 31, 2024, the Corporation recorded the fair value of its cash flow hedges as a long-term asset of \$411 [2023 - \$3,263] while the effective portion of the hedging derivative was recognized in other comprehensive income.



## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2024

[thousands of dollars]

### **17. EMPLOYEE FUTURE BENEFITS**

#### **Pension benefits**

The Corporation participates in a multi-employer defined benefit contributory pension plan. The Corporation's share of the multi-employer plan assets and the related accrued benefit obligation have been actuarially measured for accounting purposes as at March 31, 2024, using the projected benefit method prorated on service and management's best estimate of expected plan performance, salary escalation and retirement ages of employees. The fair value of plan assets are in pooled funds broken down into the underlying funds as follows: 55% common stock [2023 - 56%], and 45% fixed income securities [2023 - 44%].

The multi-employer plan is governed by a pension committee comprised of a provincially appointed finance official for each of the four provinces in the Atlantic Region, two executives from the Corporation, and a fixed term member at large appointed as chairperson by the provincial departments of finance. The committee has an accountability to the regional treasury board, not to the Corporation, and is responsible for the long-term management of the plan, including an investment policy for the assets.

The main plan is funded by contributions from participating employers and from plan members, including the Corporation. As a multi-employer plan, obligations and assets are not segregated by employer. All main plan assets are available to provide for all main plan obligations. The Corporation's share of the main plan assets is 93%, based on the Corporation's share of the main plan liabilities to the total main plan liabilities at January 1, 2024, the date of the current actuarial valuation.

In addition to the main plan, there are two supplemental plans: a supplemental executive retirement plan and a supplemental employee retirement plan. These plans provide additional pension benefits to certain members of the plan. Both supplemental plans are unfunded pension arrangements.

The most recent actuarial valuation for funding purposes was performed on January 1, 2024 by Mercer, a firm of consulting actuaries.

The Corporation expects to pay \$309 [2023 - \$2,818] in contributions to fund pension benefits in fiscal year 2025.

#### **Other post-employment benefits**

The Corporation also sponsors the following post-employment benefits:

1. Extended health and dental benefits.
2. Life insurance and ad hoc supplementary pensions.

The most recent actuarial valuation of the other post-employment benefits liabilities was conducted on March 31, 2024. Actuarial reports are prepared based on projections of employees' compensation levels to the time of retirement and future health care costs based on management's best estimate.

# Atlantic Lottery Corporation Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

### 17. EMPLOYEE FUTURE BENEFITS [Continued]

#### Sick Leave

The Corporation offers its employees accumulation of unused sick leave days that the employees can use in later annual periods. The Corporation has provided for the cumulated sick leave days for which past empirical data of the usage of such days and the resulting future cash outflow are probable. Included in the individual costs for a sick leave day are all annual payroll costs of the respective employee divided by the average number employment days per annum. A provision totaling \$743 [2023 - \$616] is recorded and is included as part of other post-employment benefits.

The Corporation expects to pay \$401 [2023 - \$398] in contributions to fund the post-employment benefits in fiscal 2025.

Information about the Corporation's employee future benefits as at March 31, in aggregate, is as follows:

	Defined benefit pension plan - Corporation's share		Other post-employment benefits (unfunded)	
	2024	2023	2024	2023
<b>Change in defined benefit obligation</b>				
Balance, beginning of year	\$ 188,086	\$ 195,291	\$ 11,999	\$ 12,879
Current service cost [employer portion]	3,984	4,273	513	590
Past service cost	8,610	-	-	-
Interest expense	9,561	8,297	597	552
Cash flows	-	-	-	-
Benefits paid	(8,169)	(9,076)	(398)	(368)
Employees' contributions	3,399	2,898	-	-
Remeasurements				
Effect of changes in financial assumptions	6,196	(13,696)	389	(1,366)
Effect of experience adjustments	5,676	99	(44)	(288)
Balance, end of year	\$ 217,343	\$ 188,086	\$ 13,056	\$ 11,999
<b>Change in fair value of plan assets</b>				
Balance, beginning of year	\$ 290,869	\$ 305,264	\$ -	\$ -
Interest income	14,548	13,206	-	-
Return on plan assets [excluding interest income]	17,776	(24,240)	-	-
Cash flows				
Employer contributions	2,560	2,818	398	393
Employees' contributions	3,399	2,897	-	-
Benefits paid	(8,169)	(9,076)	(398)	(393)
Administrative expense paid from plan assets	(450)	-	-	-
Balance, end of year	\$ 320,533	\$ 290,869	\$ -	\$ -
<b>Amounts recognized in the consolidated statement of financial position</b>				
Defined benefit obligation ["DBO"]	\$ 217,343	\$ 188,086	\$ 13,056	\$ 11,999
Fair value of plan assets	320,533	290,869	-	-
Funded status	103,190	102,783	(13,056)	(11,999)
Sick leave provision	-	-	(743)	(616)
Net (liability) asset	\$ 103,190	\$ 102,783	\$ (13,799)	\$ (12,615)

# Atlantic Lottery Corporation Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

### 17. EMPLOYEE FUTURE BENEFITS [Continued]

	Defined benefit pension plan - Corporation's share		Other post-employment benefits (unfunded)	
	2024	2023	2024	2023
<b>Components of defined benefit cost</b>				
Service cost				
Current service cost	\$ 3,984	\$ 4,273	\$ 513	\$ 590
Past service cost	8,610	-	-	-
Total service cost	12,594	4,273	513	590
Net interest cost				
Interest expense on DBO	9,561	8,297	597	552
Interest income on plan assets	(14,548)	(13,206)	-	-
Total net interest cost	(4,987)	(4,909)	597	552
Administrative expenses	450	-	-	-
Defined benefit cost included in consolidated statement of net profit ["Stmnt. Ops."]	8,057	(636)	1,110	1,142
Remeasurements				
Effect of changes in financial assumptions	6,196	(13,696)	389	(1,366)
Effect of experience adjustments	5,676	99	(44)	(288)
Return on plan assets [excluding interest income]	(17,776)	24,240	-	-
Total remeasurements included in other comprehensive income (loss) ["OCI"]	5,904	(10,643)	(345)	1,654
Total defined benefit cost (income) recognized in Stmnt. Ops and OCI	\$ 2,153	\$ 10,007	\$ 1,455	\$ (512)
<b>Net defined benefit asset (liability) reconciliation</b>				
Net defined benefit asset (liability) as of beginning of year	\$ 102,783	\$ 109,972	\$ (11,999)	\$ (12,879)
Defined benefit cost included in Stmnt. Ops.	(8,057)	636	(1,110)	(1,142)
Total remeasurements included in OCI	5,904	(10,643)	(345)	1,654
Cash flows				
Employer contributions	2,560	2,818	398	368
Net defined benefit asset (liability) as of end of year	\$ 103,190	\$ 102,783	\$ (13,056)	\$ (11,999)
<b>Significant assumptions</b>				
<b>Benefit obligation</b>				
Discount rate	4.87%	5.06%	4.85%	5.06%
Rate of salary increase	2.75%	2.85%	-	-
Rate of price inflation	2.00% - 2.75%	2.00% - 6.55%	-	-
Rate of immediate trend of health care costs	-	-	2.57%	2.59%
<b>Defined benefit cost</b>				
Discount rate	5.06% / 4.65%	4.35%	5.06%	4.35%
Rate of salary increase	2.75%	2.85%	-	-
Rate of price inflation	2.00% - 2.75%	2.00% - 6.55%	-	-
Rate of immediate trend of health care costs	-	-	2.59%	2.67%

# Atlantic Lottery Corporation Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

### 17. EMPLOYEE FUTURE BENEFITS [Continued]

The following table demonstrates the Corporation's sensitivity to a reasonably possible change in the significant assumptions used to determine the DBO:

		2024			
		Defined benefit pension plan - Corporation's share		Other post-employment benefits (unfunded)	
	Change in discount rate	Weighted average duration of DBO	2024	Weighted average duration of DBO	2024
Effect on net DBO	+ 0.5%	14.42 years	\$ 202,936	15.33 years	\$ 12,138
Effect on net DBO	- 0.5%	15.02 years	\$ 233,523	15.88 years	\$ 14,085
		2024		2024	
	Change in inflation rate				
Effect on net DBO	+ 0.5%		\$ 234,485		N/A
Effect on net DBO	- 0.5%		\$ 201,960		N/A
		2024		2024	
	Change in mortality				
Effect on net DBO	- 1 year setback		\$ 221,458		\$ 13,364
Effect on net DBO	+ 1 year setback		\$ 213,156		\$ 12,746
		2024		2024	
	Change in health care cost trend rate				
Effect on net DBO	+ 1.0%		N/A		\$ 15,183
Effect on net DBO	- 1.0%		N/A		\$ 11,338

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the net DBO as at March 31, 2024.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

## 18. PROVISIONS

**Decommissioning**

The Corporation records the fair value of a decommissioning provision in the year during which it is incurred and can be reasonably estimated. This provision is associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The Corporation also records a corresponding asset that is amortized over the life of the asset. Decommissioning provisions are classified as current if the useful life will expire in the next fiscal year and as a long-term asset if the useful lives extend beyond the next fiscal year. Provisions have been recorded for gaming equipment in the amount of \$729 [2023 - \$815]. The provision is classified as a current payable of \$315 [2023 - \$172] and a long-term liability of \$414 [2023 - \$643].

## 19. SHARE CAPITAL

Authorized and issued on incorporation is one common share to each of the provinces or their agencies for cash consideration of one hundred dollars per share.

## 20. INDIRECT TAXES

In lieu of the collection of HST on lottery ticket sales to the consumer, GST/HST paid on goods and services purchased that relate to gaming activities is not recoverable and is recorded as tax expense. Said goods and services are subject to the HST rate being applied a second time for remittance to the Federal Government, also recorded as tax expense. Indirect taxes recorded in the year total \$54,342 [2023 - \$48,912].

## 21. PAYMENTS TO THE GOVERNMENT OF CANADA

The Corporation, as the Regional Marketing Organization of the Interprovincial Lottery Corporation, remits its member provinces' share of the below payments to the Interprovincial Lottery Corporation. The payment is included in the consolidated statement of net profit as a deduction from profit and was allocated to the Corporation's member provinces based upon disposable income of the province, as follows:

	2024	2023
New Brunswick Lotteries and Gaming Corporation	\$ 1,670	\$ 1,616
Province of Newfoundland and Labrador	1,183	1,148
Nova Scotia Gaming Corporation	2,090	2,051
Prince Edward Island Lotteries Commission	356	337
	<b>\$ 5,299</b>	<b>\$ 5,152</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

**22. COMMITMENTS****Operating leases**

The Corporation is committed to variable, low value, and short-term lease payments. The minimum future annual lease payments over the next five years are as follows: 2025 - \$2,016; 2026 - \$1,502; 2027 - \$1,375; 2028 - \$79; and 2029 - \$79. Future lease payments due later than five years total \$16.

**Other commitments**

The Corporation entered into multiple agreements for infrastructure services, application, and project as well as sponsorship commitments. The minimum annual payments over the next five years are as follows: 2025 - \$17,229; 2026 - \$15,909; 2027 - 5,279; 2028 - \$2,153 and 2029 - \$2,106.

**23. NET CHANGE IN NON-CASH COMPONENTS OF WORKING CAPITAL**

	2024	2023
Decrease (increase)		
Accounts receivable, net of allowance	\$ (67,882)	\$ (15,005)
Inventories	(3,348)	(1,821)
Prepaid expenses and deposits	3,470	(2,619)
	<u>\$ (67,760)</u>	<u>\$ (19,445)</u>
Increase (decrease)		
Accounts payable and accrued liabilities	\$ 68,122	\$ 6,479
Deferred revenue	(184)	(477)
Liabilities for unclaimed prizes	(833)	(849)
	<u>\$ 67,105</u>	<u>\$ 5,153</u>
Net change	<u>\$ (655)</u>	<u>\$ (14,292)</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

## 24. RELATED PARTY TRANSACTIONS

**Transactions with key management personnel**

Key management personnel [Corporate Executives] receive compensation in the form of short-term employee benefits and post-retirement benefits. Key management personnel compensation for the year ended March 31, 2024 is \$3,514 [2023 - \$2,712], which includes pension benefits of \$151 [2023 - \$154].

**Other related party transactions**

The Corporation is related to its shareholders: New Brunswick Lotteries and Gaming Corporation, Province of Newfoundland and Labrador, NSGC and Prince Edward Island Lotteries Commission.

The Corporation holds 100% equity interest in Atlantic Gaming Equipment Limited. All inter-Corporation balances, transactions, income and expenses, and profits and losses, including dividends resulting from inter-Corporation transactions, are eliminated in full.

## 25. REVENUE

The Corporation's revenue is disaggregated by major product line as follows:

	2024		2023	
Lottery games	\$	290,475	\$	293,642
Sports betting		14,848		17,154
Video lottery		406,531		401,415
Entertainment centre revenue		23,288		22,020
iGames		128,759		101,339
Other		8,779		8,331
	\$	872,680	\$	843,901
<hr/>				
Revenue from Wagered Games	\$	627,627	\$	599,100
Revenue from Administered Games		245,053		244,801
	\$	872,680	\$	843,901

## 26. FINANCIAL INSTRUMENTS

**Fair value versus carrying amounts**

The fair value of financial instruments generally corresponds to the consideration for which the instrument could be exchanged in an arm's length transaction between knowledgeable, willing parties.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

## 26. FINANCIAL INSTRUMENTS [Continued]

- Level 1 fair value measurements are those derived from quoted prices [unadjusted] in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly [i.e., as prices] or indirectly [i.e., derived from prices]; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data [unobservable inputs].

The following tables present the breakdown of fair value measurements of financial instruments recognized at fair value on the consolidated statement of financial position.

	2024			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Pension plan assets	\$ -	\$ 320,533	\$ -	\$ 320,533
Derivatives designated as hedging instruments in an effective hedge	\$ -	\$ 411	\$ -	\$ 411
<b>Total financial assets</b>	<b>\$ -</b>	<b>\$ 320,944</b>	<b>\$ -</b>	<b>\$ 320,944</b>

	2023			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Pension plan assets	\$ -	\$ 290,869	\$ -	\$ 290,869
Derivatives designated as hedging instruments in an effective hedge	\$ -	\$ 3,263	\$ -	\$ 3,263
<b>Total financial assets</b>	<b>\$ -</b>	<b>\$ 294,132</b>	<b>\$ -</b>	<b>\$ 294,132</b>

The fair value of cash, restricted prize cash, accounts receivable, line of credit and short-term financing, accounts payable and accrued liabilities, due to shareholders and liabilities for unclaimed prizes approximates their carrying amount largely due to the short-term maturities of these instruments.

The Corporation has entered into a derivative financial instrument with a financial institution with an investment grade credit rating. Interest rate swaps are the only derivatives valued using a valuation technique with market observable inputs. The applied valuation technique is a swap valuation model using present value calculations. The models incorporate various inputs, including the credit quality of counterparties and interest rate curves. Because the derivatives are valued with their fair value, the recorded carrying value as at the consolidated statement of financial position date equals the fair value of the financial instrument.



## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2024

[thousands of dollars]

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### **27. CAPITAL MANAGEMENT**

The Corporation does not retain any earnings. Net profit, after deducting contractual amounts due to the Government of Canada, is returned to the Province of Newfoundland and Labrador, Province of Prince Edward Island, Province of Nova Scotia and Province of New Brunswick.

The Corporation's policy is to maintain a structure that allows it to have sufficient liquidity to meet both operational demands and payments to the provinces. The profit of the Corporation is distributed twice monthly to each of the shareholders.

As a result of fluctuating cash flow requirements and to minimize market risk, the Corporation maintains a high degree of liquidity and has a line of credit available. Corporate assets are financed through debt borrowings in the form of bank term loans, line of credit and short-term financing.

The Board of Directors is responsible for the oversight of management, including its policies related to financial and risk management issues.

There were no changes in the Corporation's approach to capital management during the year.

### **28. FINANCIAL RISK MANAGEMENT**

The Corporation has exposure to credit risk, liquidity risk, and market risk from its use of financial instruments. This note presents information about the Corporation's exposure to each of these risks and its objectives, policies and procedures for measuring and managing these risks.

#### **Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board of Directors has established the Audit Committee, which is responsible for developing and monitoring the Corporation's risk management policies. The Audit Committee reports regularly to the Board of Directors on its activities. The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Corporation's activities. The Corporation, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Corporation's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Corporation. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

**28. FINANCIAL RISK MANAGEMENT [Continued]****Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Corporation is subject to credit risk due to the nature of its operations where retail partners collect the Corporation's revenue.

This risk is managed through frequent collection of revenue and the control to pull funds from retailers' bank accounts and through retaining security deposits where the individual risk is assessed as high. The Corporation is not materially exposed to any one individual retailer or service provider and has applied standard credit practices, which limit the Corporation's exposure to credit risk. The maximum risk the Corporation would be exposed to is \$65 and the average balance for any one retail location outstanding is approximately \$6. There are \$21 retailer receivable balances greater than 90 days. Included in accounts receivable is an allowance for bad debt of \$nil [2023 - \$116].

The Corporation is not subject to credit risk for internet gaming sales because they are through credit card, debit card, online bill payment purchases or web-cash purchases where customers pay in advance of transactions.

**Liquidity risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due.

To manage cash flow requirements, the Corporation has a line of credit from which it may borrow up to \$60,000. The line of credit is unsecured and interest is payable at prime less 0.5%, and charges a standby fee on the daily unadvanced portion of the credit facility at a rate of 0.1% per annum.

The Corporation's Finance division manages liquidity risk by forecasting and assessing actual cash flow requirements on an ongoing basis, as well as by planning for short-term liquidity with investment maturities chosen to ensure that sufficient funds are available to meet the Corporation's financial obligations.

The table below summarizes the maturity profile of the Corporation's financial liabilities based on contractual undiscounted payments.

<b>2024</b>			
<b>Maturity</b>	<b>Less than 12 months</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>
Line of credit	\$ 24,575	\$ -	\$ -
Accounts payable and accrued liabilities	106,996	-	-
Liabilities for unclaimed prizes	22,663	-	-
Due to shareholders	8,262	-	-
Long-term debt	26,178	62,545	15,056
Long-term lease liabilities	1,741	2,608	-
Provisions	315	282	132
	<b>\$ 190,730</b>	<b>\$ 65,435</b>	<b>\$ 15,188</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

[thousands of dollars]

### 28. FINANCIAL RISK MANAGEMENT [Continued]

#### Market risk

Market risk is the risk that changes in market prices will affect the fair value of future cash flows of a financial instrument. Market risk consists of currency risk, interest rate risk and other market price risk.

#### Currency risk

The Corporation is exposed to currency risk [or foreign exchange risk] by settling certain obligations in foreign currencies [primarily USD and GBP]. Gains and losses due to foreign exchange rate fluctuations are minimized by settling foreign obligations as quickly as possible. The transactions in foreign currency are minimal and therefore the Corporation is not materially impacted by currency risk.

#### Interest rate risk

The Corporation's Finance division manages interest rate risk by forecasting and assessing actual cash flow requirements on an ongoing basis and securing fixed rate debt [hedges] for financing of long-term projects. On an ongoing basis, the Corporation is exposed to interest rate risk through its line of credit, which is subject to interest charges at prime less 0.5% and charges a standby fee on the daily unadvanced portion of the credit facility at a rate of 0.1%. Fluctuations in the prime rate by plus or minus 1% could impact the Corporation's annual net profit by an amount of \$246 [2023 - \$277] based on the line of credit balance as at March 31, 2024.

#### Other market price risk

The Corporation offers the Proline brand of lottery products in the marketplace. The Corporation manages risks associated with these products by:

- monitoring odds and game conditions (i.e. player statuses) throughout the sales window of each individual event;
- monitoring sales liability thresholds by market selection, combinations of market selections, by retailer, and by player; and
- posting the product's Rules and Regulations as well as general Terms and Conditions on [www.alc.ca](http://www.alc.ca).

The Corporation has the authority to amend the odds and market values (i.e. Spreads and Totals), or to suppress the sales of any game at any time when liability is a concern.