Manitoba Liquor & Lotteries

Annual Report

2024-2025

MANITOBA LIQUOR & LOTTERIES

LAND ACKNOWLEDGEMENT

Manitoba Liquor & Lotteries benefits from being on the original territories of the Anishinaabeg, Anishininewuk, Dakota Oyate, Denesuline and Nehethowuk Nations, lands now known as Treaties One through Five – and the homeland of the Red River Métis.

We acknowledge northern Manitoba includes lands that were and are the ancestral lands of the Inuit.

We commit to respecting the Treaties made on these territories while acknowledging the harms of the past and moving forward in partnership with Indigenous communities and a spirit of reconciliation.

While we acknowledge that territorial acknowledgements are only one step in cultivating greater respect for and inclusion of Indigenous Peoples, these words will accompany actions invested in building a future and community better for all.

MANITOBA
LIQUOR & LOTTERIES

Photo by Buddy Prince, a member of Brokenhead Ojibway Nation.

Vision

To consistently be one of the largest contributors to our province

Mission

To proudly and responsibly serve positive experiences

Purpose

Enriching the lives of Manitobans

Values

We aspire to live these values in all that we do to enrich the lives of Manitobans.

CARING

Everyone Matters: We care about each other, our communities and the environment by being genuine, responsible and considerate.

COMMITTED

Keep Promises: We take pride and ownership in making and meeting our commitments.

COLLABORATIVE

Better Together: We work together in an open, respectful way to produce and deliver outstanding results.

CREATIVE

Courage to Explore: We foster an environment of idea sharing, continuous learning and improvement, and push beyond what we have today to what is possible tomorrow.

CUSTOMER FOCUSED

Great Experiences: We listen to our internal and external customers so we can anticipate, understand and respond to their needs.

Table of Contents

Letter of Transmission

Honourable Glen Simard
Minister responsible for the Manitoba Liquor and Lotteries Corporation
Room 141 Legislative Building
450 Broadway
Winnipeg, MB R3C 0V8

July 31, 2025

Dear Honourable Minister:

It is my pleasure to present you with the annual report of Manitoba Liquor and Lotteries Corporation for the fiscal year ended March 31, 2025.

Respectfully submitted,

Jeff Traeger
Chair, Board of Directors

Board of Directors

As of June 7, 2025

Jeff Traeger, Chair
Tim Comack, Vice Chair
Michelle Cameron
Josiane Kroll
Tannis Mindell
Sara Penner
Sarah Pinsent
Doug Ramsey
Clayton Swanton

April 1, 2024 – March 31, 2025

Jeff Traeger, Chair
Tim Comack, Vice Chair
Michelle Cameron
Josiane Kroll
Tannis Mindell
Sara Penner
Sarah Pinsent
Doug Ramsey
Christine Van Cauwenberghe*

*Outgoing June 24, 2024

About Us

Manitoba Liquor & Lotteries (MBLL) is a provincial Crown corporation that contributes to the general revenue of the Province of Manitoba through the sale of liquor, gaming, and cannabis. Programs and services like healthcare, education, social services, housing, and infrastructure are funded through the Province of Manitoba's general revenue.

All liquor, gaming, and cannabis sold by private businesses in Manitoba is purchased through MBLL.

We supply liquor and beer vendors, specialty wine stores, restaurants and bars, duty-free stores, lottery retailers, cannabis retailers and other licensees.

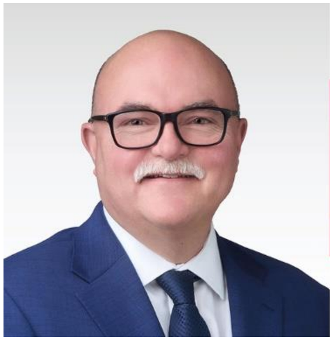
We operate the network of video lottery terminals (VLTs) found at private licensed establishments and First Nations sites, and supply equipment and provide conduct and manage oversight to First Nations casinos and the Shark Club Gaming Centre. Manitoba's PlayNow site is managed under agreement with British Columbia Lottery Corporation (BCLC).

We distribute and sell lottery tickets as a member of the Western Canada Lottery Corporation (WCLC) and, by extension, the Interprovincial Lottery Corporation (ILC). We are the exclusive supplier of breakopen tickets and bingo paper in Manitoba.

We directly operate all Liquor Mart and Liquor Mart Express stores and the Casinos of Winnipeg.

Sustainability and social responsibility are central to our business approach. We promote lower risk, informed choices for consuming liquor, gambling and cannabis.

Message From The Chair



JEFF TRAEGER
Chair

Welcome to our latest annual report, covering a year of novel challenges and significant achievements. As our president and CEO writes on the following pages, we are tasked with providing a reliable source of revenues for core services delivered by the Province of Manitoba. We are proud to continue accomplishing this in our changing business environment and global economy.

Our board is now halfway through its original term, and we continue to learn, as individuals and as a group, from our Indigenous Advisory Circle, industry partners, and from the experts found within our own great organization who continue to demonstrate excellence and commitment in their respective roles.

If there is one thing we as a board have noticed, it is that when faced with unique or unexpected challenges – like responding quickly to the complex task of removing American liquor products from sale, which directly impacted many areas within MBLL as well as many business partners – MBLL employees work diligently and with focus and cooperation to make it happen as smoothly as possible.

MBLL is working collaboratively with other Canadian jurisdictions and with the federal government on the growing concern of illegal online gaming providers that are diverting Manitobans' money away from our provincial programs. We are working diligently to protect the interests of Manitobans, and the security of players, by pushing back against the proliferation of privately-operated online sites.

Senior leadership continues to rebuild trust and restore respect for our employees following the labour disruptions covered in our last report. We returned to hosting several employee appreciation events, including a children's holiday party and long service recognition dinner. The board continues to direct the executive team to seek ways of restoring the employer-employee relationship that is so vital to a well-functioning team.

MBLL has a well-earned reputation for supporting our province's communities through direct funding of not-for-profit programming and events. I would like to highlight just a few new or significant organizations and programs that we touched this past year, beginning with a growing number focused on addictions and fetal alcohol spectrum disorder (FASD).

The Main Street Project began a managed alcohol pilot program with funding provided by MBLL, providing wrap-around support for some of our community's most vulnerable who are experiencing addiction. Another organization in Winnipeg, Ka Ni Kanichihk, provides

Indigenous-led training to educators, police and healthcare professionals in rural Manitoba to break down racist stereotypes and ideas about FASD. And the Starfish Program from Shared Health is a community-based treatment program for youth living with FASD, involved with the criminal justice system, and having problematic substance use.

In closing, I am once again in gratitude to all Manitobans for shopping with us, for being our guests, and for doing business with us. This board wants to ensure that MBLL continues to grow its economic contributions to our great province, and we want our entire organization to always strive to deliver more than what Manitobans expect from us. As a Crown corporation owned by you and your community, MBLL exists with your interests in mind. Thank you for the trust and confidence you place in us as we strive to both serve you and build our communities.

Jeff Traeger

Chair, Board of Directors

Message From The President and CEO

MBLL grew its revenues across virtually all lines of business this past year, ultimately delivering $730.1 million back to the Province of Manitoba. Our profits support the core programs and services that Manitobans depend upon, and we continue to look for ways to maximize our benefit to everyone who calls this province home. MBLL understands its responsibility to provide a stable source of revenue, and this report is evidence of our continued success in being one of the largest contributors to the Province of Manitoba.

Our liquor and gaming lines of business continue to be impacted by competition for disposable income and inflationary operating cost increases. While being managed effectively, these still tempered our bottom line despite growing revenues.

Net income from our casinos grew as attendance continues to be strong coming out of the pandemic. Lottery, video lotto, and online gaming, all saw decreases in net income for varying reasons as discussed in this report, this included lottery fatigue, replacement costs of aging VLTs, and increased costs from illegal betting site competition.

Liquor continues to see a significant decline in sales volumes due to changing consumer habits. Within this challenging environment, we hosted consultations with the local craft industry and have since launched a comprehensive strategy to continue supporting craft producers. Among the many enhancements, we are providing greater flexibility and access to our marketing programs to showcase the great products produced in our province.

In spring 2025 we were directed by government to be a part of the response to tariffs from the United States by removing US liquor products from sale. As of the end of the fiscal year, US products remained off our shelves. Manitobans have embraced alternative products from Canada, and while it is too early to know how this may impact consumer choices in the long term, we have leaned into the situation by celebrating and promoting Manitoba and Canada products through our expanded Enjoy MB programming and new Choose Canadian marketing campaign.

We saw continued growth in the number of cannabis stores that has contributed to strong year-over-year profit growth. Manitobans will soon be able to buy cannabis seeds legally and we continually are growing our product catalogue to assist Manitoba’s private retailers meet their customers’ needs.

The responsible sale and use of our products and services are always front of mind. Our responsible gaming program has shifted to a fully made-in-Manitoba approach under our Informed Gambling brand that is visible across our websites, on VLTs and in our casinos. This work continues our decades-long leadership position in social responsibility within the gaming industry. We also continued with our successful Drink Sense program on the liquor side of business.

I am proud of our increased support of community festivals, arts groups, community infrastructure projects and social responsibility programming. We have made improvements to better connect with rural Manitoba and launched a funding portal making it easier for groups to access our programs. All the ways MBLL enriches the lives of Manitobans is now highlighted in our #MBLLGoodTogether campaign. In the coming year we are planning to launch a new Indigenous community support program.

Internally, employee engagement remains a strong focus, as does our commitment to diversity, equity and inclusion. Concurrently we continue to embrace the guidance of our Indigenous Advisory Circle to guide us on our journey to achieve our truth and reconciliation goals. And, as a corporation we stand firmly behind our principles and practices of being a welcoming employer and business for the diversity of people we call our family, business partners and community members here in Manitoba.

In closing, I invite you to also explore our newly expanded environmental, social and governance report available alongside this annual report.

Gerry Sul

President and Chief Executive Officer

Management Discussion and Analysis

of financial condition and results of operations as at March 31, 2025

This management discussion and analysis is for the consolidated financial results of the operations of Manitoba Liquor and Lotteries Corporation (MBLL) for the fiscal year ended March 31, 2025. This report should be read in conjunction with MBLL's audited consolidated financial statements and accompanying notes.

Management is responsible for the reliability and timeliness of the information disclosed in the management discussion and analysis and does so by implementing and monitoring the appropriate existence and effectiveness of systems, controls, and procedures used by MBLL. Management has concluded, as at March 31, 2025, that the systems, controls, and processes in place are adequate to provide reliable and accurate information for the management discussion and analysis.

Overview and Results of Operations

The six operating segments of MBLL are: Cannabis Operations, Casinos, Liquor Operations, Lottery, Online Gaming, and Video Lotto. In accordance with International Financial Reporting Standards (IFRS), MBLL accounts for WCLC using the equity method and therefore presents its share of the profit of WCLC as one line in the consolidated statement of net income, comprehensive income and equity of the audited consolidated financial statements.

For reporting purposes within the management discussion and analysis, the administrative costs associated with corporate support services – including human resources, finance, marketing and communications, facilities, technology, internal audit, legal, corporate governance, security, and corporate responsibility – have been allocated to each of the operating segments.

MBLL's allocation to the Province of Manitoba for 2025 was $730.1 million, a decrease of $2.4 million or 0.3% from last year's allocation of $732.5 million.

2025 (in thousands)	Cannabis Operations	Casinos	Liquor Operations	Lottery	Online Gaming	Video Lotto	Total
Revenue	$ 170,082	$ 257,227	$ 887,807	$ 1,753	$ 75,984	$ 343,064	$ 1,735,917
Cost of sales	119,313	14,184	413,759	1,198	21,647	118,532	688,633
	50,769	**243,043**	**474,048**	**555**	**54,337**	**224,532**	**1,047,284**
Operating expenses	2,247	115,357	127,768	7,959	16,893	16,698	286,922
Depreciation and amortization	-	18,470	16,522	-	77	11,530	46,599
Goods and services tax	-	3,873	-	322	2,572	3,271	10,038
	2,247	**137,700**	**144,290**	**8,281**	**19,542**	**31,499**	**343,559**
Operating income	**48,522**	**105,343**	**329,758**	**(7,726)**	**34,795**	**193,033**	**703,725**
Share of profit of WCLC	-	-	-	48,018	9,459	-	57,477
Interest expense	-	(5,950)	(3,820)	(55)	(32)	(3,444)	(13,301)
Interest income	70	484	659	68	89	756	2,126
Income before allocations and payments	**48,592**	**99,877**	**326,597**	**40,305**	**44,311**	**190,345**	**750,027**
Allocations and payments	1,250	2,378	9,579	1,275	1,391	4,095	19,968
Net income and comprehensive income	**$ 47,342**	**$ 97,499**	**$ 317,018**	**$ 39,030**	**$ 42,920**	**$ 186,250**	**$ 730,059**

2024 (in thousands)	Cannabis Operations	Casinos	Liquor Operations	Lottery	Online Gaming	Video Lotto	Total
Revenue	$ 153,618	$ 246,216	$ 873,533	$ 1,706	$ 74,865	$ 342,091	$ 1,692,029
Cost of sales	110,134	12,888	413,177	1,017	21,503	116,376	675,095
	43,484	**233,328**	**460,356**	**689**	**53,362**	**225,715**	**1,016,934**
Operating expenses	1,774	113,169	115,887	7,638	13,539	10,613	262,620
Depreciation and amortization	-	19,677	18,252	-	54	7,731	45,714
Goods and services tax	-	3,213	-	244	2,418	2,391	8,266
	1,774	**136,059**	**134,139**	**7,882**	**16,011**	**20,735**	**316,600**
Operating income	**41,710**	**97,269**	**326,217**	**(7,193)**	**37,351**	**204,980**	**700,334**
Share of profit of WCLC	-	-	-	53,502	9,448	-	62,950
Interest expense	-	(5,913)	(4,021)	(64)	(22)	(2,698)	(12,718)
Interest income	66	498	701	82	96	747	2,190
Income before allocations and payments	**41,776**	**91,854**	**322,897**	**46,327**	**46,873**	**203,029**	**752,756**
Allocations and payments	2,234	1,948	9,133	1,233	1,681	4,061	20,290
Net income and comprehensive income	**$ 39,542**	**$ 89,906**	**$ 313,764**	**$ 45,094**	**$ 45,192**	**$ 198,968**	**$ 732,466**

Highlights

Summary of Results

(in thousands)	2025	2024		$ change	% change
Revenue	$ 1,735,917	$ 1,692,029	↑	$ 43,888	2.6%
Cost of sales	688,633	675,095	↑	13,538	2.0%
Share of profit of WCLC	57,477	62,950	↓	5,473	8.7%
Operating expenses	286,922	262,620	↑	24,302	9.3%
Non-operating expenses	87,780	84,798	↑	2,982	3.5%
Net income	730,059	732,466	↓	2,407	0.3%

Revenue by Line of Business

(in thousands)	2025	2024		$ change	% change
Cannabis Operations	$ 170,082	$ 153,618	↑	$ 16,464	10.7%
Casinos	257,227	246,216	↑	11,011	4.5%
Liquor Operations	887,807	873,533	↑	14,274	1.6%
Lottery	1,753	1,706	↑	47	2.8%
Online Gaming	75,984	74,865	↑	1,119	1.5%
Video Lotto	343,064	342,091	↑	973	0.3%

Revenues increased across all lines of business, with the largest increases mainly driven by:

- More cannabis stores, now totalling 229, with improved access in rural and city areas leading to an increase in sales.
- Increased play in electronic gaming at both casinos.
- Rebounding liquor sales after prior year sales were negatively impacted by labour disruption in July and August 2023.

Operating expenses increased due to higher:

- Employee benefits costs due to a full-year impact of collective agreements settled in 2024.
- Technology systems and support costs due to investment in several key ongoing projects.
- Sundry expenses were lower in the prior year due to the gain on the sale of the land and building at 830 Empress Street.
- Platform maintenance fees for PlayNow paid to the provider, BCLC.

Non-operating expenses include depreciation and amortization, interest expense net of interest income, allocations and payments, and goods and services tax (GST). Non-operating expenses rose due to increased:

- GST expense mainly from higher gaming expenses.
- Depreciation and amortization mainly related to newly purchased VLTs.
- Social responsibility funding.

Cannabis Operations

MBLL is mandated to secure a safe supply of cannabis and to coordinate the distribution of cannabis to all licensed retailers in the province. MBLL maintains a catalogue of available cannabis products, including dried flower, edibles, extracts, and topicals. The cannabis industry has experienced substantial growth since legalization, with competitive pricing, a significant increase in the variety of higher quality products, and a growing number of stores.

Summary of results

(in thousands)	2025	2024		$ change	% change
Revenue	$ 170,082	$ 153,618	↑	$ 16,464	10.7%
Cost of sales	119,313	110,134	↑	9,179	8.3%
Operating expenses	2,247	1,774	↑	473	26.7%
Non-operating expenses	1,180	2,168	↓	988	45.6%
Net income	47,342	39,542	↑	7,800	19.7%

Revenue growth continued to be driven by an increase in retail locations. During the year, 32 stores opened and 8 closed, ending the year with 229 locations throughout the province. All licensed retailers are eligible to offer online sales.

Sales by category

(in thousands)	2025	2024		$ change	% change
Dried flower	$ 98,925	$ 92,923	↑	$ 6,002	6.5%
Edibles	10,855	10,135	↑	720	7.1%
Extracts	59,779	49,977	↑	9,802	19.6%
Topicals	517	576	↓	59	10.2%
Total sales	**170,076**	**153,611**	↑	**16,465**	**10.7%**
Cost of sales	119,313	110,134	↑	9,179	8.3%
Gross profit	**$ 50,763**	**$ 43,477**	↑	**7,286**	**16.8%**

Sales growth occurred in three product categories, with most growth occurring in extracts and dried flower. Dried flower sales accounted for 58.2% of all sales.

Cannabis Operations introduced an easier reporting process for licensed retailers to meet Health Canada’s requirements. Retailers can now automatically generate data reports directly from their point-of-sale systems and submit them through MBLL’s online portal. MBLL packages and sends these mandatory reports to Health Canada’s Cannabis Tracking and Licensing System. This initiative has minimized preparation time and reporting errors for Manitoba retailers, while ensuring compliance with Health Canada's requirements.

Cannabis Operations continued to expand its roster of in-province private distribution partners, improving upon the direct-ship method historically used that saw individual orders go from supplier to store. These partners offer a significant amount of warehousing and logistics experience to reduce lead times in delivering products to retailers, improve delivery services to small, rural, and remote retailers, and generate faster retailer fulfilment cycles.

Casinos

MBLL owns and operates two casinos, McPhillips Station Casino and Club Regent Casino, located in Winnipeg. Both casinos offer a full range of gaming services, including:

- Electronic games
- Table games
- Bingo
- Lottery sales
- Off-track horse race betting

The casinos also feature a selection of restaurants, lounges, and event services. Club Regent Casino also features the Event Centre, which offers live entertainment and facility rentals for events.

SUMMARY OF RESULTS

(in thousands)	2025	2024		$ change	% change
Revenue	$ 257,227	$ 246,216	↑	$ 11,011	4.5%
Cost of sales	14,184	12,888	↑	1,296	10.1%
Operating expenses	115,357	113,169	↑	2,188	1.9%
Non-operating expenses	30,187	30,253	↓	66	0.2%
Net income	97,499	89,906	↑	7,593	8.4%

Gaming revenues were higher in the electronic gaming area due to increased play at both casinos. Entertainment revenues were higher due to 13 additional paid shows over the prior year. Food and beverage revenues also increased, benefitting from increased traffic.

Cost of sales increased $1.3 million in tandem with the increased sales seen in entertainment and food and beverage.

Operating expenses increased due to higher employee benefits from the full-year impacts of new collective agreements.

Liquor Operations

MBLL is mandated with distributing and selling liquor in Manitoba through a variety of channels:

- 63 Liquor Mart and Liquor Mart Express locations operated by MBLL
- 1150+ licensees who sell liquor on-premises
- 220+ privately owned beer vendors
- 160+ privately owned rural liquor vendors
- 8 privately owned specialty wine stores
- 3 privately owned duty-free stores

This model provides Manitobans with convenient access to a broad range of products.

Summary of Results

(in thousands)	2025	2024		$ change	% change
Revenue	$ 887,807	$ 873,533	↑	$ 14,274	1.6%
Cost of sales	413,759	413,177	↑	582	0.1%
Operating expenses	127,768	115,887	↑	11,881	10.3%
Non-operating expenses	29,262	30,705	↓	1,443	4.7%
Net income	317,018	313,764	↑	3,254	1.0%

Prior year results were negatively impacted by labour disruption in July and August 2023 affecting Liquor Marts, MBLL's distribution centre, and corporate offices. Labour disruptions impacted shipments to commercial customers in all channels. Various Liquor Mart locations were intermittently impacted before a widescale disruption in early August led to the operation of a very limited number of stores.

Sales by Volume

(in millions of litres)	Beer	Ready-to-Drink	Spirits	Wine	Total
2025	60.0	18.2	7.7	9.9	**95.8**
2024	64.5	18.0	7.7	10.2	**100.4**
2023	65.5	17.3	8.2	11.1	**102.1**
2022	69.6	14.8	8.0	11.4	**103.8**
2021	74.3	12.1	8.1	12.3	**106.8**

The volume of alcohol consumed per capita has been trending downward, both in Manitoba and nationally. While ready-to-drink volume continued to grow, both beer and wine volumes have decreased every year since 2021.

SALES BY CATEGORY

(in thousands)	2025	2024		$ change	% change
Beer	$ 300,187	$ 297,054	↑	$ 3,133	1.1%
Ready-to-drink	125,570	119,063	↑	6,507	5.5%
Spirits	291,808	286,830	↑	4,978	1.7%
Wine	160,686	161,614	↓	928	0.6%
Total sales	**878,251**	**864,561**	↑	**13,690**	**1.6%**
Cost of sales	413,369	412,806	↑	563	0.1%
Gross profit	**$ 464,882**	**$ 451,755**	↑	**13,127**	**2.9%**

Dollar sales of beer and spirits rebounded from the labour disruption in 2024 but remain lower than 2023, reflecting consumption trends. The ready-to-drink category experienced continued sales growth, driven by shifting consumer preferences. Wine sales decreased, mirroring national trends.

SALES BY CHANNEL

(in thousands)	2025	2024		$ change	% change
Liquor Marts	$ 459,786	$ 441,166	↑	$ 18,620	4.2%
Liquor vendors	96,142	94,589	↑	1,553	1.6%
Licensees	303,348	307,377	↓	4,029	1.3%
Specialty wine stores	18,975	21,429	↓	2,454	11.5%
Total sales	**878,251**	**864,561**	↑	**13,690**	**1.6%**
Cost of sales	413,369	412,806	↑	563	0.1%
Gross profit	**$ 464,882**	**$ 451,755**	↑	**13,127**	**2.9%**

By channel, Liquor Mart sales increased after the labour disruption negatively impacted prior year results. Sales at liquor vendors grew modestly. Licensee sales (which includes beer vendors) decreased after inflated results last year when the labour disruption directed sales to this channel. Additionally, declining on-premises beer sales suggests a change in consumption habits. Specialty wine stores sales declined against prior year sales, which were boosted by the Liquor Mart closures, though the decline also reflects national wine consumption trends.

Operating expenses increased. Employee benefits were higher due to the full-year impacts of new collective agreements. Technology systems and support increased due to rising software licensing and support costs and investments in new and upgraded technology initiatives.

Non-operating expenses decreased due to lower depreciation and amortization expenses, partially offset by higher allocations and payments due to increased social responsibility funding.

Lottery

MBLL maintains and supports a network of 945 private retailers in the province under the national Lotto Spot brand. MBLL distributes and sells four types of lottery products:

- National lottery ticket products like LOTTO MAX and LOTTO 6/49 available through the retail network and operated by the ILC.
- Regional lottery ticket products like Western 6/49 available through the retail network and operated by the WCLC.
- Breakopen tickets, sold by MBLL to charitable organizations, First Nations and liquor-licensed businesses for resale.
- Bingo paper sold to charitable and non-profit licensed bingo operators.

National and regional lottery products sold through PlayNow and the corresponding share of profit of WCLC from these sales is presented separately in the Online Gaming operating segment.

Summary of results

(in thousands)	2025	2024		$ change	% change
Revenue	$ 1,753	$ 1,706	↑	$ 47	2.8%
Cost of sales	1,198	1,017	↑	181	17.8%
Share of profit of WCLC	48,018	53,502	↓	5,484	10.3%
Operating expenses	7,959	7,638	↑	321	4.2%
Non-operating expenses	1,584	1,459	↑	125	8.6%
Net income	39,030	45,094	↓	6,064	13.4%

There is a strong link between jackpot levels and the sale of lottery products.

LOTTO MAX sales increased $10.2 million (18.1%) over 2024. The number of $70 million jackpots rose from 7 to 23 year-over-year, while available MAXMILLIONS prizes of $636 million increased from last year’s $193 million.

LOTTO 6/49 sales decreased $5.4 million (12.9%) year-over-year, resulting from lower average jackpots. Lightning Lotto, a new, progressive lottery game with instant results proved popular with players and contributed $4.2 million to an overall increase in lottery ticket sales.

Despite higher sales, the share of profit of WCLC decreased due to increases in both WCLC operating expenses and MBLL’s obligations relating to interprovincial equalization payments.

Online Gaming

MBLL provides Manitoba players with online gaming through a partnership with BCLC on the province's only regulated site, PlayNow. The site features extensive responsible gaming measures and a full range of games, including:

- Casino-style games
- Live sports betting
- Lottery products
- Bingo
- Poker

Summary of results

(in thousands)	2025	2024		$ change	% change
Revenue	$ 75,984	$ 74,865	↑	$ 1,119	1.5%
Cost of sales	21,647	21,503	↑	144	0.7%
Share of profit of WCLC	9,459	9,448	↑	11	0.1%
Operating expenses	16,893	13,539	↑	3,354	24.8%
Non-operating expenses	3,983	4,079	↓	96	2.4%
Net income	42,920	45,192	↓	2,272	5.0%

More players wagered on casino-style games this year, increasing revenues. While sports wagering also rose, the percentage hold decreased and resulted in reduced revenue. Other gaming lines remained stable.

Share of the profit of WCLC increased, following the trends for LOTTO MAX and LOTTO 6/49 described in the lottery segment. However, when compared to the lottery segment, the percentage increase in sales of LOTTO MAX was lower and the percentage decrease in sales of LOTTO 6/49 was higher as some online sales shifted to WCLC's Lotto Spot app.

Higher expenses were mostly due to higher platform maintenance fees for PlayNow and increased legal fees to combat illegal online gaming.

Video Lotto

All VLTs in Manitoba are owned and maintained by MBLL. They are operated by, and located in, businesses that hold a liquor service licence. VLT sites are grouped into three pools based on business type: First Nations, private (commercial), and veterans' organizations. These groups have respective agreements with MBLL that see them earn commission and contributions on their net win (the amount wagered on their site's VLTs, less the amount paid out in winnings):

- Commercial siteholders like bars and lounges keep 17.5% to 22.0% of net win based on site performance. 10% represents the hosting service provided to MBLL, with the remainder a contribution to promote tourism in the province.
- First Nations siteholders keep 90% of net win. 5% represents the hosting service provided to MBLL, with the remainder a contribution to promote sustainable social and economic benefits in those communities.
- Veterans' organizations keep 30% of net win, the full value of which represents the hosting service provided to MBLL.

COMMISSIONS AND CONTRIBUTIONS

(in thousands)	2025	2024		$ change	% change
Commercial siteholders	$ 53,075	$ 53,269	↓	194	0.4%
First Nations	62,464	60,099	↑	2,365	3.9%
Veterans' organizations	2,993	3,008	↓	15	0.5%
	$ 118,532	**$ 116,376**	↑	**2,156**	**1.9%**

SUMMARY OF RESULTS

(in thousands)	2025	2024		$ change	% change
Revenue	$ 343,064	$ 342,091	↑	$ 973	0.3%
Cost of sales	118,532	116,376	↑	2,156	1.9%
Operating expenses	16,698	10,613	↑	6,085	57.3%
Non-operating expenses	21,584	16,134	↑	5,450	33.8%
Net income	186,250	198,968	↓	12,718	6.4%

Revenue increased slightly over 2024. This mirrored a softening of VLT performance across all VLT jurisdictions.

Operating expenses were higher than last year. Employee benefits increased due to the full-year impacts of new collective agreements. Technology systems and support increased due to project delivery investments and central management system maintenance costs.

Non-operating expenses were higher mostly from depreciation and interest expense related to newly purchased VLTs.

First Nations Casinos and Shark Club Gaming Centre

MBLL acts as the Government of Manitoba's agent in maintaining conduct and management authority over First Nations casinos and the Shark Club Gaming Centre . All costs of gaming supplies are recovered on an annual basis. Capital costs for gaming equipment, paid by MBLL, are recovered over five years.

In 2025, MBLL purchased gaming equipment and software on behalf of its partners:

- $4.4 million for South Beach Casino, including an upgraded casino management system
- $0.7 million for Aseneskak Casino
- $0.8 million for Shark Club Gaming Centre

MLC Holdings Inc.

MBLL's consolidated financial statements include the results of MLC Holdings Inc., a controlled entity created to purchase capital assets for lease to MBLL at cost. MLC Holdings Inc. management and oversight is consolidated within MBLL's operations. The board approves capital purchases through the annual business planning process. In 2025, MLC Holdings Inc. acquired $38.5 million in capital assets for lease to MBLL.

Liquidity and Capital Resources

Summary of cash flows

(in thousands)	2025	2024		$ change	% change
Cash provided by (used in):					
Operating activities	801,450	795,451	↑	5,999	0.8%
Investing activities	(41,915)	(53,455)	↓	11,540	21.6%
Financing activities	(765,278)	(732,871)	↑	32,407	4.4%
Change in cash during the year	**(5,743)**	**9,125**			

Cash flows provided by operating activities increased mainly due to the absence of a one-time gain on the sale of the land and building at 830 Empress Street realized in the previous reporting year.

Cash used in investing activities decreased with a reduction in capital asset investment. The ongoing replacement of old and obsolete VLT machines involved buying 941 new machines during the year. The casinos upgraded electronic gaming devices through the purchase of 115 new machines, and work continued on a project to replace end-of-life HVAC equipment. Renovations and racking improvements occurred at several Liquor Marts, providing customers with a modern and convenient shopping experience and improving accessibility. Information technology networking equipment was replaced to ensure the reliability and security of operations.

Capital asset purchases are financed through both working capital and long-term debt. All long-term debt is payable to the Province of Manitoba at terms established upon issue. Borrowing is authorized under *The Manitoba Liquor and Lotteries Corporation Act* and *The Appropriation Act*. MBLL requests necessary borrowing authority annually under *The Appropriation Act* to fund capital projects related to its operations and to fund the acquisition of capital assets for First Nations casinos through the conduct and management agreements. Debt service costs on advances drawn to purchase gaming equipment for First Nations casinos are fully recovered over a five-year term, consistent with the recovery of the capital cost of the gaming equipment.

Proceeds on long-term debt were lower by $20.7 million. Most long-term debt has fixed interest rates and is repayable in monthly instalments. Payments of principal and interest on long-term debt decreased by $5.2 million.

Cash distributions to the Province of Manitoba were higher by $17.6 million. These distributions support provincial programs and services like health care, education, social services, housing, and infrastructure.

Social Responsibility

MBLL is committed to encouraging the responsible use of its products and services and embeds social responsibility values and principles throughout all business operations. *The Manitoba Liquor and Lotteries Corporation Act* commits 2% of MBLL's anticipated consolidated net income towards social responsibility initiatives. These funds are managed directly by MBLL or by community partners who receive funding:

- MBLL's DrinkSense and Informed Gambling programs help customers make lower-risk and informed decisions when enjoying our products.
- MBLL's internal training prepares employees for responsible sales and service.
- The Province of Manitoba's Shared Health offers addiction treatment and support.
- Independent researchers investigate harm minimization approaches and product use outcomes.
- Gaming and liquor products, as well as marketing campaigns, undergo a social responsibility review.

Funds may be carried forward to the following year to accommodate programming and partner scheduling.

SOCIAL RESPONSIBILITY FUNDING

(in thousands)	**2025**	**2024**
Funding third-party programs and agencies	$ 11,215	$ 10,816
Internal research and program evaluation	259	229
Consumer awareness and operating expenses	3,111	2,313
Prior year funding spent in current year	(286)	(284)
Funding carried forward to next year	1	286
	$ 14,300	**$ 13,360**

Community Support

MBLL supports a range of charitable, non-profit, and community groups in ways that add lasting value to the lives of Manitobans. This year, sponsorship and donation programs totalled $3.6 million, an increase of $0.5 million over last year with most of that in the sports category.

COMMUNITY SUPPORT

(in thousands)	**2025**	**2024**
Sports	$ 1,678	$ 1,241
Arts, culture and community	1,274	1,147
Special Manitoba events	4	225
Health	181	153
Diversity and inclusion	188	145
Key business partners	94	100
Social cause	129	87
Sustainability	53	21
	$ 3,601	**$ 3,119**

Corporate Governance

Corporate governance is the practice of ensuring an organization is accountable and conducts itself within the applicable legal framework and through an established system of bylaws, policies, processes, and structures by which the long-term goals and strategic plans of MBLL are guided. The corporate governance structure specifies the distribution of authority and accountability among the different levels of MBLL, particularly at the government, board of directors, and executive management levels. It outlines the best practices and guiding principles for making decisions on corporate affairs and provides a mechanism for accountability in relation to those decisions.

MBLL reports on its progress to the government on a quarterly and annual basis to meet various legislative requirements. In accordance with the requirements of *The Manitoba Liquor and Lotteries Corporation Act*, an annual report is prepared that includes the externally audited consolidated financial statements. Other reporting includes quarterly financial statements; an annual business plan outlining goals and objectives, key performance measures, and planned expenditures as required under the provisions of *The Crown Corporations Governance and Accountability Act* and a schedule of compensation that is prepared in accordance with the requirements of *The Public Sector Compensation Disclosure Act*.

Risk Management

MBLL continues to use and enhance its enterprise risk management framework to effectively embed risk management practices into key organizational processes.

By establishing a consistent approach for assessing and managing its business risks, MBLL can effectively address the impact of internal and external factors and events on the achievement of its business goals and objectives.

In the normal course of business, MBLL is exposed to several risks. These risks and the actions taken to mitigate them are discussed below.

Strategic Risks

Strategic risks include external environment forces and events, risks impacting the effective allocation of resources, risks that major initiatives are not aligned with MBLL's goals and objectives and are not being carried out effectively, risks of ineffective relationships with key stakeholders, and risks to reputation.

MBLL researches, recognizes and understands changes to its external environment through market analysis and formalized strategic planning for its key lines of business and corporate functions. Management engages in rigorous annual business planning and budgeting activities. Management has established a formal project methodology and is dedicated to developing and maintaining effective communication processes with its key stakeholders. MBLL is committed to be a good corporate citizen through its various sustainability, corporate responsibility, and social responsibility programs and initiatives.

Operational Risks

Operational risks include risks that the operations of MBLL are not efficient, do not meet customer needs, do not effectively manage product quality, do not protect product or service integrity, and do not safeguard MBLL's significant monetary assets.

MBLL has established appropriate functional areas and developed processes to effectively provide, promote and deliver products and services to customers; recruit, develop and retain resources to meet current and future operational needs; manage hazards; and manage information technology operations in order to achieve its goals and objectives. Management regularly reviews and assesses the amount of risk present in operating units, large scale projects, and specific business processes and develops action plans to support continuous improvement.

As MBLL continues to leverage technological opportunities to support its business, various tactics have been developed to manage the risks associated with new technologies. These include the development of formal technology strategies, architectures, and roadmaps to help guide future direction.

Financial Risks

Financial risks include risks that cash flows and financial information are not efficiently and effectively managed or safeguarded which can compromise financial integrity and decision-making ability of MBLL.

MBLL's exposure to interest-rate risk is substantially limited due to the use of fixed-rate, long-term debt. Credit risk due to the inability or unwillingness of a counterparty to fulfill its payment obligations, while low, is mitigated through MBLL's centralized credit management and collection practices. MBLL manages its liquidity risk through effective cash and long-term debt management. MBLL is exposed to currency risk through liquor inventory purchase transactions that require settlement in foreign currencies, which is mitigated by the policy of adjusting purchase or selling prices to maintain approved liquor profit margins.

Governance and Compliance Risks

Governance and compliance risks include the risks of acts of fraud or corruption; the failure to comply with regulatory or contractual requirements; and that business objectives are being pursued in an unmanaged environment that does not encourage integrity, ethical values and competence.

MBLL is committed to having an effective control environment through the establishment and maintenance of its corporate governance model, policies and procedures, regulatory compliance programs, and audit controls. Management regularly reviews the appropriateness and effectiveness of control activities embedded within processes and takes corrective action to strengthen its system of internal controls.

Climate Risks

Climate risks include physical risks arising from the physical effects of climate change and environmental degradation, and transitional risks arising from policy action taken to transition the economy off fossil fuels and failing to transition to global low carbon economy.

MBLL assesses its exposure to these risks by conducting climate-related risk assessments every three years. These assessments use emission scenario analysis, a process to explore the complex interplay of physical and transition climate risks that may affect MBLL's operations, strategies, and financial performance over time. During the assessments, key operational staff evaluate risk statements to determine corporate vulnerabilities and to review existing processes to manage climate-related risks. Short-term climate impacts are mitigated through operational controls, and medium- and long-term risks are managed through the strategic and business planning processes.

MBLL recognizes the importance of forward-looking climate analysis to anticipate future adaption and mitigation needs. Efforts are currently underway to meet the goal of achieving net-zero emissions by 2050.

For more information, please see MBLL's 2025 environmental, social and governance report.

Whistleblower Report

Per *The Public Interest Disclosure (Whistleblower Protection) Act*, MBLL maintains a whistleblower protection policy through which employees can report serious and significant wrongdoings, as defined by the Act, observed in the workplace without fear of reprisal.

No disclosures were submitted to the designated officer during the 2025 year.

Future Outlook

MBLL's allocation to the Province of Manitoba is budgeted to be $737.0 million in 2026. This represents an increase of $6.9 million or 0.9% from the $730.1 million allocation to the Province of Manitoba in 2025.

In the upcoming year, Cannabis Operations will continue to focus on bringing efficiencies to the wholesale and distribution model used to move products between suppliers and retailers. This includes ongoing process enhancements for retailers navigating MBLL's online product catalogue.

Liquor Operations will focus on Liquor Mart store development activities to meet the needs of consumers and growing communities. This will be supplemented with ongoing efforts to enhance the shopping experience for Liquor Mart customers. MBLL will continue to prioritize its relationships with valued business partners, including suppliers and channel partners, and collaborate on approaches to build mutual success.

Video Lotto will continue its replacement of obsolete machines on the network with the purchase of new VLTs. The casinos will also continue its replacement of electronic gaming devices, with a goal of providing customers with fresh options for play. A phased project to replace end-of-life HVAC equipment at the Casinos of Winnipeg will continue, providing appropriate heating, ventilation, and air conditioning for the safety and comfort of patrons. Online gaming is anticipating the rollout of a new app developed by BCLC for casino-style games, which will provide users enhanced functionality and convenience. Improvements to the PlayNow website will also provide a better player experience.

MBLL will focus on cybersecurity, disaster recovery and business continuity planning to prevent disruptions and ensure organizational resilience during unexpected adversity. MBLL will continue to strive towards reducing its environmental footprint, building upon recent successes in reducing greenhouse gas emissions, in alignment with the goal of net-zero emissions by 2050.

Manitoba Liquor and Lotteries Corporation

Consolidated Financial Statements

March 31, 2025

Management Report

The accompanying consolidated financial statements are the responsibility of management and have been prepared in accordance with the accounting policies stated in the consolidated financial statements. Management has prepared the consolidated financial statements in accordance with International Financial Reporting Standards. In management’s opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management’s best judgment regarding all necessary estimates and all other data available. The financial information presented elsewhere in the annual report is consistent with that in the consolidated financial statements unless otherwise stated.

Management is responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for Manitoba Liquor and Lotteries Corporation. Management designed such internal controls, or caused them to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of Manitoba Liquor and Lotteries Corporation are properly safeguarded. As part of the financial statement audit performed by Ernst & Young LLP, they reviewed the corporation’s internal controls to the extent that they considered necessary and reported their findings to management and the board of directors.

The responsibility of Ernst & Young LLP is to express an independent opinion on whether the consolidated financial statements are fairly stated in accordance with International Financial Reporting Standards. The independent auditor’s report outlines the scope of the audit examination and provides the audit opinion.

The board meets with management and Ernst & Young LLP to satisfy itself that each group has properly discharged its respective responsibilities and to review the consolidated financial statements before approving them. The board has reviewed and approved the consolidated financial statements for the fiscal year ended March 31, 2025.

Original signed by **Gerry Sul** – President and Chief Executive Officer

Original signed by **Ian Urquhart** – Chief Financial Officer

Independent Auditor's Report

To the Board of Directors of
Manitoba Liquor and Lotteries Corporation

Opinion

We have audited the consolidated financial statements of Manitoba Liquor and Lotteries Corporation and its subsidiary [the "Group"], which comprise the consolidated statement of financial position as at March 31, 2025, and the consolidated statement of net income, comprehensive income and equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ["IFRS"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Other information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, in the Group's Annual Report.

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

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

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 these consolidated 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 consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

Ernst + Young LLP

Chartered Professional Accountants
Winnipeg, Canada
June 26, 2025

As at March 31
(in thousands of Canadian dollars)

Consolidated Statement of Financial Position

	Note	2025	2024
Assets			
Current assets			
Cash		$ 45,171	$ 50,914
Trade and other receivables	4	46,646	52,542
Inventories	5	62,117	59,010
Prepayments	6	10,532	6,256
		164,466	168,722
Non-current assets			
Other receivable	7	8,631	8,631
Property and equipment, net	8	357,028	352,135
Right-of-use assets, net	9	58,666	60,284
Intangible assets, net	10	7,828	8,562
		432,153	429,612
Total assets		**$ 596,619**	**$ 598,334**
Liabilities and equity			
Current liabilities			
Trade and other payables	11	$ 152,723	$ 141,034
Contract liabilities	12	14,319	13,583
Payable to the Province of Manitoba		72,059	64,466
Current portion of long-term debt	13	50,950	55,290
Current portion of lease liabilities	9	8,881	8,492
		298,932	282,865
Non-current liabilities			
Long-term debt	13	232,494	248,750
Lease liabilities	9	60,193	61,719
		292,687	310,469
Commitments and contingencies	17		
Equity			
Retained earnings		5,000	5,000
Total liabilities and equity		**$ 596,619**	**$ 598,334**

(see accompanying notes to the consolidated financial statements)

On behalf of the board

Original signed by **Jeff Traeger** – Director and Chair of the Board of Directors

Original signed by **Tannis Mindell** – Director and Chair of the Audit & Finance Committee

(in thousands of Canadian dollars)

Consolidated Statement of Net Income, Comprehensive Income and Equity

	Note	2025	2024
Revenue	14	$ 1,735,917	$ 1,692,029
Cost of sales	14	688,633	675,095
		1,047,284	1,016,934
Operating expenses	14	286,922	262,620
Depreciation and amortization		46,599	45,714
Goods and Services Tax		10,038	8,266
		343,559	316,600
Operating income		**703,725**	**700,334**
Share of profit of Western Canada Lottery Corporation	15	57,477	62,950
Interest expense		(13,301)	(12,718)
Interest income		2,126	2,190
Income before allocations and payments		750,027	752,756
Allocations and payments	16	19,968	20,290
Net income and comprehensive income		730,059	732,466
Equity, beginning of the year		5,000	5,000
Allocation to the Province of Manitoba		(730,059)	(732,466)
Equity, end of the year		**$ 5,000**	**$ 5,000**

(see accompanying notes to the consolidated financial statements)

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

Consolidated Statement of Cash Flows

	2025	2024
Operating activities		
Net income	$ 730,059	$ 732,466
Add (deduct):		
Depreciation related to property and equipment	35,028	32,912
Depreciation on assets related to Conduct and Management agreements	980	536
Depreciation related to right-of-use assets	9,396	10,464
Amortization related to intangible assets	2,175	2,338
Interest on financing activities	13,301	12,718
Gain on disposal of assets held for sale	-	(4,394)
Gain on disposal of property and equipment	(427)	(316)
	790,512	786,724
Changes in non-cash working capital items:		
Decrease (increase) in trade and other receivables	5,896	(2,151)
Decrease (increase) in inventories	(3,107)	5,378
Increase in prepayments	(4,276)	(1,473)
Increase in trade and other payables	11,689	7,383
Increase (decrease) in contract liabilities	736	(410)
Cash provided by operating activities	**801,450**	**795,451**
Investing activities		
Purchase of property and equipment	(41,136)	(52,480)
Purchase of intangible assets	(1,441)	(6,213)
Proceeds from disposal of assets held for sale	-	4,676
Proceeds from disposal of property and equipment	662	562
Cash used in investing activities	**(41,915)**	**(53,455)**
Financing activities		
Cash distributions to the Province of Manitoba:		
Current year	(683,000)	(693,000)
Prior year	(39,466)	(11,907)
Proceeds from long-term debt	36,200	56,900
Payment of principal and interest on long-term debt	(67,506)	(72,748)
Payment of principal and interest on lease liabilities	(11,506)	(12,116)
Cash used in financing activities	**(765,278)**	**(732,871)**
Net increase (decrease) in cash during the year	**(5,743)**	**9,125**
Cash, beginning of the year	**50,914**	**41,789**
Cash, end of the year	**$ 45,171**	**$ 50,914**

(see accompanying notes to the financial statements)

1. Background

By consent of the Legislative Assembly of Manitoba, *The Manitoba Liquor and Lotteries Corporation Act* was enacted on December 5, 2013 and came into force on April 1, 2014. Under *The Manitoba Liquor and Lotteries Corporation Act*, Manitoba Liquor and Lotteries Corporation (the Corporation) was established as a Crown corporation.

The registered office of the Corporation is located at Unit A, 1555 Buffalo Place, Winnipeg, Manitoba.

2. Material accounting policies

a) Basis of presentation

The consolidated financial statements of the Corporation for the year ended March 31, 2025 were authorized for issue by the Board of Directors on June 26, 2025.

These consolidated financial statements were prepared on a going concern basis using historical cost, except for certain financial instruments that are reported at fair value. The consolidated financial statements are presented in Canadian dollars (CAD), the functional currency of the Corporation, and all values are rounded to the nearest thousand dollars ($000) except where otherwise indicated.

b) Statement of compliance

The consolidated financial statements of the Corporation have been prepared in accordance with IFRS Accounting Standards and related interpretations as issued by the International Accounting Standards Board.

c) Basis of consolidation

The consolidated financial statements combine the accounts of the Corporation and MLC Holdings Inc. This controlled entity was established to purchase capital assets, which are leased to the Corporation at cost.

MLC Holdings Inc. has been fully consolidated since the date of inception and will continue to be consolidated until the date when control ceases. The financial statements of MLC Holdings Inc. are prepared for the same reporting period as the Corporation using consistent accounting policies. All intercompany transactions and accounts have been eliminated on consolidation.

d) Western Canada Lottery Corporation

The Western Canada Lottery Corporation (WCLC) was incorporated without share capital under Part II of the *Canada Corporations Act* on May 13, 1974. The provincial governments of Manitoba, Saskatchewan and Alberta are members in the WCLC, and the Yukon Territory, the Northwest Territories and Nunavut participate with the provinces as associate members in the sale of gaming products. Each province and territory has appointed a lottery organization to assist the WCLC with the distribution of gaming products in its jurisdiction (the Corporation for the Province of Manitoba).

The Corporation has significant influence, but not control, over the financial and operating policies of the WCLC and therefore accounts for its share of the results of the operations of the WCLC (considered an associate) using the equity method. The financial statements of the WCLC are prepared for the same reporting period as the Corporation. The Corporation's share of the profits calculated based on relative sales levels by jurisdiction is disclosed in note 15.

e) First Nations Casinos and Shark Club Gaming Centre

The Government of Manitoba has overall control over gaming in Manitoba in accordance with the requirements of the *Criminal Code of Canada* and has appointed the Corporation to act as its agent in the Conduct and Management (C&M) of the gaming regime.

Through a selection process, the Government of Manitoba has provided certain First Nations the opportunity to operate casinos, with the Corporation maintaining the C&M authority over these casinos. The Corporation recovers all direct gaming-related expenses from First Nations Casinos and provides general administrative and compliance services upon request on a fee-for-service basis.

The Government of Manitoba has provided the TN Arena Limited Partnership the opportunity to establish the Shark Club Gaming Centre, with the Corporation maintaining the C&M authority over this gaming centre. As part of this authority, the Corporation recovers all direct gaming-related expenses. In addition, the Corporation has entered into an agreement with the owner to perform management services on their behalf with respect to the gaming activity of the gaming centre.

f) PlayNow online gaming platform

The Corporation entered into an agreement with British Columbia Lottery Corporation (BCLC) to develop a Manitoba version of their online gaming platform, PlayNow, which became operational in Manitoba in January 2013. BCLC is responsible for the overall direction and day-to-day operations of the PlayNow platform, with the Corporation maintaining C&M authority. BCLC and the Corporation collaborate on marketing initiatives, which are carried out in Manitoba on a fee-for-service basis.

g) Foreign currency translation

The functional currency is the currency of the primary economic environment in which the Corporation operates and is normally the currency in which the Corporation generates and expends cash. Each entity determines its own functional currency and items included in the financial statements are measured using that functional currency. The functional currency and presentation currency of the Corporation is CAD.

Foreign currency transactions are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate at the reporting date, and all differences are recorded in the consolidated statement of net income, comprehensive income and equity. Non-monetary assets and liabilities and revenue and expenses that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date the fair value is determined.

h) Financial instruments

Financial instruments are recognized in the consolidated statement of financial position when the Corporation becomes a party to the contractual terms of the instrument, which represents its trade date. With the exception of trade receivables that do not contain a significant financing component or for which the Corporation has applied the practical expedient, all financial instruments are initially measured at fair value adjusted for directly attributable 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. Upon initial recognition, the Corporation designates its financial instruments as subsequently measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss.

The financial assets of the Corporation include cash and trade and other receivables. The financial liabilities of the Corporation include trade and other payables, contract liabilities, payable to the Province of Manitoba, lease liabilities and long-term debt.

i. Fair value through profit or loss

Cash is classified as fair value through profit or loss and is measured at fair value. Any gains or losses arising on the revaluation to fair value are recorded in the consolidated statement of net income, comprehensive income and equity.

ii. Amortized cost

Trade and other receivables are subsequently measured at amortized cost using the effective interest rate method, less impairment as they are held to collect contractual cash flows of principal and interest on specified dates. Any gains or losses and any losses arising from impairment are recognized in the consolidated statement of net income, comprehensive income and equity.

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Any gains or losses are recognized in the consolidated statement of net income, comprehensive income and equity.

A financial asset 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.

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 financial liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. Any difference in the respective carrying amounts of the financial liability is recognized in the consolidated statement of net income, comprehensive income and equity.

i) Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and any accumulated impairment losses. Cost includes expenditures 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 can be reliably measured. If the costs of a certain component of property and equipment are significant in relation to the total cost of the asset, these are accounted for and depreciated separately. All other repairs and maintenance costs are charged to the consolidated statement of net income, comprehensive income and equity as incurred.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs associated with the borrowing of funds.

Depreciation is charged to the consolidated statement of net income, comprehensive income and equity based on cost, less estimated residual value, on a straight-line basis over the estimated useful life of the asset as follows:

Furniture and equipment	3 to 40 years
Gaming equipment	5 to 8 years
Assets relating to C&M agreements	5 to 7 years
Parking lots and roads	15 to 25 years
Leasehold improvements	Over the remaining term of the lease
Major building components	5 to 50 years
Building structures	40 to 50 years

The assets' residual values, useful lives and methods of depreciation are reviewed at each fiscal year-end and are adjusted prospectively, if appropriate.

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 is included in the consolidated statement of net income, comprehensive income and equity when the asset is derecognized.

j) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date based on whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

The Corporation recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee on the date that the underlying asset is available for use. Exceptions include leases of low-value assets, short-term leases (those with a lease term of 12 months or less), and variable leases where payment is linked to future performance or use. Payments related to low-value and short-term leases are recorded as an operating expense in the consolidated statement of net income, comprehensive income and equity on a straight-line basis over the term of the lease. Variable leases consist of leases for certain gaming equipment and are recorded in cost of sales in the consolidated statement of net income, comprehensive income and equity.

The lease liability is initially measured at the present value of lease payments to be made over the lease term and includes fixed payments, net of any lease incentives. The Corporation uses judgment in determining the appropriate lease term on a lease-by-lease basis and includes renewal options where it is reasonably certain the lease will be renewed. The present value of lease payments is calculated using the Corporation's incremental borrowing rate at the lease commencement date, unless the interest rate implicit in the lease is readily determinable.

Subsequent to initial measurement, lease liabilities are measured at amortized cost using the effective interest rate method. Lease liabilities are remeasured for any changes in lease terms, changes in future lease payments due to a change in the rate or index associated with those payments, or any lease contract modifications that do not result in the recognition of a separate lease. Lease payments are apportioned between finance charges and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized within interest expense in the consolidated statement of net income, comprehensive income and equity.

Right-of-use assets are initially measured at the amount of the corresponding lease liability plus any significant initial direct costs and decommissioning costs. Subsequent to initial measurement, right-of-use assets are measured at cost, net of accumulated depreciation, and are adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter period of the lease term and the estimated useful life of the underlying asset. Right-of-use assets are subject to impairment, as described in note 2(m)(ii).

For sale and leaseback transactions, the Corporation assesses the substance of the transaction and whether control of the asset has been transferred to the purchaser. If the transaction is determined to be a sale, the underlying asset is derecognized and a right-of-use asset is recognized at the proportion of the previous carrying amount as it relates to the right of use retained by the Corporation. Any residual amount is recognized as a gain on sale and leaseback of assets in the consolidated statement of net income, comprehensive income and equity.

k) Intangible assets

Acquired intangible assets of the Corporation consist of finite-life computer software. Intangible assets acquired separately are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is charged to the consolidated statement of net income, comprehensive income and equity on a straight-line basis over the estimated useful life of the asset as follows:

Computer software	3 to 15 years

The assets' useful lives and methods of amortization are reviewed at each fiscal year-end and adjusted prospectively, if appropriate. Gains or losses arising from the 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 income, comprehensive income and equity when the asset is derecognized.

l) Inventories

Inventories consist of goods for resale and consumable supplies and are valued at the lower of average cost and net realizable value. Costs incurred in bringing each product to the distribution centre or warehouse location are accounted for as the purchase cost assigned on a weighted average basis and consist of the purchase price, import duties and freight. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Inventory write-downs are reversed if the estimated calculations of the recoverable amount change. Write-downs are reversed only to the extent that the carrying value does not exceed the carrying value that would have been determined if no write-down had been recognized.

m) Impairment

i. Trade and other receivables

The Corporation assesses at each reporting date whether to recognize a loss allowance for expected credit losses (ECLs) for a financial asset or group of financial assets not held at fair value through profit or loss. If there is objective evidence that an ECL exists, the loss is recognized in the consolidated statement of net income, comprehensive income and equity. The ECL is estimated as the difference between the contractual cash flows due in accordance with the contract and all cash flows the Corporation expects to receive.

The Corporation applies a simplified approach in calculating ECLs where changes in credit risk are not tracked, and loss allowances are based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

ii. Non-financial assets

The Corporation assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, the asset's recoverable amount is estimated. For the purposes of impairment testing, non-financial assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, the cash-generating unit (CGU).

The recoverable amount of a non-financial asset or CGU is the greater of its fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses, if applicable, are recognized in the consolidated statement of net income, comprehensive income and equity.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Impairment loss reversals are recognized in the consolidated statement of net income, comprehensive income and equity in a manner consistent with the originally recognized impairment loss.

n) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. The expense relating to any provision is presented in the consolidated statement of net income, comprehensive income and equity net of any reimbursement and, if the effect of the time value of money is material, is discounted using a rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase to the provision due to the passage of time is recognized as a finance cost.

o) Pension plans

In accordance with the provisions of *The Civil Service Superannuation Act* (CSSA), employees of the Corporation are eligible for pension benefits. Plan members are required to contribute to the multi-employer Civil Service Superannuation Fund (the Fund) at prescribed rates for defined benefits and will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The Corporation is required to match contributions contributed to the Fund by the employees at prescribed rates, which are recorded as an operating expense. Under the CSSA, the Corporation has no further pension liability. Based on limited information available from the Fund, the Corporation has judged this information to be insufficient to properly allocate any potential pension plan deficits and is therefore not able to reliably determine its participation in any potential future deficit. As a result, the Corporation expenses contributions made to the pension plan as if the plan was a defined contribution plan.

For employees whose annual earnings exceed the limit under the Fund, a pension liability is established. This liability is determined actuarially on an annual basis. Actuarial gains and losses are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to operating expenses in the period in which they occur.

The Corporation also makes contributions for certain employees and officers to a money purchase pension plan at prescribed rates, which are recorded as an operating expense.

p) Revenue recognition

Revenue from contracts with customers is recognized at an amount equal to the transaction price allocated to the specific distinct performance obligation when the performance obligation is satisfied. Revenue from contracts with customers is evaluated and separated into distinct performance obligations when there is a distinct good or service to be transferred in the future. The Corporation assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent and has generally concluded that it is acting as principal in all of its revenue arrangements, with the exception of the agency relationships described below, as it typically controls the goods or services before transfer to the customer.

Revenue from product sales is recognised at the point in time when control of the product is transferred to the buyer, generally on delivery of products. Lottery revenue is recognized as of the date of the draw with the exception of instant game revenue, which is recorded at the time the ticket is activated by the retailer via the online accounting system for sale to customers. Video lottery and other gaming revenue are recognized at the time of play, net of prizes paid. Other revenue sources are discussed below.

i. Promotional allowances

Promotional allowances include the value of food, beverages, gaming free play, and other items provided on a complimentary basis to casino patrons. The value of these complimentary items is included in gross revenue and then deducted as a promotional allowance to arrive at net revenue.

The Corporation also operates a loyalty points program whereby patrons can earn points based upon their level of play on certain casino games. Points can be redeemed for gaming free play and certain goods and services provided by the casinos. Where a revenue transaction includes points awarded under the program, the revenue allocated to the points is deferred based on the fair value of the awards, which is assigned as $0.01 per point earned, and recognized as revenue when the points are redeemed and the Corporation fulfills its obligation to supply the awards.

ii. Third-party AIR MILES® program

The Corporation participates in the third-party AIR MILES® program, which allows customers to earn AIR MILES® points when they purchase products in the Corporation's retail liquor stores. The redemption of points by customers is the responsibility of the third-party AIR MILES® program. Consideration received is recorded net of related expenses as the Corporation is acting as an agent for the AIR MILES® program.

iii. Micro-producer direct sales

The Corporation provides micro-producers who manufacture liquor products on-site in a Manitoba location the opportunity to sell their product directly to customers at the location where it is produced. Under this arrangement, the manufacturers remain the primary obligor responsible to fulfill the promise to deliver the goods upon completion of the sale transaction. Due to the economic substance of the arrangement, the Corporation is acting as agent for these direct sales and records revenue net of related expenses.

iv. Contract balances

A contract asset is the right to consideration in exchange for goods or services transferred to the customer, and a contract asset is recognized for the earned consideration that is conditional if performance is complete before payment is received or becomes due. A receivable represents the Corporation's right to an amount of consideration that is unconditional, meaning that only the passage of time is required before payment of the consideration is due.

A contract liability is the obligation to transfer goods or services to a customer for which the Corporation has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognized as revenue when the Corporation performs under the contract and are disclosed in note 12.

q) Goods and Services Tax

In lieu of Goods and Services Tax (GST) on lottery and gaming revenue, the Corporation forgoes claiming input tax credits and pays an additional 5% GST on gaming expenditures, including retailer commissions. Total GST is reported as GST expense in the consolidated statement of net income, comprehensive income and equity.

The Corporation collects GST on liquor and cannabis sales, as well as applicable entertainment, food and beverage, and casino retail store operations. An input tax credit is claimed for GST paid on non-gaming expenditures.

r) Assets held for sale

Assets held for sale are presented separately in the consolidated statement of financial position when the Corporation is committed to selling the assets, an active plan of sale has commenced, and the sale is expected to be completed within 12 months. Immediately before the initial classification of the assets as held for sale, the carrying amounts of the assets are measured in accordance with the applicable accounting policy. Assets held for sale are subsequently measured at the lower of their carrying amount and fair value less cost to sell.

s) Climate-related matters

The Corporation assesses climate-related matters in its assumptions and estimates, including the possible impacts of both physical and transition risks. Climate-related risks do not currently have a material impact on any measurements contained in the financial statements. The Corporation closely monitors climate-related matters to ensure its assumptions and estimates remain accurate.

t) Changes in accounting policies

During the year, the Corporation adopted the following standards:

i. Lease Liability in a Sale-and-Leaseback – Amendments to IFRS 16

Amendments to *IFRS 16 Leases* were issued in September 2022 and specify the requirements used in measuring the lease liability arising from a sale-and-leaseback transaction to ensure the seller-lessee does not recognize any portion of the gain or loss that relates to the right-of-use it retains. The amendments to IFRS 16 are effective for annual periods beginning on or after January 1, 2024 and must be applied retrospectively to the date of initial application of IFRS 16. The adoption of these amendments did not have any impact on the Corporation's consolidated financial statements.

ii. Classification of Liabilities as Current or Non-current – Amendments to IAS 1

Amendments to *IAS 1 Presentation of Financial Statements* were issued in January 2020 and October 2022 specifying the requirements for classifying liabilities as current or non-current. These amendments clarify what is meant by a right to defer settlement; clarify that classification is based on rights that exist at the end of the reporting period; and specify that classification is not impacted by expectations of whether the entity will exercise its right to defer settlement. The amendments also introduce a requirement to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2024 and must be applied retrospectively. The adoption of these amendments did not have any impact on the Corporation’s consolidated financial statements.

u) Standards issued but not yet effective

The following standards, which are reasonably expected to be applicable to the Corporation, have been issued but were not yet effective at the date of issuance of the consolidated financial statements:

i. IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements was issued in April 2024 and sets out the overall requirements for presentation and disclosure in financial statements to ensure comparability of the financial performance of similar entities. This new standard replaces *IAS 1 Presentation of Financial Statements* but maintains many of the requirements from IAS 1.

IFRS 18 aims to improve financial reporting by requiring new subtotals in the consolidated statement of net income, comprehensive income and equity. It requires that management-defined performance measures be explained within a note to the consolidated financial statements. IFRS 18 also adds new principles for the aggregation of items.

This new standard is effective for annual periods beginning on or after January 1, 2027, with earlier application permitted. The Corporation is currently evaluating the impact of adoption of the new standard.

ii. Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7

Amendments to *IFRS 9 Financial Instruments* and *IFRS 7 Financial Instruments: Disclosures* were issued in May 2024 and clarify the derecognition date of a financial liability, provide guidance on the classification of financial assets with environmental, social, and governance features, and introduce an accounting policy option to derecognize before the settlement date financial liabilities settled using an electronic payment system.

These amendments are effective for annual periods beginning on or after January 1, 2026, with earlier application permitted. The Corporation is currently evaluating the impact of adoption of the amendments.

3. Significant accounting estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements. Actual results could differ from those estimates.

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.

a) Determination of useful lives for tangible and intangible assets

The Corporation has based the determination of the useful lives of tangible and intangible assets on a detailed review of all empirical data for the different asset classes. The Corporation annually reviews the validity of the useful lives applied to the different asset classes based on current circumstances and considers the impact of any external or internal changes in the Corporation's environment, which may indicate the requirement to reconsider these useful lives.

b) Leases

The Corporation has based the determination of the lease terms for right-of-use assets on a detailed review of all facts and circumstances for each lease. The Corporation uses judgment in determining the incremental borrowing rate applicable to each lease, which is used in the calculation of the value of the right-of-use asset and lease liability. The periods covered by renewal options are included in the lease term only if it is reasonably certain that the lease will be renewed. The Corporation annually reviews the validity of the lease term for each right-of-use asset based on current circumstances and considers the impact of any external or internal changes in the Corporation's environment, which may indicate the requirement to reconsider the lease term applied.

c) Revenue from contracts with customers

i. Loyalty points program

The Corporation operates a program whereby patrons can earn points based upon their level of play on certain casino games. Points can be redeemed for gaming free play and certain goods and services provided by the casinos. The future redemption liability is included in contract liabilities and is based on an assessment of anticipated point redemptions and point value. The Corporation adjusts the estimated liability based on redemption experience and additional points earned and any adjustments are recorded in the consolidated statement of net income, comprehensive income and equity.

ii. Principal versus agent considerations

The Corporation participates in the third-party AIR MILES® program, which allows customers to earn AIR MILES® points when they purchase products in the Corporation's retail liquor stores. The redemption of points by customers is the responsibility of the third-party AIR MILES® program; therefore, no contract liability remains. The Corporation has concluded it is acting as agent under this arrangement and consideration received is recorded net of related expenses.

(in thousands of Canadian dollars)

The Corporation has concluded it is acting as agent under an arrangement that allows micro-producers who manufacture liquor products on-site in a Manitoba location to sell product directly to customers at the location where it is produced. As a result, revenue is recorded net of related expenses under this agency relationship.

iii. Other consideration and obligations

The Corporation is required to make several other estimates and judgments including the determination of the nature of performance obligations under its contracts, the assessment of the amount of variable consideration stemming from its performance obligations and whether a significant financing component exists in any of its contracts with customers.

In addition to the gaming loyalty points program, other distinct performance obligations have been identified where consideration has been received and a future obligation to be satisfied by the Corporation exists. The performance obligations relating to these revenues remain as an outstanding contract liability until the performance obligation has been satisfied. The majority of contracts with customers are settled immediately or through commercial sales with 30-day credit terms; therefore, the Corporation has concluded that no significant financing components exist.

4. Trade and other receivables

	2025	**2024**
Trade	$ 36,423	$ 36,342
British Columbia Lottery Corporation	4,791	6,031
Western Canada Lottery Corporation	5,432	10,169
	$ 46,646	**$ 52,542**

The Corporation’s exposure to credit risk related to trade and other receivables is disclosed in note 18(d).

5. Inventories

	2025	**2024**
Warehouse	$ 41,800	$ 37,234
Retail locations	19,890	21,339
Consumable supplies	427	437
	$ 62,117	**$ 59,010**

The amount of unpaid and unrecorded Customs and Excise duties on owned merchandise held in bond is $6,725 at the end of the 2025 fiscal year (2024 – $6,037).

(in thousands of Canadian dollars)

6. Prepayments

	2025	2024
Maintenance contracts	$ 7,439	$ 4,880
Deposits and other	2,897	1,170
Insurance	196	206
	$ 10,532	**$ 6,256**

7. Other receivable

The amount in other receivable relates to a loan receivable from a third party. The loan carries an interest rate of 3.25% and has a maturity date of June 14, 2032.

8. Property and equipment

	Land	Buildings, parking lots and roads	Leasehold improve-ments	Gaming equipment	Furniture and equipment	Assets related to C&M agreements	Work in progress (WIP)	Total
Cost								
April 1, 2023	$ 25,370	$ 381,644	$ 58,901	$ 205,706	$ 117,795	$ 32,910	$ 24,225	$ 846,551
Additions	-	3,379	3,253	25,034	5,213	23	15,578	52,480
Transfers from WIP	-	742	67	9,347	691	787	(11,634)	-
Reclassified as held for sale	(102)	(4,234)	-	-	-	-	-	(4,336)
Disposals	-	(145)	-	(27,479)	(4,054)	(2,499)	-	(34,177)
March 31, 2024	**25,268**	**381,386**	**62,221**	**212,608**	**119,645**	**31,221**	**28,169**	**860,518**
Additions	-	3,770	1,900	10,536	4,431	2,171	18,328	41,136
Transfers from WIP	-	9,823	510	6,660	325	3,571	(20,889)	-
Disposals	-	(31)	-	(12,834)	(3,866)	(11,619)	-	(28,350)
March 31, 2025	**$ 25,268**	**$ 394,948**	**$ 64,631**	**$ 216,970**	**$ 120,535**	**$ 25,344**	**$ 25,608**	**$ 873,304**

	Land	Buildings, parking lots and roads	Leasehold improve-ments	Gaming equipment	Furniture and equipment	Assets related to C&M agreements	Work in progress (WIP)	Total
Depreciation								
April 1, 2023	$ -	$ 184,937	$ 27,127	$ 171,561	$ 96,774	$ 32,521	$ -	$ 512,920
Depreciation	-	11,771	4,173	11,063	5,905	536	-	33,448
Reclassified as held for sale	-	(4,054)	-	-	-	-	-	(4,054)
Disposals	-	(144)	-	(27,458)	(3,830)	(2,499)	-	(33,931)
March 31, 2024	**-**	**192,510**	**31,300**	**155,166**	**98,849**	**30,558**	**-**	**508,383**
Depreciation	-	12,369	3,918	12,913	5,828	980	-	36,008
Disposals	-	(31)	-	(12,704)	(3,761)	(11,619)	-	(28,115)
March 31, 2025	**$ -**	**$ 204,848**	**$ 35,218**	**$ 155,375**	**$ 100,916**	**$ 19,919**	**$ -**	**$ 516,276**
Net book value								
March 31, 2025	**$ 25,268**	**$ 190,100**	**$ 29,413**	**$ 61,595**	**$ 19,619**	**$ 5,425**	**$ 25,608**	**$ 357,028**
March 31, 2024	25,268	188,876	30,921	57,442	20,796	663	28,169	352,135

(in thousands of Canadian dollars)

Capital assets related to C&M agreements consist primarily of the cost of the gaming equipment and related computer equipment for the First Nations Casinos and Shark Club Gaming Centre.

Property and equipment not yet in use are classified as work in progress and are stated at cost. No depreciation is recorded for these assets.

The amount of borrowing costs capitalized during the 2025 fiscal year was $306 (2024 – $1,283). The weighted average rate used to determine the amount of borrowing costs eligible for capitalization was 5.51%, the effective interest rate of the specific borrowing.

Assets reclassified as held for sale relate to the land and building at 830 Empress Street in Winnipeg, Manitoba, which were offered for sale during the 2024 fiscal year. The sale was finalized last year for net proceeds of $4,676, resulting in a gain on disposal of $4,394 recorded in the sundry category within operating expenses in note 14.

9. Leases

The Corporation has entered into lease contracts for the use of various land, buildings, and equipment used in its operations, which have remaining lease terms ranging from 1 to 18 years.

The Corporation's right-of-use (ROU) assets are grouped into categories consistent with property and equipment, and consist of the following:

	ROU buildings	ROU equipment	Total
Cost			
April 1, 2023	$ 97,662	$ 1,843	$ 99,505
Additions	6,047	-	6,047
March 31, 2024	103,709	1,843	105,552
Additions	7,715	63	7,778
March 31, 2025	**$ 111,424**	**$ 1,906**	**$ 113,330**
Depreciation			
April 1, 2023	$ 34,145	$ 659	$ 34,804
Additions	10,342	122	10,464
March 31, 2024	44,487	781	45,268
Additions	9,272	124	9,396
March 31, 2025	**$ 53,759**	**$ 905**	**$ 54,664**
Net book value			
March 31, 2025	**$ 57,665**	**$ 1,001**	**$ 58,666**
March 31, 2024	59,222	1,062	60,284

(in thousands of Canadian dollars)

The carrying values of lease liabilities are as follows:

April 1, 2023	$ 73,424
Additions and extensions	6,047
Payments	(12,116)
Interest on lease liabilities	2,856
March 31, 2024	70,211
Additions and extensions	7,778
Payments	(11,506)
Interest on lease liabilities	2,591
March 31, 2025	**$ 69,074**
Current portion of lease liabilities	$ 8,881
Lease liabilities	60,193
	$ 69,074

Payments for leases of low-value assets and short-term leases related to certain buildings and equipment in the 2025 fiscal year were $769 (2024 – $1,188) and are recorded in operating expenses. Variable lease payments in the 2025 fiscal year were $12,643 (2024 – $11,930) and are recorded in cost of sales.

10. Intangible assets

	Computer software acquired
Cost	
April 1, 2023	$ 54,995
Additions	6,213
Disposals	(988)
March 31, 2024	60,220
Additions	1,441
Disposals	(6,991)
March 31, 2025	$ 54,670
Amortization	
April 1, 2023	$ 50,308
Additions	2,338
Disposals	(988)
March 31, 2024	51,658
Additions	2,175
Disposals	(6,991)
March 31, 2025	$ 46,842

(in thousands of Canadian dollars)

Net book value	
March 31, 2025	**$ 7,828**
March 31, 2024	8,562

11. Trade and other payables

	2025	**2024**
Trade	$ 96,439	$ 85,348
Employee benefits	41,976	41,297
Jackpot liability	10,069	9,307
Goods and Services Tax	1,872	2,446
Manitoba Retail Sales Tax	2,367	2,636
	$152,723	**$141,034**

12. Contract liabilities

	2025	**2024**
Unearned revenue	$ 7,058	$ 6,285
Loyalty points program liability	2,642	2,862
Gift card liability	4,387	4,163
Other contract liabilities	232	273
	$ 14,319	**$ 13,583**

Revenue recognized in the 2025 fiscal year that was included in contract liabilities at the beginning of the year was $8,945 (2024 – $9,645).

13. Long-term debt

	2025	**2024**
Province of Manitoba, bearing interest at rates ranging from 1.25% to 5.10%, repayable in monthly principal instalments ranging from $1 to $583 plus interest with maturity dates ranging from March 31, 2026 to December 31, 2064.	$ 264,621	$ 278,384
Province of Manitoba, bearing interest at the prevailing Royal Bank Prime Rate less 0.75%, interest only payable quarterly. No fixed repayment schedule and maturity date.	18,823	25,656
	283,444	304,040
Less current portion of long-term debt	50,950	55,290
	$ 232,494	**$ 248,750**

All long-term debt is unsecured and the fair market value as at March 31, 2025 is $281,762.

(in thousands of Canadian dollars)

The Corporation's exposure to liquidity risk related to long-term debt is disclosed in note 18(c).

14. Revenue, cost of sales and expenses by nature

The Corporation's revenue consists of the following:

	2025	2024
Liquor sales	$ 878,251	$ 864,561
Cannabis sales	170,076	153,611
VLT	340,695	339,080
Casino and other gaming	237,163	228,821
Online gaming	75,978	74,860
Non-gaming revenue	33,754	31,096
	$ 1,735,917	**$ 1,692,029**

The Corporation's cost of sales consists of the following:

	2025	2024
Liquor cost of sales	$ 413,369	$ 412,806
Cannabis cost of sales	119,313	110,134
VLT commissions	32,594	32,575
First Nations allocation	58,995	56,760
Tourism contribution	26,943	27,041
Casino and other gaming direct expenses	8,162	7,845
Online gaming direct expenses	21,647	21,503
Non-gaming cost of sales	7,610	6,431
	$ 688,633	**$ 675,095**

First Nations VLT siteholders receive an allocation of VLT revenue to provide sustainable social and economic benefits and opportunities within the siteholders' communities in Manitoba. The Corporation also provides contributions towards supporting tourism in Manitoba through the VLT program.

Casino and other gaming direct expenses consist primarily of costs associated with the operation and maintenance of the Corporation's electronic gaming equipment and table games equipment.

Online gaming direct expenses consist primarily of costs associated with the operation and maintenance of the PlayNow online gaming platform.

Non-gaming revenue and cost of sales consist primarily of revenue and costs associated with the Corporation's entertainment, food and beverage, and casino retail store operations, and unredeemed liquor container deposits.

(in thousands of Canadian dollars)

The Corporation's operating expenses by their nature are as follows:

	2025	2024
Employee benefits	$ 178,685	$ 169,243
Bank charges	4,465	4,214
Community support	3,601	3,119
Consultant and professional fees	2,227	1,472
Freight and delivery	4,652	4,943
Grants in lieu of taxes	6,538	6,231
Learning and development	1,140	794
Maintenance	20,738	17,459
Marketing and public awareness	15,475	14,617
Rents	529	1,008
Sundry (note 8)	2,979	(991)
Supplies and equipment	4,133	3,972
Technology systems and support	33,993	28,948
Telecommunications	2,649	2,667
Transportation and vehicles	1,490	1,372
Utilities	3,628	3,552
	$ 286,922	**$ 262,620**

15. Share of profit of WCLC

	2025	2024
Revenue	$ 271,684	$ 261,640
Prizes, commissions and other cost of sales	200,793	186,746
WCLC partner equalization	10,398	9,013
Payment to Government of Canada	3,016	2,931
Profit	**$ 57,477**	**$ 62,950**

The WCLC earned revenue in the 2025 fiscal year in the amount of $1,570,084 (2024 – $1,497,730), of which the Corporation's share calculated based on relative sales levels by jurisdiction is 17% (2024 – 17%). The WCLC's total profit for the 2025 fiscal year was $463,776 (2024 – $467,733), of which the Corporation's share is 12% (2024 – 13%).

The Province of Manitoba is a member in the WCLC. An agreement is in place with the Provinces of Alberta and Saskatchewan where the Corporation provides economic benefit equalization specific to salary costs of head office employees residing in Manitoba.

Effective January 1, 1980, the Government of Canada terminated its involvement in lotteries. In return, the ten provinces are to contribute an annual sum of $24,000, adjusted for inflation, to the federal government.

(in thousands of Canadian dollars)

16. Allocations and payments

	2025	2024
Social responsibility funding	$ 14,300	$ 13,360
LGCA funding	5,097	6,383
Other community funding	571	547
	$ 19,968	**$ 20,290**

Social responsibility funding includes amounts paid to various organizations for research and programming that promote responsible gaming and responsible liquor and cannabis consumption. The Corporation is required to allocate 2% of annual anticipated consolidated net income and comprehensive income to social responsibility initiatives. Any liability associated with this funding is included in trade and other payables.

The Corporation provides funding to the Liquor, Gaming and Cannabis Authority of Manitoba (LGCA) through the payment of annual licence fees for employees, electronic gaming devices and retail liquor locations, as well as additional amounts directed to be paid under *The Liquor, Gaming and Cannabis Control Act*.

The Corporation provides funding to various charitable and community organizations throughout Manitoba.

17. Commitments and contingencies

a) Legal claims

Incidental to the nature of its business, the Corporation is defending various pending legal actions and claims. Management is of the opinion that the appropriate adjustments have been made in the accounts, and the outcome of these claims either cannot be determined or will not have a material adverse effect on the financial position of the Corporation.

b) Purchase commitments

At the end of the 2025 fiscal year, the Corporation had purchase commitments of $3,903 related to property and equipment and intangible assets.

18. Financial instruments

The Corporation is exposed to interest rate, currency, liquidity and credit risks arising from financial assets and liabilities. The Corporation’s objectives in managing these risks are to protect from volatility and to minimize exposure from fluctuations in market rates, and it does so through a combination of a system of internal and disclosure controls, effective cash management strategies and sound business practices.

Risk management policies have been 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. The Corporation’s management oversees the management of these risks in accordance with the risk management policies and framework approved by the Board of Directors.

(in thousands of Canadian dollars)

a) Interest rate risk

Interest rate risk is the risk to the Corporation's income that arises from fluctuations in interest rates and the degree of volatility of these rates. The Corporation does not use derivative instruments to reduce its exposure to interest rate risk, though risks associated with interest rate fluctuations are mitigated based on 93% (2024 – 92%) of long-term debt having a fixed interest rate.

b) Currency risk

The Corporation is exposed to currency risk through liquor inventory purchase transactions that require settlement in foreign currencies. Exposure to fluctuations in exchange rates is mitigated by the policy of adjusting purchase or selling prices to maintain approved liquor profit margins. Purchases denominated in foreign currencies during the 2025 fiscal year were $8,029 (2024 – $8,562). Accordingly, a 10% increase or decrease in the exchange rate between the Canadian dollar and other foreign currencies would result in a total increase or decrease of $803 (2024 – $856), assuming the inventory purchased had been sold by the end of the year.

c) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulties in meeting its financial liability obligations. The Corporation manages this risk through effective cash and long-term debt management. Trade and other payables are due within one year, and a significant portion of the existing long-term debt is repayable in monthly instalments. Liquidity risk is further mitigated by collection terms on trade and other receivables being set at less than or equal to the payment terms of trade and other payables.

The table below summarizes the maturity profile of the Corporation's financial liabilities as at year-end based on contractual undiscounted payments.

2025	**On demand**	**< 1 year**	**1 year**	**2 years**	**3 years**	**4 years**	**5 years**	**> 5 years**
Trade and other payables	$ 10,069	$ 142,654	$ -	$ -	$ -	$ -	$ -	$ -
Contract liabilities	7,226	7,093	-	-	-	-	-	-
Payable to the Province of Manitoba	-	72,059	-	-	-	-	-	-
Long-term debt	-	50,950	42,104	33,824	31,462	24,679	15,870	84,555
Lease liabilities	-	11,303	9,931	8,201	7,045	6,184	5,636	37,696
	$ 17,295	**$ 284,059**	**$ 52,035**	**$ 42,025**	**$ 38,507**	**$ 30,863**	**$ 21,506**	**$ 122,251**

(in thousands of Canadian dollars)

2024	On demand	< 1 year	1 year	2 years	3 years	4 years	5 years	> 5 years
Trade and other payables	$ 9,307	$ 131,727	$ -	$ -	$ -	$ -	$ -	$ -
Contract liabilities	7,232	6,351	-	-	-	-	-	-
Payable to the Province of Manitoba	-	64,466	-	-	-	-	-	-
Long-term debt	-	55,290	45,483	36,638	28,358	25,996	20,132	92,143
Lease liabilities	-	10,883	10,378	8,998	7,269	6,116	5,255	39,006
	$ 16,539	**$ 268,717**	**$ 55,861**	**$ 45,636**	**$ 35,627**	**$ 32,112**	**$ 25,387**	**$ 131,149**

d) Credit risk

Credit risk is the risk to the Corporation that a counterparty will fail to perform its obligations or pay amounts due, causing a financial loss. The Corporation mitigates this risk through centralized credit management and collection practices and, where applicable, the establishment of ECLs for non-collectible amounts, which are netted against trade and other receivables. Trade receivables are non-interest bearing and generally have 30-day terms. The Corporation applies a simplified approach in evaluating the ECLs associated with trade and other receivables by calculating a loss allowance based on historical losses, as well as forward-looking information such as economic conditions. The ECL allowance for trade and other receivables for the 2025 fiscal year is $5,810 (2024 – $5,866). The maximum credit risk exposure is the carrying value of each class of financial asset disclosed in note 4.

The aging of trade and other receivables at the end of the 2025 fiscal year is as follows:

Current	$ 52,404
Past due as follows:	
Within 30 days	18
31 to 60 days	4
61 to 90 days	10
Over 90 days	20
Expected credit losses	(5,810)
	$ 46,646

e) Capital management

The Corporation’s capital consists of long-term debt and equity. The Corporation’s objectives when managing its capital structure are to continue its ability to meet its financial obligations and to finance growth and capital expenditures. These objectives are considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget and have remained unchanged over the fiscal years presented.

The Corporation is subject to capital growth restrictions as the result of the requirement to allocate 100% of annual consolidated net income and comprehensive income to the Province of Manitoba.

(in thousands of Canadian dollars)

f) Fair value

The fair value of the Corporation's financial instruments on initial recognition is the transaction price, which is the value of the consideration given or received. Financial instruments recognized at fair value must be classified in one of the following three fair value hierarchy levels:

Level 1 - measurement based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - measurement based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - measurement based on inputs that are not observable (supported by little or no market activity) and that are significant to the fair value of the assets or liabilities.

The Corporation's financial instruments consist of cash, trade and other receivables, trade and other payables, contract liabilities, payable to the Province of Manitoba, lease liabilities, and long-term debt. Unless otherwise stated, the fair value of the Corporation's financial instruments approximates their carrying value.

Financial instruments recorded at fair value, classified using the fair value hierarchy, are as follows:

2025	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	$ 45,171	$ -	$ -	$ 45,171
	$ 45,171	**$ -**	**$ -**	**$ 45,171**

2024	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	$ 50,914	$ -	$ -	$ 50,914
	$ 50,914	**$ -**	**$ -**	**$ 50,914**

19. Related party disclosures

The Corporation is related to various other government agencies, ministries, and Crown corporations under the common control of the Government of Manitoba. All transactions with these related parties are in the normal course of operations and are measured at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at year-end are unsecured and settlement occurs in cash. These transactions include long-term debt with the Province of Manitoba as disclosed in note 13.

Compensation of key management personnel of the Corporation, which is recognized as an operating expense during the year, is as follows:

	2025	**2024**
Short-term employee benefits	$ 2,455	$ 2,197
Post-employment pension and medical benefits	179	159
	$ 2,634	**$ 2,356**

This publication is available in alternate formats upon request.