

MANITOBA
LIQUOR
& **LOTTERIES**



Annual Report

2025-2026



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.



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 inspire to live the 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.



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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, 2026

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, 2026.

Respectfully submitted,

Jeff Traeger
Chair, Board of Directors



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 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 Western Canada Lottery Corporation (WCLC) and, by extension, 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

Board of Directors As of March 31, 2026

Jeff Traeger
Chair

Tim Comack
Vice Chair

Michelle Cameron

Josiane Kroll

Tannis Mindell

Sara Penner

Sarah Pinsent

Doug Ramsey

Clayton Swanton

This past year has demonstrated the strength and resilience of Manitoba Liquor & Lotteries' public-service mandate. In a changing revenue environment, where traditional streams such as liquor and VLTs are evolving, MBLL has continued to deliver meaningful returns to the Province.

Our performance reflects the adaptability, creativity, and disciplined stewardship that define a publicly owned Crown corporation. By responding thoughtfully to shifting consumer patterns and economic conditions, we have reinforced our role as a reliable source of revenue that supports essential public services for Manitobans.

At the heart of this success are the people of MBLL. We place tremendous value on every individual who works within our organization. It is rewarding to continue enhancing several important opportunities for connection and recognition, including our long-term service recognition events as of this year. These gatherings celebrate the contributions of employees and their families, and they help strengthen the sense of community that defines MBLL.

We also began planning a leadership summit that will bring leaders together from across the corporation in April of the next fiscal year. This event will focus on building skills in communication, engagement, and team support – an investment that will continue to benefit both employees and the organization.

MBLL's growing relationship with Indigenous communities and organizations remains a priority grounded in respect, learning, and collaboration. Our Indigenous Advisory Circle continues to play a vital role



in guiding this work, helping us deepen dialogue and build meaningful connections. We were honoured to hear directly from members of the circle at our 2025 board retreat, and the board acknowledges the impact of their work across the organization.

Among the more outwardly visible impacts, this year saw an update to our land acknowledgement to incorporate traditional Indigenous names, reflecting the importance of language as a foundation for connection and understanding.

Our commitment to environmental sustainability is central to MBLL's mandate. We have taken important steps this year, including the development of our Net Zero Emissions by 2050 Roadmap, which will guide our long-term approach to environmental stewardship.

We also continue to provide significant support to social responsibility initiatives across Manitoba. Each year, we commit 2% of our anticipated net income in this area, funding research, awareness, and support programs through organizations such as Shared Health, among many others. This work addresses the impacts associated with our products and contributes to healthier communities. We are proud of this commitment and believe it is an important part of our responsibility as a Crown corporation.

MBLL plays a role in bringing Manitobans together in meaningful ways. During the province's challenging wildfire season of 2025, Manitobans demonstrated their generosity through donations at Liquor Marts, while MBLL employees came together to collect essential items for evacuees. These efforts reflected the compassion and solidarity that define our province.

We also continued to support major festivals and events, including the Winnipeg Wine Festival, Flatlander's Beer and Beverage Festival, and the Winnipeg Whisky Festival. Each of these provides important funding for community organizations while creating opportunities for Manitobans to gather and celebrate. Our presence in the community extends to a wide range of events, from cultural exhibitions to the Winnipeg Comedy Festival, where MBLL sponsorship helps bring people together around shared experiences.

As we look ahead, we remain committed to our mandate: delivering value to Manitobans, supporting our communities, and fostering a strong, inclusive, and responsible organization.

Jeff Traeger

Chair, Board of Directors

Message From the President and CEO



GERRY SUL

President and Chief Executive Officer

Executive Management Committee As of March 31, 2026

Gerry Sul

President and Chief Executive Officer

Ian Urquhart

Chief Financial Officer

James Anastasio

Executive Vice President,
Gaming and Entertainment

Tracey Bremner

Vice President, Human Resources
and Corporate Security

Robert Holmberg

Executive Vice President,
Liquor and Cannabis

Danielle Rice

Vice President,
Marketing and Communications

Dan Ryall

Vice President, General Counsel
and Corporate Secretary

Kevin Trombo

Chief Information Officer and
Vice President, Information Technology

In 2025-26 MBLL delivered \$724.1 million in profits to the Province of Manitoba, which are used to support core provincial programs through its general revenues.

The past year presented a complex and evolving operating environment for MBLL. Across our business lines, shifting consumer behaviours and broader economic pressures continued to influence demand, with Manitobans making more deliberate choices about discretionary spending.

Other external factors also shaped our performance.

Slightly before the start of this fiscal year period, we responded to direction from the Government of Manitoba to remove U.S. liquor products from shelves and cease ordering products from the U.S. In December the Province directed MBLL to begin selling off those U.S. products that were still in storage, and they announced that they were committing that they would direct the profits to Manitoba charities; this continued through the remainder of the fiscal year.

Wildfires in Manitoba's northern communities had a significant impact, affecting both Liquor Mart operations and VLT revenue.

A special acknowledgement is owed to our Flin Flon Liquor Mart employees, who demonstrated exceptional dedication under difficult conditions during wildfire evacuations. Fellow MBLL employees also demonstrated their support for impacted communities through their donations.

Additional external pressures included navigating increased competition from illegal online gaming and a below average number of lottery jackpot rollovers.



In this context, MBLL focused on agile, operational responses across our three lines of business to manage expenses.

In our liquor operations, we worked to manage the transition away from U.S. products responsibly. With government support, we implemented measures to deplete existing inventory in a controlled and cost-effective manner. This created an opportunity to strengthen our focus on Canadian and local products, through targeted marketing and supplier relationships. We also adapted our distribution strategy to expand alternatives in categories with limited direct replacements, ensuring we remained responsive to customer expectations while aligning with policy direction.

In gaming, protecting players and supporting informed play remained key priorities. We launched the *What's Your Game Plan?* campaign to encourage Manitobans to better understand their play, set limits, and make informed decisions. At the same time, we continued to address the risks posed by unregulated online gaming operators. Manitoba took action to block Bodog from operating in the province, and we continue to work with national partners to deter illegal platforms from diverting potential income for Manitobans to offshore operators.

The cannabis market continued to grow and mature, while facing the challenges typical of a maturing industry. MBLL maintained a focus on improving processes for retailers, reducing barriers, and supporting better cash flow. These efforts help the legal market compete with illicit sources and ensure safe access for consumers.

Our commitment to social responsibility and inclusion remains central to our work. This year, we expanded Indigenous reconciliation training across the organization and as part of our current three-year reconciliation plan. In casino gift shops, for example, we offer greater representation of Indigenous artisans.

We invested in our facilities to advance accessibility and sustainability, including universal washrooms and environmental improvements at select Liquor Mart locations.

Across Manitoba—from north to south, and east to west—MBLL continues to support community events and initiatives that bring people together. These partnerships are an important part of our contribution as a Crown corporation and reflect our connection to the communities we serve.

In closing, I thank our employees, management team, board, and the Indigenous Advisory Circle for their continued dedication, resilience, and commitment to Manitobans.

Gerry Sul

President and Chief Executive Officer



Management Discussion and Analysis

of financial condition and results of operations as at March 31, 2026

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, 2026. 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, 2026, 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 a single line item in the consolidated statement of net income, comprehensive income and equity within 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. This allocation approach supports comparability of segment results and reflects the full cost of operations across all business lines.

MBLL's allocation to the Province of Manitoba for 2026 was \$724.1 million, a decrease of \$6.0 million or 0.8% from last year's allocation of \$730.1 million. This reflects stable overall performance despite a changing operating environment.

Management Discussion and Analysis

of financial condition and results of operations as at March 31, 2026

2026 (in thousands)

	Cannabis Operations	Casinos	Liquor Operations	Lottery	Online Gaming	Video Lotto	Total
Revenue	\$ 182,153	\$ 273,167	\$ 880,100	\$ 1,736	\$ 79,650	\$ 337,518	\$ 1,754,324
Cost of sales	124,287	15,081	407,408	1,252	21,462	118,792	688,282
	57,866	258,086	472,692	484	58,188	218,726	1,066,042
Operating expenses	2,457	121,398	134,957	8,585	17,711	15,026	300,134
Depreciation and amortization	-	19,491	16,629	-	67	13,088	49,275
Goods and services tax	-	3,362	-	257	2,587	2,746	8,952
	2,457	144,251	151,586	8,842	20,365	30,860	358,361
Operating income	55,409	113,835	321,106	(8,358)	37,823	187,866	707,681
Share of profit of WCLC	-	-	-	39,793	8,277	-	48,070
Interest expense	-	(5,184)	(3,953)	(46)	(27)	(3,522)	(12,732)
Interest income	54	392	439	37	62	619	1,603
Income before allocations and payments	55,463	109,043	317,592	31,426	46,135	184,963	744,622
Allocations and payments	1,555	2,751	9,415	1,178	1,417	4,183	20,499
Net income and comprehensive income	\$ 53,908	\$ 106,292	\$ 308,177	\$ 30,248	\$ 44,718	\$ 180,780	\$ 724,123

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

Management Discussion and Analysis

of financial condition and results of operations as at March 31, 2026

Highlights

SUMMARY OF RESULTS

(in thousands)	2026	2025
Revenue	\$ 1,754,324	\$ 1,735,917
Cost of sales	688,282	688,633
Share of profit of WCLC	48,070	57,477
Operating expenses	300,134	286,922
Non-operating expenses	89,855	87,780
Net income	724,123	730,059

REVENUE BY LINE OF BUSINESS

(in thousands)	2026	2025
Cannabis Operations	\$ 182,153	\$ 170,082
Casinos	273,167	257,227
Liquor Operations	880,100	887,807
Lottery	1,736	1,753
Online Gaming	79,650	75,984
Video Lotto	337,518	343,064

Revenue was higher than in 2025, driven by variances in the following categories:

- Cannabis revenue increased due to more stores, now totalling 249 locations, with improved access in rural and city areas contributing to higher sales volumes.
- Casinos revenue grew due to increased play in electronic gaming, table games, and bingo at both casinos.
- Liquor sales were lower as per capita alcohol consumption continues to decline.
- Online gaming revenue was higher due to increased play on casino-style games.
- VLT revenue was lower, consistent with broader national trends in VLT performance.

Operating expenses increased due to higher:

- Employee benefits costs due to negotiated increases in the collective agreements.
- Technology systems and support costs due to investment in several key ongoing projects.
- Platform maintenance fees for PlayNow paid to the provider, BCLC.

These increases reflect continued investment in core infrastructure and service delivery.

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:

- Depreciation and amortization mainly related to newly purchased VLTs and electronic gaming devices.
- Social responsibility funding.

Management Discussion and Analysis

of financial condition and results of operations as at March 31, 2026

Cannabis Operations

MBLL is mandated to ensure a safe and reliable supply of cannabis and to coordinate its distribution to all licensed retailers in the province. MBLL maintains a catalogue of available cannabis products, including dried flower, edibles, extracts, topicals, and seeds. The cannabis industry continues to evolve and has experienced substantial growth since legalization, with competitive pricing, an expanding variety of higher-quality products, and a growing number of stores.

SUMMARY OF RESULTS

(in thousands)	2026	2025
Revenue	\$ 182,153	\$ 170,082
Cost of sales	124,287	119,313
Operating expenses	2,457	2,247
Non-operating expenses	1,501	1,180
Net income	53,908	47,342

Revenue growth continued to be driven by an increase in retail locations. During the year, 32 new stores opened and 12 closed, ending the year with 249 locations throughout the province. All licensed retailers are eligible to offer online sales.

SALES BY CATEGORY

(in thousands)	2026	2025
Dried flower	\$ 105,332	\$ 98,925
Edibles	11,967	10,855
Extracts	64,360	59,779
Topicals	447	517
Plant and seed	41	-
Total sales	182,147	170,076
Cost of sales	124,287	119,313
Gross profit	\$ 57,860	\$ 50,763

Plant and seed products were sold for the first time during the year. Sales growth occurred in three other product categories, with most growth occurring in dried flower and extracts. Dried flower sales accounted for 57.8% of all sales.

Cannabis products are sourced from nearly 150 licensed producers and are either shipped to retailers directly from the producer's site or through one of Manitoba's licensed limited distributors. The in-province limited distribution program continues to offer improved lead times and fulfillment cycles for retailers by positioning inventory closer to retailers.

Management Discussion and Analysis

of financial condition and results of operations as at March 31, 2026

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)	2026	2025
Revenue	\$ 273,167	\$ 257,227
Cost of sales	15,081	14,184
Operating expenses	121,398	115,357
Non-operating expenses	30,396	30,187
Net income	106,292	97,499

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

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

Operating expenses increased due to higher employee benefits from negotiated increases in the collective agreements and increased staffing requirements driven by higher food and beverage sales. Technology systems and support costs also increased due to investment in several key ongoing projects. These investments support both operational efficiency and customer experience improvements.

Management Discussion and Analysis

of financial condition and results of operations as at March 31, 2026

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
- 1,040+ 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)	2026	2025
Revenue	\$ 880,100	\$ 887,807
Cost of sales	407,408	413,759
Operating expenses	134,957	127,768
Non-operating expenses	29,558	29,262
Net income	308,177	317,018

Liquor sales were lower and reflect declines in alcohol consumption observed nationally. This trend is consistent with changing consumer preferences, broader health and wellness considerations, and economic circumstances.

Cost of sales decreased in tandem with lower sales.

Operating expenses increased due to higher employee benefits from negotiated increases in the collective agreements and increased technology systems and support costs due to investment in several key ongoing projects. These increases align with broader organizational investments in workforce and digital infrastructure.

SALES BY VOLUME

(in millions of litres)	Beer	Ready-to-drink	Spirits	Wine	Total
2026	58.0	18.5	7.5	9.6	93.6
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

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. This sustained shift underscores evolving consumer behaviour across liquor categories.

Management Discussion and Analysis

of financial condition and results of operations as at March 31, 2026

SALES BY CATEGORY

(in thousands)	2026	2025
Beer	\$ 298,066	\$ 300,187
Ready-to-drink	130,300	125,570
Spirits	285,954	291,808
Wine	156,271	160,686
Total sales	870,591	878,251
Cost of sales	407,031	413,369
Gross profit	\$ 463,560	\$ 464,882

By category, dollar sales of wine and spirits decreased, reflecting national consumption trends. Beer sales decreased modestly – retail sales remained steady, while on-premises consumption was lower. Ready-to-drink sales increased as consumer preference for this category continued to grow.

SALES BY CHANNEL

(in thousands)	2026	2025
Liquor Marts	\$ 452,016	\$ 459,786
Liquor vendors	97,167	96,142
Licensees	302,323	303,348
Specialty wine stores	19,085	18,975
Total sales	870,591	878,251
Cost of sales	407,031	413,369
Gross profit	\$ 463,560	\$ 464,882

By channel, Liquor Mart sales decreased as lower sales of spirits and wine followed national consumption trends. Licensee sales decreased modestly, mainly driven by declining on-premises beer sales. Sales in liquor vendors and specialty wine stores increased slightly over last year.

Management Discussion and Analysis

of financial condition and results of operations as at March 31, 2026

Lottery

MBLL maintains and supports a network of 950 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, LOTTO 6/49, and Daily Grand 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 WCLC.
- Breakopen tickets, sold by MBLL to lottery retailers, 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)	2026	2025
Revenue	\$ 1,736	\$ 1,753
Cost of sales	1,252	1,198
Share of profit of WCLC	39,793	48,018
Operating expenses	8,585	7,959
Non-operating expenses	1,444	1,584
Net income	30,248	39,030

There is a strong link between jackpot levels and the sale of lottery products. Accordingly, revenue and profitability can fluctuate significantly based on jackpot cycles.

LOTTO MAX sales decreased \$6.6 million (9.9%) from last year. The number of \$70 million jackpots decreased from 23 to 16 year-over-year, while available MAXMILLIONS prizes of \$452 million was lower than last year's \$636 million. LOTTO 6/49 sales decreased \$3.2 million (8.7%) year-over-year, resulting from lower average jackpots. EXTRA sales decreased \$1.6 million (6.5%), mainly attributable to the lower sales of LOTTO MAX and LOTTO 6/49.

The share of profit of WCLC also decreased due to higher WCLC operating expenses and an increase in MBLL's obligations relating to interprovincial equalization payments. These factors contributed to lower net income from the lottery segment year-over-year.

Management Discussion and Analysis

of financial condition and results of operations as at March 31, 2026

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)	2026	2025
Revenue	\$ 79,650	\$ 75,984
Cost of sales	21,462	21,647
Share of profit of WCLC	8,277	9,459
Operating expenses	17,711	16,893
Non-operating expenses	4,036	3,983
Net income	44,718	42,920

Revenue from both casino-style games and sports wagering was higher as a result of increased play.

Share of the profit of WCLC decreased, following the trends for LOTTO MAX, LOTTO 6/49, and EXTRA described in the lottery segment. In addition to the impact of jackpot levels on sales, some online sales also shifted to WCLC's Lotto Spot app.

Higher expenses were mostly due to higher platform maintenance fees for PlayNow.

Management Discussion and Analysis

of financial condition and results of operations as at March 31, 2026

Video Lotto

All VLTs in Manitoba are owned and maintained by MBLL. VLT sites are grouped into three pools based on business type: First Nations, private (commercial), and veterans' organizations. VLTs for the latter two groups are located in and operated by businesses that hold a liquor licence. 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)	2026	2025
Commercial siteholders	\$ 52,093	\$ 53,075
First Nations	63,706	62,464
Veterans' organizations	2,993	2,993
	\$ 118,792	\$ 118,532

SUMMARY OF RESULTS

(in thousands)	2026	2025
Revenue	\$ 337,518	\$ 343,064
Cost of sales	118,792	118,532
Operating expenses	15,026	16,698
Non-operating expenses	22,920	21,584
Net income	180,780	186,250

Revenue decreased from last year and mirrored a softening of VLT performance across the majority of Canadian VLT jurisdictions. This reflects broader market conditions impacting VLT play nationally.

Operating expenses were lower primarily due to lower technology systems and support costs, including reduced central management system maintenance expenses.

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

Management Discussion and Analysis

of financial condition and results of operations as at March 31, 2026

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 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 2026, MBLL purchased gaming equipment and software on behalf of its partners:

- \$2.2 million for South Beach Casino
- \$0.7 million for Shark Club Gaming Centre
- \$0.4 million for Aseneskak Casino

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 2026, MLC Holdings Inc. acquired \$52.7 million in capital assets for lease to MBLL.

Liquidity and Capital Resources

SUMMARY OF CASH FLOWS

(in thousands)	2026	2025
Cash provided by (used in):		
Operating activities	785,786	801,450
Investing activities	(55,098)	(41,915)
Financing activities	(732,603)	(765,278)
Change in cash during the year	(1,915)	(5,743)

Cash flows provided by operating activities decreased mainly due to lower net income and an increase in trade and other receivables in the current year. These changes reflect timing differences in working capital.

Cash used in investing activities increased as investment in capital assets was higher. This reflects continued investment in infrastructure, gaming equipment, and facility upgrades. The ongoing replacement of old and obsolete VLT machines resulted in the purchase of 922 new machines during the year. The casinos upgraded electronic gaming devices through the purchase of 277 new machines. Work continued to replace end-of-life HVAC equipment at the Casinos of Winnipeg, with project work at Club Regent Casino nearing completion. The Liquor Mart in Lac Du Bonnet was renovated and expanded while racking improvements occurred at several Liquor Marts, providing customers with a modern and convenient shopping experience and improved accessibility. Information technology networking equipment replacement continued 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



Management Discussion and Analysis

of financial condition and results of operations as at March 31, 2026

fund capital projects related to its operations and to fund the acquisition of gaming equipment for First Nations casinos and Shark Club Gaming Centre through the conduct and management agreements. Debt service costs on advances drawn to purchase gaming equipment for First Nations casinos and Shark Club Gaming Centre 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 higher by \$31.2 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 \$5.3 million.

Cash distributions to the Province of Manitoba were higher by \$3.6 million. These distributions support provincial programs and services like health care, education, social services, housing, and infrastructure.

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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 and other partners offer addictions treatment and support throughout Manitoba.
- 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)

	2026	2025
Funding third-party programs and agencies	\$ 11,839	\$ 11,215
Internal research and program evaluation	258	259
Consumer awareness and operating expenses	2,641	3,111
Prior year funding spent in current year	(1)	(286)
Funding carried forward to next year	3	1
	\$ 14,740	\$ 14,300

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 \$4.0 million, an increase of \$0.4 million over last year.

COMMUNITY SUPPORT

(in thousands)

	2026	2025
Sports	\$ 1,629	\$ 1,678
Arts, culture and community	1,252	1,274
Special Manitoba events	361	4
Health	203	181
Diversity and inclusion	271	188
Key business partners	128	94
Social cause	102	129
Sustainability	32	53
	\$ 3,978	\$ 3,601



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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 maintains an enterprise risk management framework to embed risk management practices into key processes. This allows MBLL to address the impact of internal and external factors on achieving its business objectives and goals.

The framework addresses the following risks:

Strategic Risks

- External environment forces and events
- Allocation of resources
- Alignment of major initiatives with MBLL's goals and objectives
- Effectiveness of major initiatives
- State of stakeholder relationships and corporate reputation

MBLL addresses strategic risks through:

- Research to understand environmental changes
- Formal strategic planning for all lines of business and corporate functions
- Rigorous annual business planning and budgeting
- Formal project methodology
- Effective stakeholder communication processes
- Commitment to be a good corporate citizen through environmental, social, and governance (ESG) programs and initiatives



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Operational Risks

- Operational efficiency
- Meeting customer needs
- Managing product and service quality
- Safeguarding significant monetary assets

MBLL addresses operational risks through:

- Development of organizational areas and processes that promote positive business outcomes and minimize these risks
- Attracting and retaining talented individuals who align with organizational values and priorities
- Investment in information technology
- Formal technology strategies and roadmaps to guide future direction
- Review and assessment of risks in operating units, large scale projects, and specific business processes
- Action plans to support continuous improvement

Financial Risks

Efficiency and effectiveness in managing and safeguarding cash flows, financial information and risks, including:

- Interest rate risk
- Credit risk due to the inability or unwillingness of a counterparty to fulfill its payment obligations
- Liquidity risk
- Currency risk from liquor inventory settled in foreign currencies

MBLL addresses financial risks through:

- Use of fixed-rate, long-term debt
- Centralized credit management and collection practices
- Effective cash and long-term debt management
- Adjustment of purchase or selling prices to maintain approved liquor profit margins

Governance and Compliance Risks

- Fraud or corruption
- Non-compliance with regulatory or contractual requirements
- Pursuit of business objectives in an unmanaged environment that does not encourage integrity, ethical values and competence

MBLL addresses governance and compliance risks through a regularly reviewed control environment:

- Corporate governance model



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- Policies and procedures
- Regulatory compliance programs
- Audit controls

Climate Risks

- Physical effects of climate change and environmental degradation on infrastructure, services, and personnel
- Government policy action taken to transition the economy off fossil fuels and risks associated with transitioning to a global low-carbon economy

MBLL addresses climate risks through:

- Annual collection, assessment, and public reporting of sustainability data (see MBLL's 2025-26 Environmental, Social and Governance report)
- Risk identification and vulnerability assessment by key operational staff
- Strengthening of operational controls to mitigate short-term impacts
- Annual business planning and strategic planning to manage medium- and long-term impacts
- Implementation of a net-zero emissions by 2050 roadmap to address exposure to transition risks and increasing resilience to the physical impacts of climate change

Whistleblower Report

Per *The Public Interest Disclosure (Whistleblower Protection) Act*, MBLL maintains a whistleblower protection policy through which employees can confidentially 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 2026 year.

Future Outlook

MBLL's allocation to the Province of Manitoba is budgeted to be \$732.8 million in 2027. This represents an increase of \$8.7 million or 1.2% from the \$724.1 million allocation in 2026. The projected increase reflects anticipated growth across key business areas.

In the upcoming year, Cannabis Operations will explore further enhancements to processes in wholesale and distribution to accelerate inventory procurement while offering a robust product catalogue to retailers. System upgrades and improved reporting will also remain a focus to help users make more effective, data-driven business choices.

Liquor Operations will continue to focus on key development opportunities. Renovations and racking improvements will occur at select Liquor Mart locations to provide customers with a modern and convenient shopping experience. With the discontinuation of the AIR MILES® loyalty program in June 2026 a review is underway to consider the future for a loyalty program at Liquor Marts. Ongoing economic pressures and continued declines in per-capita alcohol consumption are expected to influence purchasing behaviour. MBLL will continue working closely with suppliers and channel partners to respond to these trends.



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The Casinos of Winnipeg will continue the replacement of electronic gaming devices, providing customers with the newest options for play. Work will continue at McPhillips Station Casino on a phased project to replace end-of-life HVAC equipment, updating the heating, ventilation, and air conditioning systems for the safety and comfort of patrons, and work will begin on a multi-year elevator replacement program.

Video Lotto will continue its replacement of obsolete machines on the network with the purchase of new VLTs.

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.

WCLC will introduce enhancements to LOTTO MAX, with a new, top jackpot of \$90 million (up from \$80 million), additional \$100,000 prizes available every draw, and improved odds to win a prize.

MBLL will continue to modernize its technology environment, advancing its data centre transformation and implementing a cloud-based disaster recovery capability to mitigate business interruption risk and support future innovation. This work will be complemented by the procurement stage of a multi-year initiative to replace core financial and supply chain systems, representing a significant enterprise transformation to enhance operational resilience, efficiency, and data-driven decision-making.

MBLL will also build on recent progress on reducing greenhouse gas emissions as it continues to reduce its environmental footprint and advance towards its net-zero emissions target by 2050.



Manitoba Liquor and Lotteries Corporation

Consolidated Financial Statements

March 31, 2026



Management Report

The consolidated financial statements are the responsibility of management and have been prepared in accordance with the accounting policies stated in the accompanying notes. Management has prepared the consolidated financial statements in accordance with IFRS. 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 IFRS.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of MBLL 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 IFRS. 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, 2026.

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, 2026, 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, 2026, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ["IASB"].

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 Accounting Standards as issued by the IASB, 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.



Chartered Professional Accountants
Winnipeg, Canada
June 25, 2026

Consolidated Statement of Financial Position

	Note	2026	2025
Assets			
Current assets			
Cash		\$ 43,256	\$ 45,171
Trade and other receivables	4	47,903	46,646
Inventories	5	63,431	62,117
Prepayments	6	11,188	10,532
		<u>165,778</u>	<u>164,466</u>
Non-current assets			
Other receivable	7	8,631	8,631
Property and equipment, net	8	373,119	357,028
Right-of-use assets, net	9	57,970	58,666
Intangible assets, net	10	6,456	7,828
		<u>446,176</u>	<u>432,153</u>
Total assets		<u>\$ 611,954</u>	<u>\$ 596,619</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	11	\$ 156,326	\$ 152,723
Contract liabilities	12	13,080	14,319
Payable to the Province of Manitoba		70,123	72,059
Current portion of long-term debt	13	50,523	50,950
Current portion of lease liabilities	9	8,308	8,881
		<u>298,360</u>	<u>298,932</u>
Non-current liabilities			
Long-term debt	13	248,267	232,494
Lease liabilities	9	60,327	60,193
		<u>308,594</u>	<u>292,687</u>
Commitments and contingencies	17		
Equity			
Retained earnings		5,000	5,000
Total liabilities and equity		<u>\$ 611,954</u>	<u>\$ 596,619</u>

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

Consolidated Statement of Net Income, Comprehensive Income and Equity

	Note	2026	2025
Revenue	14	\$ 1,754,324	\$ 1,735,917
Cost of sales	14	688,282	688,633
		<u>1,066,042</u>	<u>1,047,284</u>
Operating expenses	14	300,134	286,922
Depreciation and amortization		49,275	46,599
Goods and Services Tax		8,952	10,038
		<u>358,361</u>	<u>343,559</u>
Operating income		707,681	703,725
Share of profit of Western Canada Lottery Corporation	15	48,070	57,477
Interest expense		(12,732)	(13,301)
Interest income		1,603	2,126
Income before allocations and payments		<u>744,622</u>	<u>750,027</u>
Allocations and payments	16	20,499	19,968
Net income and comprehensive income		<u>724,123</u>	<u>730,059</u>
Equity, beginning of the year		5,000	5,000
Allocation to the Province of Manitoba		(724,123)	(730,059)
Equity, end of the year		<u>\$ 5,000</u>	<u>\$ 5,000</u>

(see accompanying notes to the consolidated financial statements)

Consolidated Statement of Cash Flows

	2026	2025
Operating activities		
Net income	\$ 724,123	\$ 730,059
Add (deduct):		
Depreciation related to property and equipment	37,954	35,028
Depreciation on assets related to conduct and management agreements	1,524	980
Depreciation related to right-of-use assets	9,415	9,396
Amortization related to intangible assets	1,906	2,175
Interest on financing activities	12,732	13,301
Gain on disposal of property and equipment	(1,005)	(427)
	<u>786,649</u>	<u>790,512</u>
Changes in non-cash working capital items:		
Decrease (increase) in trade and other receivables	(1,257)	5,896
Increase in inventories	(1,314)	(3,107)
Increase in prepayments	(656)	(4,276)
Increase in trade and other payables	3,603	11,689
Increase (decrease) in contract liabilities	(1,239)	736
Cash provided by operating activities	<u>785,786</u>	<u>801,450</u>
Investing activities		
Purchase of property and equipment	(55,664)	(41,136)
Purchase of intangible assets	(534)	(1,441)
Proceeds from disposal of property and equipment	1,100	662
Cash used in investing activities	<u>(55,098)</u>	<u>(41,915)</u>
Financing activities		
Cash distributions to the Province of Manitoba:		
Current year	(674,000)	(683,000)
Prior year	(52,059)	(39,466)
Proceeds from long-term debt	67,417	36,200
Payment of principal and interest on long-term debt	(62,243)	(67,506)
Payment of principal and interest on lease liabilities	(11,718)	(11,506)
Cash used in financing activities	<u>(732,603)</u>	<u>(765,278)</u>
Net decrease in cash during the year	<u>(1,915)</u>	<u>(5,743)</u>
Cash, beginning of the year	<u>45,171</u>	<u>50,914</u>
Cash, end of the year	<u>\$ 43,256</u>	<u>\$ 45,171</u>

(see accompanying notes to the consolidated financial statements)

1. Background

By consent of the Legislative Assembly of Manitoba, *The Manitoba Liquor and Lotteries Corporation Act* (the Act) was enacted on December 5, 2013 and came into force on April 1, 2014. Under the 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, 2026 were authorized for issue by the board of directors on June 25, 2026.

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

Western Canada Lottery Corporation (WCLC) was incorporated without share capital under Part II of the *Canada Corporations Act* on May 13, 1974. WCLC is authorized to manage, conduct, and operate lottery and gaming-related activities for its members, the governments of Manitoba, Saskatchewan, and Alberta. Yukon, Northwest Territories, and Nunavut participate as associate members. Each province and territory has appointed a lottery organization to assist 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 WCLC and therefore accounts for its share of the results of the operations of WCLC (considered an associate) using the equity method. The financial statements of 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 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 above 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 Shark Club Gaming Centre, with the Corporation maintaining the above 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 of the gaming centre to manage gaming operations on their behalf.

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 conduct and management authority. BCLC and the Corporation collaborate on marketing initiatives, which are carried out in Manitoba by BCLC 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 conduct and management 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
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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 for a financial asset or group of financial assets not held at fair value through profit or loss. If there is objective evidence that this exists, the loss is recognized in the consolidated statement of net income, comprehensive income and equity. The loss 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 expected credit losses 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, referred to as a cash-generating unit.

The recoverable amount of a non-financial asset or a cash-generating unit is the greater of its fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash-generating unit 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*, 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 Civil Service Superannuation Act*, 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 recognized 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) 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 consolidated financial statements. The Corporation closely monitors climate-related matters to ensure its assumptions and estimates remain accurate.

s) 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*.

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 consolidated 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 at the Corporation's casinos and Shark Club Gaming Centre. Points can be redeemed for gaming free play and certain goods and services. 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. 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.

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

	2026	2025
Trade	\$ 34,949	\$ 36,423
BCLC	6,170	4,791
WCLC	6,784	5,432
	\$ 47,903	\$ 46,646

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

5. Inventories

	2026	2025
Warehouse	\$ 41,732	\$ 41,800
Retail locations	21,244	19,890
Consumable supplies	455	427
	\$ 63,431	\$ 62,117

The amount of unpaid and unrecorded customs and excise duties on owned merchandise held in bond is \$4,894 at the end of the 2026 fiscal year (2025 – \$6,725).

6. Prepayments

	2026	2025
Maintenance contracts	\$ 7,975	\$ 7,439
Deposits and other	2,752	2,897
Insurance	461	196
	\$ 11,188	\$ 10,532

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 conduct and management agreements	Work in progress (WIP)	Total
Cost								
April 1, 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
Additions	-	1,197	1,340	22,329	4,052	2,596	24,150	55,664
Transfers from WIP	-	60	1,177	13,778	2,458	557	(18,030)	-
Disposals	-	-	-	(28,016)	(5,131)	(3,497)	-	(36,644)
March 31, 2026	\$ 25,268	\$ 396,205	\$ 67,148	\$ 225,061	\$ 121,914	\$ 25,000	\$ 31,728	\$ 892,324

Manitoba Liquor and Lotteries Corporation
Notes to Consolidated Financial Statements

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

	Land	Buildings, parking lots and roads	Leasehold improve- ments	Gaming equipment	Furniture and equipment	Assets related to conduct and management agreements	Work in progress (WIP)	Total
Depreciation								
April 1, 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
Depreciation	-	12,209	3,918	15,912	5,915	1,524	-	39,478
Disposals	-	-	-	(27,963)	(5,089)	(3,497)	-	(36,549)
March 31, 2026	\$ -	\$ 217,057	\$ 39,136	\$ 143,324	\$ 101,742	\$ 17,946	\$ -	\$ 519,205
Net book value								
March 31, 2026	\$ 25,268	\$ 179,148	\$ 28,012	\$ 81,737	\$ 20,172	\$ 7,054	\$ 31,728	\$ 373,119
March 31, 2025	25,268	190,100	29,413	61,595	19,619	5,425	25,608	357,028

Capital assets related to conduct and management 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 2026 fiscal year was \$171 (2025 – \$306). The weighted average rate used to determine the amount of borrowing costs eligible for capitalization was 3.96%, the effective interest rate of the specific borrowing.

9. Leases

The Corporation has entered into lease contracts for the use of various buildings and equipment used in its operations, which have remaining lease terms ranging from 1 to 17 years.

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

	Right-of- use buildings	Right-of- use equipment	Total
Cost			
April 1, 2024	\$ 103,709	\$ 1,843	\$ 105,552
Additions	7,715	63	7,778
March 31, 2025	111,424	1,906	113,330
Additions	8,268	451	8,719
March 31, 2026	\$ 119,692	\$ 2,357	\$ 122,049

	Right-of- use buildings	Right-of- use equipment	Total
Depreciation			
April 1, 2024	\$ 44,487	\$ 781	\$ 45,268
Additions	9,272	124	9,396
March 31, 2025	53,759	905	54,664
Additions	9,301	114	9,415
March 31, 2026	\$ 63,060	\$ 1,019	\$ 64,079
Net book value			
March 31, 2026	\$ 56,632	\$ 1,338	\$ 57,970
March 31, 2025	57,665	1,001	58,666

The carrying values of lease liabilities are as follows:

April 1, 2024	\$ 70,211
Additions and extensions	7,778
Payments	(11,506)
Interest on lease liabilities	2,591
March 31, 2025	69,074
Additions and extensions	8,719
Payments	(11,718)
Interest on lease liabilities	2,560
March 31, 2026	\$ 68,635
Current portion of lease liabilities	\$ 8,308
Lease liabilities	60,327
	\$ 68,635

Payments for leases of low-value assets and short-term leases related to certain buildings and equipment in the 2026 fiscal year were \$763 (2025 – \$769) and are recorded in operating expenses. Variable lease payments in the 2026 fiscal year were \$12,182 (2025 – \$12,643) and are recorded in cost of sales.

10. Intangible assets

	Computer software acquired
Cost	
April 1, 2024	\$ 60,220
Additions	1,441
Disposals	(6,991)
March 31, 2025	54,670
Additions	534
Disposals	(382)
March 31, 2026	\$ 54,822
Amortization	
April 1, 2024	\$ 51,658
Additions	2,175
Disposals	(6,991)
March 31, 2025	46,842
Additions	1,906
Disposals	(382)
March 31, 2026	\$ 48,366
Net book value	
March 31, 2026	\$ 6,456
March 31, 2025	7,828

11. Trade and other payables

	2026	2025
Trade	\$ 97,021	\$ 96,439
Employee benefits	43,616	41,976
Jackpot liability	11,200	10,069
Goods and Services Tax	2,113	1,872
Manitoba Retail Sales Tax	2,376	2,367
	\$156,326	\$152,723

12. Contract liabilities

	2026	2025
Unearned revenue	\$ 5,590	\$ 7,058
Loyalty points program liability	2,687	2,642
Gift card liability	4,592	4,387
Other contract liabilities	211	232
	\$ 13,080	\$ 14,319

Revenue recognized in the 2026 fiscal year that was included in contract liabilities at the beginning of the year was \$9,809 (2025 – \$8,945).

13. Long-term debt

	2026	2025
Province of Manitoba, bearing interest at rates ranging from 1.75% to 5.10%, repayable in monthly principal instalments ranging from \$1 to \$563 plus interest with maturity dates ranging from March 31, 2027 to December 31, 2064.	\$ 264,826	\$ 264,621
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.	33,964	18,823
	298,790	283,444
Less current portion of long-term debt	50,523	50,950
	\$ 248,267	\$ 232,494

All long-term debt is unsecured and the fair market value as at March 31, 2026 is \$297,434.

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:

	2026	2025
Liquor sales	\$ 870,591	\$ 878,251
Cannabis sales	182,147	170,076
VLT	334,876	340,695
Casino and other gaming	250,390	237,163
Online gaming	79,640	75,978
Non-gaming revenue	36,680	33,754
	\$ 1,754,324	\$ 1,735,917

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

	2026	2025
Liquor cost of sales	\$ 407,031	\$ 413,369
Cannabis cost of sales	124,287	119,313
VLT commissions	31,944	32,594
First Nations allocation	60,166	58,995
Tourism contribution	26,682	26,943
Casino and other gaming direct expenses	8,088	8,162
Online gaming direct expenses	21,462	21,647
Non-gaming cost of sales	8,622	7,610
	\$ 688,282	\$ 688,633

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.

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

	2026	2025
Employee benefits	\$ 187,856	\$ 178,685
Bank charges	4,609	4,465
Community support	3,978	3,601
Consultant and professional fees	1,714	2,227
Freight and delivery	4,970	4,652
Grants in lieu of taxes	6,813	6,538
Learning and development	982	1,140
Maintenance	21,629	20,738
Marketing and public awareness	15,464	15,475
Rents	576	529
Sundry	3,065	2,979
Supplies and equipment	3,922	4,133
Technology systems and support	36,977	33,993
Telecommunications	2,660	2,649
Transportation and vehicles	1,354	1,490
Utilities	3,565	3,628
	\$ 300,134	\$ 286,922

15. Share of profit of WCLC

	2026	2025
Revenue	\$ 254,878	\$ 271,684
Prizes, commissions and other cost of sales	192,139	200,793
WCLC partner equalization	11,606	10,398
Payment to Government of Canada	3,063	3,016
	\$ 48,070	\$ 57,477

WCLC earned revenue in the 2026 fiscal year in the amount of \$1,505,325 (2025 – \$1,570,084), of which the Corporation's share calculated based on relative sales levels by jurisdiction is 17% (2025 – 17%). WCLC's total profit for the 2026 fiscal year was \$440,023 (2025 – \$463,776), of which the Corporation's share is 11% (2025 – 12%).

The Province of Manitoba is a member of 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.

16. Allocations and payments

	2026	2025
Social responsibility funding	\$ 14,740	\$ 14,300
Liquor, Gaming and Cannabis Authority of Manitoba (LGCA) funding	5,203	5,097
Other community funding	556	571
	\$ 20,499	\$ 19,968

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 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 consolidated financial position of the Corporation.

b) Purchase commitments

At the end of the 2026 fiscal year, the Corporation had purchase commitments of \$952 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 its board of directors.

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 89% (2025 – 93%) 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 2026 fiscal year were \$7,738 (2025 – \$8,029). 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 \$774 (2025 – \$803), 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.

2026	On demand	< 1 year	1 year	2 years	3 years	4 years	5 years	> 5 years
Trade and other payables	\$ 11,200	\$ 145,126	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contract liabilities	7,470	5,610	-	-	-	-	-	-
Payable to the Province of Manitoba	-	70,123	-	-	-	-	-	-
Long-term debt	-	50,523	42,243	39,881	33,099	23,590	12,544	96,910
Lease liabilities	-	10,786	9,104	7,995	7,134	6,630	6,587	36,932
	\$ 18,670	\$ 282,168	\$ 51,347	\$ 47,876	\$ 40,233	\$ 30,220	\$ 19,131	\$ 133,842

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
	<u>\$ 17,295</u>	<u>\$ 284,059</u>	<u>\$ 52,035</u>	<u>\$ 42,025</u>	<u>\$ 38,507</u>	<u>\$ 30,863</u>	<u>\$ 21,506</u>	<u>\$ 122,251</u>

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 expected credit losses 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 expected credit losses 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 expected credit loss allowance for trade and other receivables for the 2026 fiscal year is \$6,209 (2025 – \$5,810). 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 2026 fiscal year is as follows:

Current	\$ 54,065
Past due as follows:	
Within 30 days	22
31 to 60 days	4
61 to 90 days	1
Over 90 days	20
Expected credit losses	(6,209)
	<u>\$ 47,903</u>

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.

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:

2026	Level 1	Level 2	Level 3	Total
Cash	\$ 43,256	\$ -	\$ -	\$ 43,256
	\$ 43,256	\$ -	\$ -	\$ 43,256
2025	Level 1	Level 2	Level 3	Total
Cash	\$ 45,171	\$ -	\$ -	\$ 45,171
	\$ 45,171	\$ -	\$ -	\$ 45,171

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:

	2026	2025
Short-term employee benefits	\$ 2,947	\$ 2,455
Post-employment pension and medical benefits	192	179
Termination benefits	288	-
	\$ 3,427	\$ 2,634

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