

ANNUAL REPORT 1992-1993



Atlantic Lottery Corporation Inc.

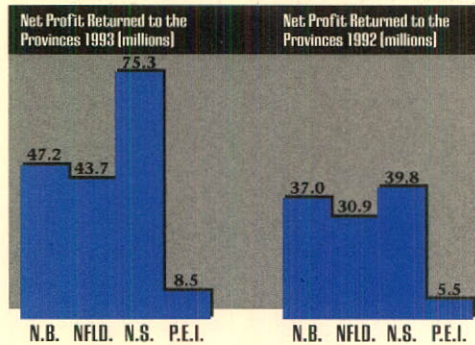
Howard Ross Library
of Management

SEP 28 1995

Annual Report
McGILL UNIVERSITY

FINANCIAL HIGHLIGHTS

(stated in thousands of dollars)



	1992-93	1991-92	1990-91	1989-90	1988-89
Sales	\$ 530,892	\$ 393,792	\$ 268,612	\$ 227,925	\$ 230,895
Commissions	112,026	67,759	25,264	14,293	13,265
Prizes	180,665	158,808	131,376	109,362	107,228
Net Operating Expenses	60,098	50,657	34,905	34,487	35,477
Payment to Government of Canada	3,444	3,354	3,249	3,112	2,923
Profit for distribution to the Atlantic Provinces	174,659	113,214	73,818	66,671	72,002
Number of Games	10	10	10	9	8

THE 1992-1993 BOARD



**McGill
University
Libraries**

**Howard Ross Library
of Management**

▶ Chairman of the Board

▶ A.L. [Lewis] White

Deputy Minister, Department of Works, Services
and Transportation
St. John's, Newfoundland

▶ Vice-Chairman of the Board

▶ W. Philip MacDougall

Deputy Minister, Department of Finance
Charlottetown, Prince Edward Island

▶ Secretary

▶ Ernest MacKinnon

Deputy Minister, Income Assistance
Fredericton, New Brunswick

▶ Directors

▶ Douglas B. Boylan

Clerk of the Legislative Assembly
Charlottetown, Prince Edward Island

▶ Gilbert Gill

Deputy Minister, Finance
Department of Finance
St. John's, Newfoundland

▶ Max I. Lewis

Deputy Minister, Finance
Fredericton, New Brunswick

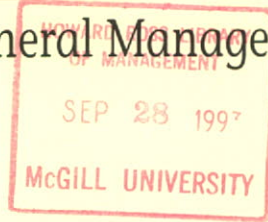
▶ Glyde M. Horner

Executive Director,
Nova Scotia Lottery Commission
Dartmouth, Nova Scotia

▶ Douglas T. Tobin

Deputy Minister, Management Board
Halifax, Nova Scotia

Message from the Chairman and the General Manager



An environment of focused business activity was evident throughout fiscal 1992-93 at Atlantic Lottery Corporation. Creative marketing initiatives, improved customer service, responsiveness to changing legislation and enhanced employee relations were hallmarks of the year.

Wholesale and retail commissions paid in 1992-93 rose by 66 per cent over the previous year. The \$112 million paid to retailers and operators resulted from total lottery sales of \$531 million. Record returns of profits to the governments of Newfoundland and Labrador, Nova Scotia, Prince Edward Island and New Brunswick totalled \$175 million, an increase of \$62 million over fiscal 1991-92.

Benefits of Atlantic Lottery's community-centred sales promotion incentives were felt throughout the region. For example, the Corporation's "Top Shot Shootout" at American Hockey League games was designed to help boost interest in local AHL competition. Another initiative, the sponsorship of the *Six-Horse Hitch* at the Atlantic Winter Fair in Halifax, was instituted to contribute to the success of this regional-based annual event.

Creative marketing and enhanced customer service played a role in ALC's activities in 1992-93. Television and radio advertising supported by newspaper and magazine ads focused on a broad spectrum of games promotion. And *Luck*, ALC's monthly magazine, continued to highlight winners, report on winning numbers and profile specific games.

Atlantic Lottery's prize authorization line at all branches of the Bank of Nova Scotia in Atlantic Canada, introduced last fiscal year to improve customer service and convenience, proved very successful. In its first 12 months of operation, over 4,500 tickets, representing in excess of \$5 million

in prize money, were processed through this service.

Responsiveness to legislative amendments in 1992-93 saw changes made to the Corporation's video lottery services in some provinces. The major shift came in Nova Scotia where amendments necessitated the removal of video lottery terminals from all but age restricted establishments.

Internally, the Corporation took steps to improve efficiency, enhance the working environment and capitalize on its biggest asset — the 350 employees who conduct Atlantic Lottery's business around the region. Performance management training was initiated to foster mutual respect among all employees and to contribute to increased productivity. The New Products Opportunities Committee was struck to reward employees for their lottery game ideas. And, departmental and divisional restructuring was instituted to meet evolving needs.

To promote communication within the industry, the Corporation joined the International Lottery Information Database, an organization of lottery corporations, representing

many jurisdictions, who exchange research and information. This database provides a comprehensive, cost effective means to study and evaluate games offered in other provinces and countries as well as to access marketing research and statistics.

Financial success, leading edge technology, evolving markets, community involvement, progressive internal change — 1992-93 has been a year of challenges met and goals achieved. Building on the valuable experience and insights gained this year, there is no question Atlantic Lottery Corporation stands poised and ready to continue to meet the expectations of its owner provinces, its public and its employees in the year ahead.



Lewis White
Lewis White

Chairman of the Board of Directors

Cluny Macpherson
Cluny Macpherson

General Manager

Atlantic Canadians played the Games and won the Prizes

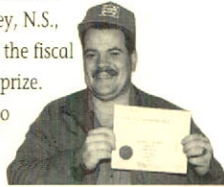
WINNERS ALL AROUND

From Scratch'n Win games to Atlantic Choice to the ever popular Lotto 6/49, Atlantic Canadians played the games and won the prizes. The winning began early in April and continued throughout the year as a record \$181 million was expended in prizes by Atlantic Lottery during fiscal 1992-93.

Here's a brief look at the year's prize award highlights here in Atlantic Canada ...

▶ **It's always nice to be first**

Blair Reid of Sydney, N.S., was the first winner of the fiscal year to claim a major prize. Blair played Loto Bingo in April 1992, and won \$10,000.



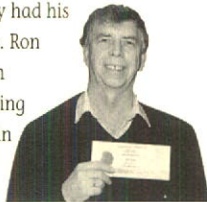
▶ **Gashing in on cars in O'Leary, P.E.I.**

O'Leary, P.E.I., is a good place to play Auto Plus. At least it was for two of the town's residents, Elizabeth Ramsay and Rose MacDonald. Each of these lucky women won a car (or cash option) by playing this popular game.



▶ **Double the fun in Corner Brook**

Winning is fun and Ron Flynn of Corner Brook, Nfld., has certainly had his fair share of fun this year. Ron played Atlantic Choice on Nov. 6 and won a whopping \$250,000. He played again on Jan. 6 and claimed a prize total of \$41,500.



▶ **Learning to win didn't take long**

Just two months after a group of six co-workers from Shoal Harbour, Nfld., got together to play Lotto 6/49 they were dividing up their jackpot prize of \$1,209,686.80. The lucky players are: Paul Burton, Roger Welsh, Ray Broderick, Bill Hiscock, Ian Slade and Albert Deir.



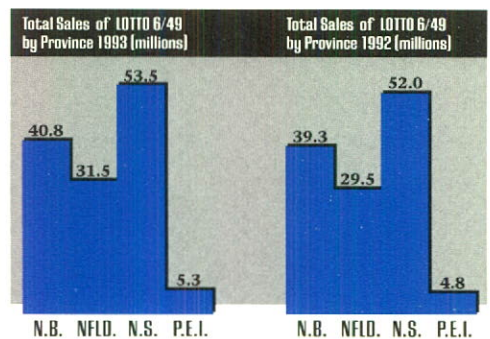
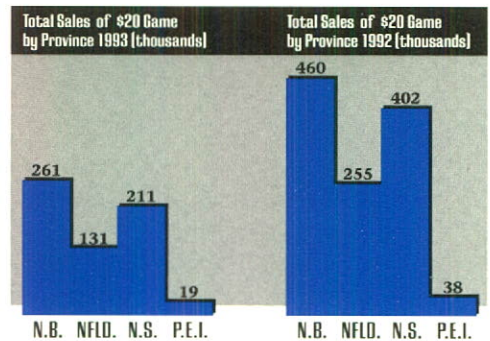
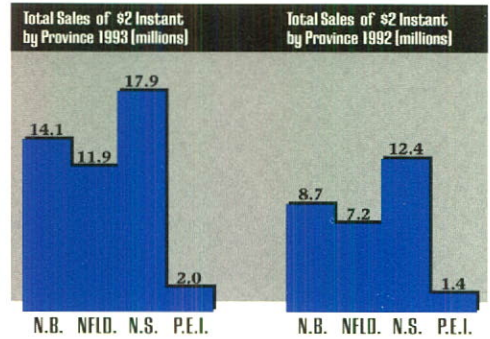
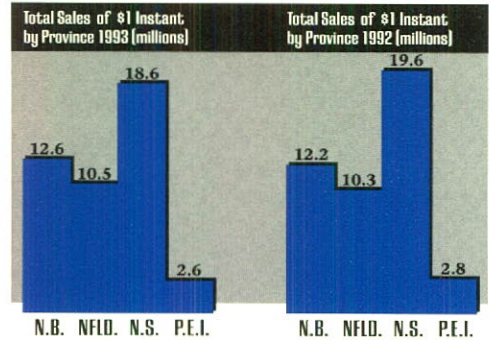
▶ **Devoted TAG player wins the big one**

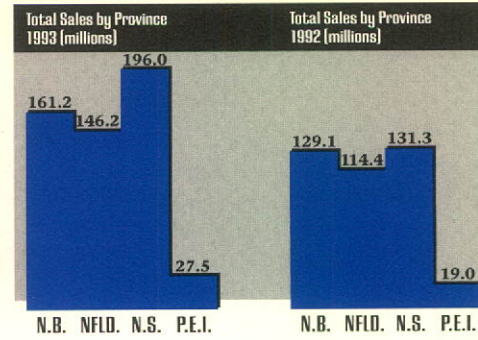
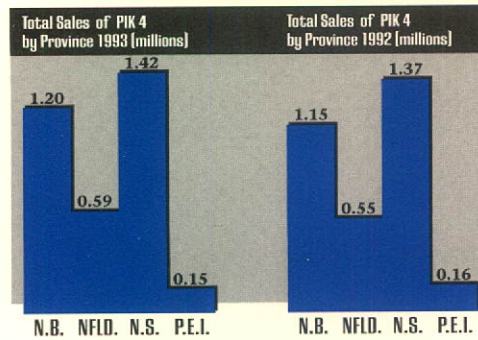
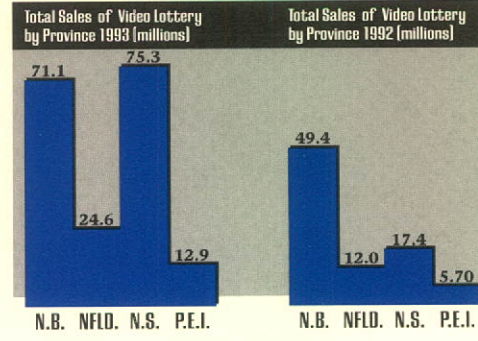
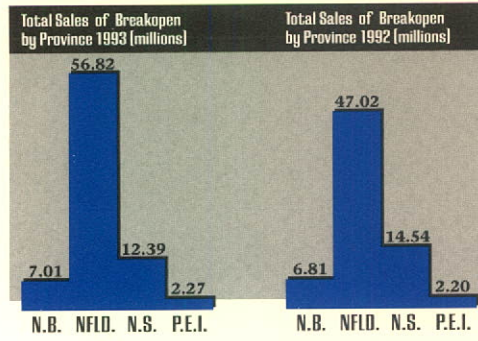
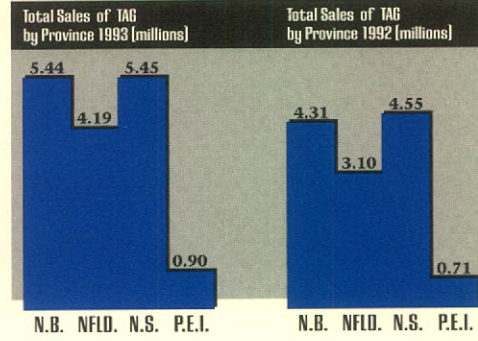
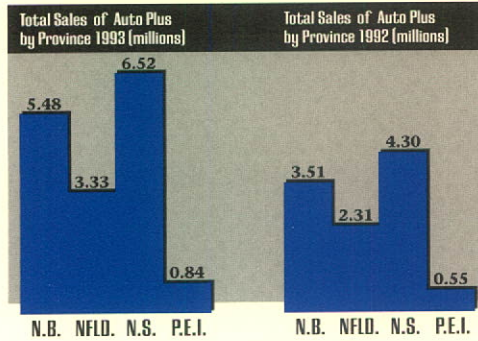
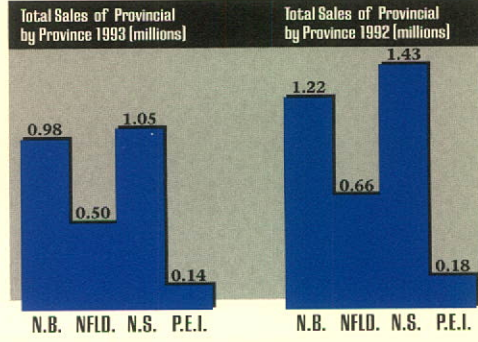
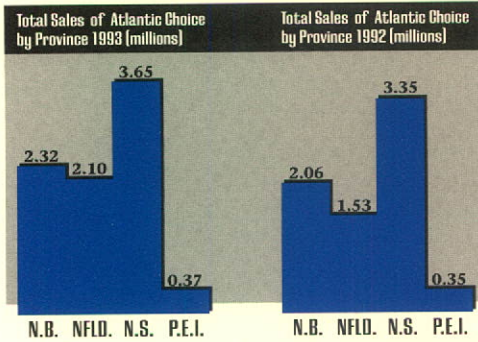
Marie-Paule Gallant of Grande-Digue, N.B., always plays TAG on her Lotto 6/49 tickets. In April that strategy payed off as she collected the top TAG prize of \$100,000.



▶ **Saving the best for last**

The last draw of Atlantic Lottery's fiscal year was a lucky one for Marie Duplisea of Saint John, N.B. She won the Lotto 6/49 jackpot prize of \$4 million on March 31, 1993.





March 31, 1993, with comparative figures for 1992

We have audited the balance sheet of the Atlantic Lottery Corporation Inc. as at March 31, 1993, and the statements of operations and allocation of profit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1993, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



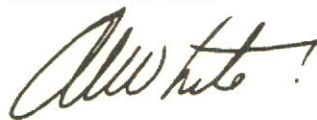
Chartered Accountants
Moncton, Canada
June 9, 1993

(Stated in thousands of dollars)

	1993	1992
Assets		
Cash	\$23,431	\$17,091
Accounts receivable	4,382	7,809
Prepaid expense	3,035	4,059
Property, plant and equipment (note 2)	35,798	20,880
	\$66,646	\$49,839
Liabilities and Shareholders' Equity		
Accounts payable and accrued liabilities	\$11,376	\$ 7,318
Deferred revenue	1,466	2,165
Liabilities for unclaimed prizes	19,973	16,504
Due to the Atlantic Provinces:		
Net income to be distributed	11,546	10,750
Advances	1,970	1,327
Term bank loans (note 3)	20,315	11,775
Share capital (note 4)	-	-
Contingency (note 8)	-	-
	\$66,646	\$49,839

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

STATEMENT OF OPERATIONS AND ALLOCATION OF PROFIT

Year ended March 31, 1993, with comparative figures for 1992

MANAGEMENT RESPONSIBILITIES FOR FINANCIAL REPORTING

(Stated in thousands of dollars)

	1993	1992
Sales		
Gross ticket sales	\$346,995	\$309,312
Net video lottery receipts	183,897	84,480
	530,892	393,792
Direct expenses:		
Prizes on ticket sales	180,665	158,808
Commissions (wholesale and retail)	111,724	67,315
Ticket printing	9,092	8,729
	301,481	234,852
Gross profit	229,411	158,940
Operating expenses:		
Marketing	6,389	6,302
Sales and promotions	6,221	5,312
Finance	1,760	1,745
Corporate services	6,530	5,929
Information systems	11,734	10,686
Depreciation	8,042	5,819
	40,676	35,793
Operating profit	188,735	123,147
Interest and other income	989	1,080
Profit before undernoted items	189,724	124,227
Less:		
Payments to the Government of Canada (note 5)	3,444	3,354
Goods and Services Tax (note 6)	11,319	7,215
Special commission to non-profit organizations (note 7)	302	444
	15,065	11,013
Profit for distribution to the Atlantic Provinces	\$174,659	\$113,214
Allocation of profit:		
Lotteries Commission of New Brunswick	\$ 47,236	\$ 37,021
Province of Newfoundland	43,664	30,840
Nova Scotia Lottery Commission	75,266	39,818
Prince Edward Island Lotteries Commission	8,493	5,535
	\$174,659	\$113,214

See accompanying notes to financial statements.

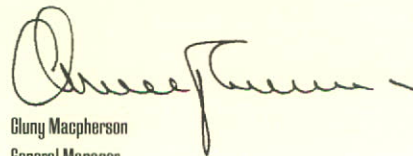
The financial statements presented in this Annual Report are the responsibility of the Management of the Atlantic Lottery Corporation Inc. They have been approved by its Board of Directors. Management prepared the financial statements in accordance with generally accepted accounting principles in Canada. The financial information contained in the Annual Report is consistent with the data presented in the financial statements.

The Atlantic Lottery Corporation Inc. maintains books of account, systems of information, systems of financial and management control, as well as a comprehensive internal audit program which provide reasonable assurance that accurate financial information is available, that assets are protected, that resources are managed efficiently, and that transactions are conducted in accordance with relevant statutes, the regulations and rules made thereunder, and the articles and By-Laws of the Corporation.

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



Douglas Milton
Director, Finance



Cluny Macpherson
General Manager

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended March 31, 1993, with comparative figures for 1992



(Stated in thousands of dollars)

	1993	1992
Cash provided by (used in):		
Operations:		
Profit for distribution to the Atlantic Provinces	\$174,659	\$113,214
Depreciation, which does not involve cash	8,042	5,819
Net changes in non-liquid short-term assets and liabilities	12,075	3,277
	194,776	122,310
Financing:		
Long-term debt, net of repayments	8,540	5,590
Due to the Atlantic Provinces	643	(114)
	9,183	5,476
Investment:		
Purchase of property, plant and equipment (net)	(22,960)	(14,591)
Distribution to the Atlantic Provinces	(174,659)	(113,214)
Increase (decrease) in cash	6,340	(19)
Cash, beginning of year	17,091	17,110
Cash, end of year	\$ 23,431	\$ 17,091

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 1993 (stated in thousands of dollars)

The Atlantic Lottery Corporation Inc. was incorporated under the Canada Business Corporations Act on September 3, 1976. The Governments of the Provinces of New Brunswick, Newfoundland, Nova Scotia and Prince Edward Island or their agencies are shareholders in the Corporation.

The Corporation is responsible to develop, organize, undertake, conduct and manage lotteries in Atlantic Canada. The Corporation is also the Regional Marketing Organization for the Provincial, Celebration and Lotto 6/49 national lottery games, which are joint undertakings by the Provinces of Canada acting through the Interprovincial Lottery Corporation, a company whose shares are held by Her Majesty the Queen in right of the Provinces.

1. Significant accounting policies:

(a) Capital expenditures:

The Corporation capitalizes any major purchase which has a useful life beyond the current year and which will materially affect net income in the current year. Assets are recorded at their original cost and are depreciated on a straight-line basis according to their estimated useful life using the following rates:

Asset	Rate
Building	5% and 20%
Automotive	33.3%
Furniture and equipment	10% and 20%
Computer equipment and leasehold improvements	20%

(b) Revenues and expenses:

The recognition of lottery sales revenue and the corresponding direct expenses for all draw games is at the date of the draw. Receipts for lottery tickets sold before March 31 for draws held subsequent to that date are recorded as deferred revenue. The related costs of ticket printing and retailer commissions are recorded as prepaid expenses.

For all other lotteries, the recognition of lottery sales revenue and the corresponding direct expenses is at the time of sale to the consumer.

(c) Prizes paid:

In addition to cash prizes, the Corporation also awards free tickets. The value ascribed to these prizes is equal to the sale price and is recorded in sales as income and in prizes as an expense.

(d) Unclaimed prizes:

All unclaimed prizes from regional lottery games are retained in a prize fund for one year from the announced beginning date of the draw. Unclaimed prizes remaining after the one-year claiming period are transferred to a special prize fund to be used for prizes in subsequent draws. Prizes of the national lottery games are funded directly by the Interprovincial Lottery Corporation with the exception of prizes for certain free tickets, which are paid out of general funds as incurred.

(e) Distribution of profit:

The profit of the Corporation is distributed to each of the four Atlantic Provinces or their lottery agencies. The distribution to each province consists of the calculated profit from video lottery in each province and the allocation of profit from all other products based on the percentage of net revenues (sales minus prizes) in that province.

(f) Net video lottery receipts:

Video lottery receipts are recorded net of credits paid out.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended March 31, 1993 (stated in thousands of dollars)



2. Property, plant and equipment:

			1993	1992
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 100	\$ -	\$ 100	\$ 100
Building	3,088	2,393	695	724
Automotive	1,767	658	1,109	929
Furniture and equipment	1,351	734	617	348
Computer equipment:				
On-line gaming terminals	23,999	18,783	5,216	1,793
Video lottery terminals	34,551	7,169	27,382	15,343
Other	7,668	7,134	534	1,493
	<u>66,218</u>	<u>33,086</u>	<u>33,132</u>	<u>18,629</u>
Leasehold improvements	241	96	145	150
	<u>\$ 72,765</u>	<u>\$ 36,967</u>	<u>\$ 35,798</u>	<u>\$ 20,880</u>

3. Term bank loans:

As at March 31, 1993, the loans amounted to \$20,315 (March 31, 1992 - \$11,775). The loans are unsecured and bear interest at the prime bank rate, to the extent that the amount of the loans exceeds operating funds on deposit with the bank. The loans are payable as follows: 1994 - \$4,715; 1995 - \$4,600; 1996 - \$4,600; 1997 - \$4,000; and 1998 - \$2,400.

4. Share capital:

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

5. Payments to the Government of Canada:

Under Federal/Provincial agreements, the Government of Canada agreed to withdraw from the sale of lottery tickets and to refrain from re-entering the field of gaming and betting. In consideration the provinces are paying \$24 million annually, in 1979 dollars, adjusted by the consumer price index each year. The amount for the current year was \$48.7 million. The Corporation, as the Regional Marketing Organization of the Interprovincial Lottery Corporation, remits its member provinces' share of the above payments to the Interprovincial Lottery Corporation. The payment is included in the Statement of Operations and Allocation of Profit as a deduction from profit.

6. Goods and Services Tax (GST):

In lieu of the collection of GST on lottery ticket sales to the consumer, the Corporation pays the federal tax based on a specific formula and absorbs the cost. In addition to the GST paid by the Corporation, GST paid on goods and services purchased is not recoverable and is recorded with the cost to which it relates.

7. Special commission to non-profit organizations:

Special commissions are paid by the Corporation directly to non-profit organizations selling breakopen tickets.

8. Contingency:

On February 8, 1993, the Province of Nova Scotia discontinued the video lottery program in "non-aged controlled" premises in the province. As a consequence, the Corporation has video lottery terminals in excess of its immediate needs. The carrying value of all of the video lottery terminals taken as a pool of assets is less than the expected annual revenues generated from the remaining video lottery program in the province. Management has not taken a decision as to the disposition of these excess terminals. Any losses on disposition of these excess terminals is not determinable at this time.

9. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.



Atlantic Lottery Corporation Inc.