

Atlantic Lottery Corporation Inc.
Annual Report

C



1991-1992

Since its foundation in 1976, the Atlantic Lottery Corporation has enjoyed fifteen years of responsible success. During that

time, it has matured greatly, a process that is evident in the enviable record of growth and

achievement that is presented here. We owe it all to the dedicated professionalism of

hundreds of employees over the years. In appreciation, this anniversary annual report is dedicated to them.

FINANCIAL HIGHLIGHTS

(stated in thousands of dollars)

	1991-92	1990-91	1989-90	1988-89	1987-88
Sales	393,792	268,612	227,925	230,895	211,984
Retailer Compensation	67,759	25,264	14,293	13,265	12,253
Prizes	158,808	131,376	109,362	107,228	98,066
Net Operating Expenses	50,657	34,905	34,487	35,477	31,863
Payment to Government of Canada	3,354	3,249	3,112	2,923	5,123
Profits for distribution to the Atlantic Provinces	113,214	73,818	66,671	72,002	64,679
Number of Games	10	10	9	8	8

TABLE OF CONTENTS

1991-92 Message from the Chairman and the General Manager	Page 1
An Interprovincial Success Story	Page 2
1991-92 Year End	Page 3
<i>Setting the Pace</i>	Page 3
<i>It's All in the Game</i>	Page 4
<i>We've Come a Long Way</i>	Page 6
Financials	Page 8
<i>Balance Sheet and Auditor's Report</i>	Page 8
<i>Statement of Operations</i>	Page 9
<i>Statement of Changes in Financial Position</i>	Page 10
<i>Notes</i>	Page 10

1991-92 Message from the Chairman and the General Manager

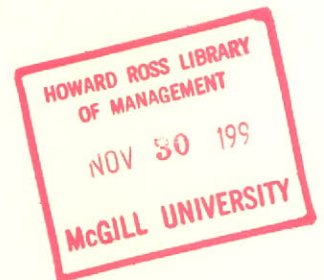


A handwritten signature in blue ink that reads "Lewis White".

LEWIS WHITE
Chairman of the Board of Directors

A handwritten signature in blue ink that reads "Cluny MacPherson".

CLUNY MACPHERSON
General Manager



On September 3, 1976, Canada's four Atlantic Provinces embarked on an exciting joint venture. They created the Atlantic Lottery Corporation. The mandate of the new corporation was twofold: to respond to a manifest public desire throughout Atlantic Canada by providing lottery and gaming opportunities that were characterized by high entertainment value and impeccable integrity; and to return annual targeted profits to the provincial shareholders as a result of these activities. From the outset, it was evident that establishment of a responsible, well-regulated lottery system was a timely and popular decision. Atlantic Canadians have responded with trust and enthusiasm. In 1977-78, our first full year of operation, we achieved a net profit of \$14.4 million on sales of \$40.6 million. Since then, our financial growth curve has been consistently upward in virtually

every category. We have continued to produce an excellent return on investment. In 1991-92, a combination of gross ticket sales and net video lottery receipts amounting to \$393.8 million generated profits of \$113.2 million for distribution to the provinces, bringing the 15-year cumulative profit to a total of \$676.0 million. Prize money expended in the past year amounted to \$158.8 million. However, prizes and profits are not the only financial benefits of the Atlantic Lottery Corporation. In 1991-92, salaries, retailer commissions, and purchases of goods and services from regional suppliers contributed approximately \$100 million to the regional economy.

This report provides ample evidence of the extent to which the corporation has become an industry leader, as well as a popular source of entertainment among Atlantic Canadians. The past year has been no exception. Our new "Bingo" game was an instant success, attracting attention of public lotteries worldwide. Our video lottery terminals, introduced in 1990-91, were welcomed with enthusiasm by players across the region in this, their first full year of operation. We continue to break new ground with staff training programs and retailer roundtable sessions aimed at constantly improving the quality of our operations. All in all, fifteen years of responsible success in a dynamic business environment have positioned ALC very well to deal constructively and creatively with whatever challenges the future may bring.

An Interprovincial Success Story



The Atlantic Lottery Corporation offers an excellent example of effective, constructive, cooperation between provinces. Working in a practical, straight-forward manner, the ALC fulfils a significant public demand by providing legitimate lottery and

gaming products throughout Newfoundland and Labrador, New Brunswick, Nova Scotia, and Prince Edward Island. Profits are shared relative to sales activity in each of the

provinces. In addition, the corporation represents the interests of its provincial stakeholders in cooperative relationships with other Canadian lottery organizations and

through membership in international industry associations. That the corporation has been successful is, in part, a reflection of the breadth of viewpoint afforded by having representation of all four Atlantic provinces on the Board.

THE 1991-1992 BOARD

CHAIRMAN OF THE BOARD

A.L. (LEWIS) WHITE

Deputy Minister, Department of Work Services and Transportation
St. John's, NFLD

VICE-CHAIRMAN OF THE BOARD

W. PHILIP MACDOUGALL

Deputy Minister, Department of Finance
Charlottetown, PEI

SECRETARY

ERNEST MACKINNON

Deputy Minister, Income Assistance
Fredericton, NB

DIRECTORS

DOUGLAS B. BOYLAN

Clerk of the Legislative Assembly
Charlottetown, PEI

GILBERT GILL

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

MAX L. LEWIS

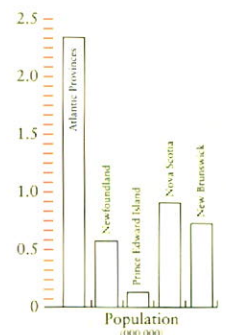
Deputy Minister, Finance
Fredericton, NB

LOUIS STEPHEN

Deputy Minister, Government Services
Halifax, NS

DOUGLAS T. TOBIN

Deputy Minister, Management Board
Halifax, NS





THE FIRST TICKET AND DRAW

December 15, 1976. An air of excitement filled the Grand Salon of Moncton's Hotel Beauséjour as staff made the final preparations for a gala occasion, the Atlantic Lottery Corporation's first-ever draw. The game was called A-1, and viewer response

was A-1, too. More than 640,000 viewers watched that initial telecast as the numbered balls rolled down the chute to make Judy Christopher of Alberton South, PEI our first \$50,000 winner.

With a draw every two weeks, A-1 remained a popular favourite right up to its closing on September 17, 1980.

OUR FIRST ATLANTIC CANADA MILLIONAIRE January 28, 1979 was an undoubted milestone date for

ALC – the first draw for the monthly Provincial/Super Loto game. It was the first million-dollar game in Atlantic Canada, and a favourite, not only because of the chance

for a big prize, but also because each ticket was good for two consecutive draws. The game won a special place in the hearts of John and Margaret Currie of Sydney, NS, the first Atlantic Canada winners of a grand prize of \$1,000,000!

\$5,773,931.40



D. Lloyd Zinck
Lotto 6/49, January 1, 1992
\$5,773,931.40

1991-92 YEAR END

SETTING THE PACE

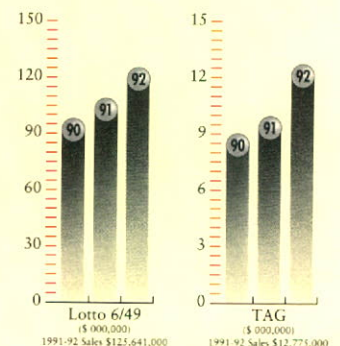
Industry leadership has been a characteristic of the Atlantic Lottery Corporation from the outset of its operations, and the past year has been no exception to the rule. Indeed, 1991-92 saw the introduction of several exciting innovations that helped secure ALC's continued position in the forefront of the industry.

Games are a central feature of our business, and in 1991-92 we introduced a new one that is already attracting attention worldwide. ALC's "Bingo" is the first true bingo game ever offered by a lottery, and is already a record-setter in customer popularity. It is being emulated in Western Canada, and by lottery organiza-



tions as far afield as Australia. Convenience and security are prime considerations when it comes to prize redemption. Four years ago, we were the first in the industry to introduce bar-code technology to validate lottery tickets through our Prize Redemption On-line System (PROS), a process that is now considered to be standard among lotteries around the world. This year saw another advance, in the form of on-the-spot cash-in privileges for prize amounts of up to \$10,000 at branches of the Bank of Nova Scotia. This has been the first full year of operation of video lottery terminals throughout Atlantic Canada. Experience has borne out the earlier projections that this development would have a profound impact on our

Fulfilling data processing functions that range from management information to on-line prize redemption, the Central Computer Centre is a crucial operational nerve centre of the Atlantic Lottery Corporation.



Each ball represents one fiscal year. For example, 92 represents fiscal year 1991-1992.



LAUNCH OF LOTTO 6/49

June 4, 1982. Tickets went on sale for the very first time for a brand new game. It was called Lotto 6/49, and it was something totally new and different – Atlantic Canada's first on-line game. Initially, draws

were held every Saturday, with Wednesday draws being introduced in September 1985. Unlike previous passive games, Lotto 6/49 encouraged the players to become active participants by

choosing their own numbers. And with a minimum guaranteed jackpot of \$500,000 that could escalate into the millions if

there was no grand prize winner, the incentive to play was considerable.

INTRODUCING SCRATCH 'N WIN November 1, 1983. With the introduction of Tic Tac Toe, ALC's first instant game, surprise became a key attraction for players

of games based on the Scratch 'n Win concept. Uncovering hidden good news can be a lot of fun. Prizes to be awarded for the \$1 tickets ranged from a free ticket to \$5,000 cash, and with odds of winning at 1 in 3.85, Scratch 'n Win was itself a winner.



Michael Greenlaw
Atlantic Choice, November 25, 1991
\$50,000.00

1991-92 YEAR END, continued from page 3

operations, generating some 35% of our net revenue in 1991-92. The challenge of establishing, servicing, and administering an entire new network of terminals has been met successfully, attracting much interest in the North American lottery industry. With over 9,500 on-line and video lottery terminals in operation throughout our retailer network, fast, dependable servicing of equipment is a must. Ours was the first lottery organization in Canada to introduce in-house terminal repair facilities. This year, we have taken that initiative a step further by training our gaming terminal technologists in a high-tech, hands-on, computer-based program.

IT'S ALL IN THE GAME

In a word, we sell entertainment. The pleasure of a dream, the

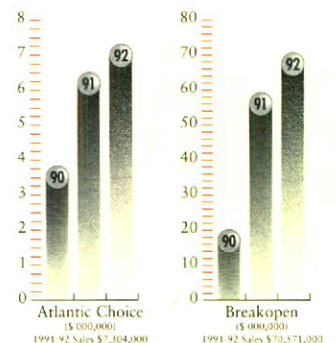


excitement of winning; these universal human experiences are as satisfying to our customers as to anyone. And in order to keep the fun fresh, our game designers and promotional staff work constantly at developing new and entertaining variations on the basic gaming themes of draw, on-line play, and instant win.

LOTTO 6/49 offers all the excitement of winning giant jackpots, and remains our most popular product, with total sales of \$125.6 million in 1991-92, accounting for more than 40% of our overall sales.

AUTO PLUS, an instant-win game, is another core lottery product. While it does not compete in sales figures with LOTTO 6/49, it responds to one of the most common dreams of

After the first full year of operation, it is evident that the decision to establish a video lottery network represented an accurate reading of market demand.



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'LOTTOMANIA' SWEEPS THE NATION

January 14, 1984. Across Canada, a lottery industry that some observers thought was losing steam suddenly burst into new life with the announcement that, after several weeks without a grand prize winner, the Lotto 6/49 jackpot had hit a record \$14 million. MacLean's magazine called the phenomenon 'lottomania' as players throughout Atlantic Canada joined the national rush to queue for tickets. For the players, it was a lot of fun. For the industry, the event was a coming of age.

TEN YEARS OF ACHIEVEMENT December 13, 1986. It was the Atlantic Lottery Corporation's 10th Anniversary, and a birthday party was in order. To help Atlantic Canadians celebrate, ALC ran a television variety

special featuring performers with a special regional connection – popular favourites such as Catherine MacKinnon, Don Harron, Edith

Butler, and Rita MacNeil. For one person in particular, the show was truly unforgettable. New Brunswicker Sterling Cowie became a millionaire on live TV.

DISCOVERING PIK 4 APPEAL October 4, 1986. A new opportunity for winning was introduced to Atlantic Canadian players in the form of Pik 4. No separate draw was held; instead, prizes were awarded

based on the numbers selected during the bi-weekly Lotto 6/49 draws held every Wednesday and Saturday. Promoted by an amusing graphic mascot, the Pik 4 man, this variation on the popular Lotto 6/49 theme offered increased odds of winning an intermediate level prize.



Pamela Diane Graham Auto Plus, September 13, 1991 \$40,000

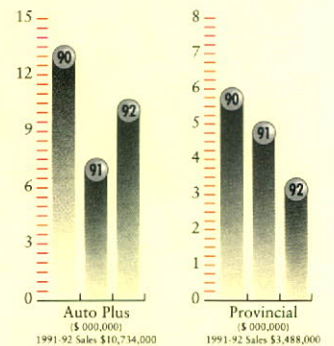
1991-92 YEAR END, continued from page 4



the modern player — the wish for a new car. In order to appeal to a wide variety of players, the game is updated frequently, with new ticket designs and new cars being offered. In 1991-92, the prize offerings were refreshed twice with the Hot Cars and Winning Wheels promotions. SCRATCH 'n WIN games provide a wide variety of opportunities to play, at low cost, enhanced by attractive odds and the satisfaction of instant confirmation of a win. The creative ingenuity of our graphic designers and the skills of our market research team are constantly challenged to come up with new and different ways to

play at Scratch 'n Win. ATLANTIC CHOICE offers opportunities to play at various price levels, with the added attraction of generous top prizes. In spite of this, it is felt that the game has yet to reach its full sales potential. For this reason, it has been a focal point for extensive promotional activity throughout the past year to increase customer familiarity. ANNIVERSARY CLASSIC was introduced in 1991-92 to celebrate our 15th anniversary. With a payout rate of 65%, and favourite games from the past 15 years, it was an attractive blend of new and nostalgic. The climax was a TV special where selected finalists competed for the grand prize of \$100,000 in a 'wheel of fortune' style payoff.

A warm welcome awaits players, winners, and the many other visitors who come to the Atlantic Lottery Corporation's headquarters in Moncton, New Brunswick.



Each ball represents one fiscal year. For example, 90 represents fiscal year 1991-1992.



PLAYING TAG
 May 4, 1988 marked the first draw for Tag, a passive add-on to Lotto 6/49. Odds of 1 in 10 and a grand prize of \$100,000 were among the incentives for playing. Although Lotto 6/49 is a national game, Tag is exclusively an Atlantic Canada specialty, offering players an extra opportunity to activate the popular option for \$1 at the point of purchase. Draws are held every Wednesday and Saturday.

INTRODUCING PROS
 April 3, 1988. ALC's reputation for innovative service was further enhanced by the introduction of PROS - the Prize Redemption On-line System. The system permits passive, on-line and instant games to be validated at the point of purchase

on the retailer's on-line terminal. ALC's PROS system, the most comprehensive of its kind, set a new standard for the gaming industry and has been widely adapted around the world.

LAUNCHING THE \$2 INSTANT SCRATCH 'N WIN
 June 13, 1988. The established popularity of Scratch 'n Win at the \$1 level led eventually to the

introduction of Banco, the first of literally dozens of entertaining \$2 games. Odds of winning a prize are an attractive 1 in 6, with prizes ranging from \$2 to \$25,000.

BREAKOPENS
 September 29, 1986. ALC was one of the first lotteries world wide to introduce the Breakopen game concept in which a portion of the ticket is removed to reveal whether the player has won a prize in the \$1 to \$100 range. An easily accessible game, with tickets selling at an economical 50¢ each or 3 for \$1, Breakopen has been a popular product since its introduction, especially at Legions and bingo halls.

\$100,000.00



Cheryl Pottle
 Scratch 'n Win - Bingo, December 2, 1991
 \$10,000

1991-92 YEAR END, continued from page 5

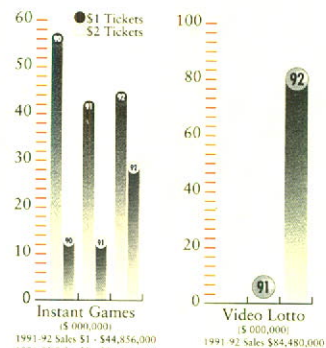
WE'VE COME A LONG WAY

It might seem a little old-fashioned now, but on the night of December 15, 1976, the Atlantic Lottery Corporation's first-ever draw in the Grand Salon of Moncton's Hotel Beauséjour was a state-of-the-art gala event. As the balls rolled down the chute to determine the winner of \$50,000 in the A-1 draw, there was a sense that this was the start of something big. Since then, we've come a long way indeed. Prizes have multiplied in size and number, to the point where, in 1991-92, ALC players won nine Lotto 6/49 jackpots, three exceeding \$5 million. Games have become more numerous and varied, as ALC has led the way among Canadian lottery

organizations with innovations such as TAG, Video Lottery, and Bingo. We owe much of our success to a team of lottery employees who thrive on the creative challenge of their work. Thanks to their ingenuity we have introduced such concepts as: direct mail distribution of lottery discount coupons; on-line promotions inviting player interest in a variety of games; and the sale of lottery tickets through chartered banks. Modern lotteries are high-tech ventures.

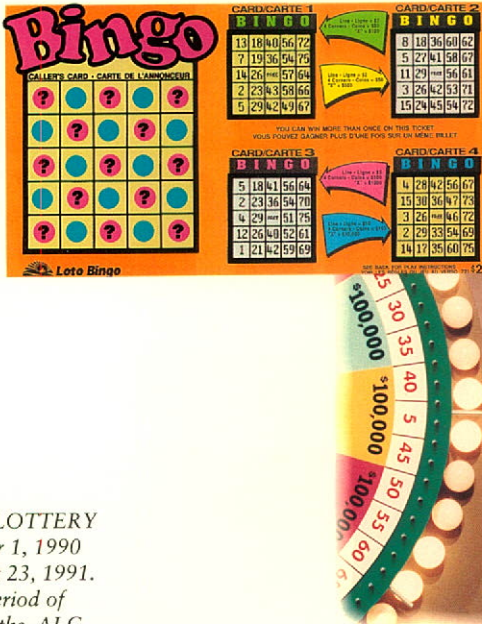


With more than 9,500 on-line terminals in operation, expert technical support is an essential part of ALC's service to retailers and players alike. The vast majority of problems are resolved with a single call to the Hotline (centre photo), but when more complex repairs are necessary, expert technicians perform them quickly and efficiently at the Gaming Terminal Technology Centre.



Each ball represents one fiscal year. For example, 92 represents fiscal year 1991-1992.





VIDEO LOTTERY
December 1, 1990 to August 23, 1991. Over a period of nine months, ALC introduced a fully functioning video lottery network into all four provinces of Atlantic Canada. With a cost of play ranging from 5¢ to 25¢, and a top prize of up to \$500 per wager, the machines met with an instantaneous and extremely positive player response, and the network is still growing.

BINGO
October 7, 1991. Another lottery milestone was reached with the launching of Bingo, a Scratch 'n Win style card that accurately simulates the experience of playing the widely popular game. The \$2 ticket offers prizes

from \$2 to \$10,000, and with odds of 1 in 4.22 to win, many players have chosen it as their favourite ALC product.

15TH ANNIVERSARY
September 3, 1991. "The Winning Spirit" of the Atlantic Lottery Corporation was evident in the celebration of fifteen

years of responsible success. The slogan was coined by an ALC employee as part of a contest to sum up the theme of the corporate conference in this anniversary year. Meanwhile, plans were under way for the Anniversary Classic, a very special commemorative game

package offering close to 800,000 chances at prizes ranging from \$2 to \$100,000. A promotional TV ad featured a selection of Atlantic Lottery winners from the past fifteen years. The festivities came to a climax in the Halifax studios of ATV on March 20, 1992 with a gala production which saw winners of an Anniversary TV Entry Draw competing for top prizes in a "wheel of fortune" style play-off.



Raoul Pare
Anniversary Classic, November 25, 1991
\$100,000

1991-92 YEAR END, continued from page 6

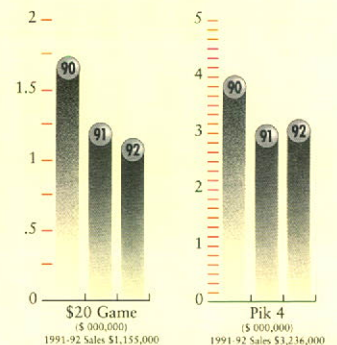
ALC's computer specialists are leaders in development, support, and servicing of terminals, communications, and information systems. For this reason, we have established our own gaming terminal technology facilities, backed up by a direct-dial hotline service for trouble-shooting and retailer support. We are one of the largest and most progressive users of telephone services in Atlantic Canada, constantly challenging the telecommunications industry with new creative demands.

Another element that has made important contributions to the achievement of our fifteen years of responsible success is our retail network. Ranging from corner stores to chartered banks and free-standing lottery centres, our sales outlets are situated to provide maximum service

to our playing customers. The retailers who operate them are valued members of the ALC team. In the past year we have emphasized their important role by involving them in area information and feedback sessions that underline one principle — we listen carefully to their input, and we respond to it constructively.

From tentative beginnings in 1976, the Atlantic Lottery Corporation has grown to assume a position of leadership in creative marketing, technological innovation, and administrative and regulatory responsibility within Atlantic Canada and throughout our industry. We proudly celebrate 15 years of responsible success.

Welcoming our winners is one of most enjoyable duties of the Public Relations Department, but friendly, informative representatives are on hand to provide assistance and information in all kinds of situations.



Each ball represents one fiscal year. For example, 92 represents fiscal year 1991-1992.

Atlantic Lottery Corporation Inc.

Nineteen Ninety-two

ATLANTIC LOTTERY CORPORATION INC. BALANCE SHEET

March 31, 1992, with comparative figures for 1991
(Stated in thousands of dollars)

	1992	1991
ASSETS		
Cash	\$ 17,091	\$ 17,110
Accounts receivable	7,809	3,856
Prepaid expense	4,059	3,871
Property, plant and equipment (note 2)	20,880	12,108
	\$ 49,839	\$ 36,945
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued liabilities	\$ 7,318	\$ 6,785
Deferred revenue	2,165	905
Liabilities for unclaimed prizes	16,504	14,170
Due to the Atlantic Provinces:		
Net income to be distributed	10,750	7,459
Advances	1,327	1,441
Term bank loans (note 3)	11,775	6,185
Share capital (note 4)	—	—
	\$ 49,839	\$ 36,945

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheet of the Atlantic Lottery Corporation Inc. as at March 31, 1992 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, 1992 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 18, 1992

Atlantic Lottery Corporation Inc.

Nineteen Ninety-two

ATLANTIC LOTTERY CORPORATION INC. STATEMENT OF OPERATIONS AND ALLOCATION OF PROFIT

Year ended March 31, 1992, with comparative figures for 1991
(Stated in thousands of dollars)

	1992	1991
SALES		
Gross ticket sales	\$ 309,312	\$ 258,476
Net video lottery receipts	84,480	10,136
	393,792	268,612
DIRECT EXPENSES:		
Prizes on ticket sales	158,808	131,376
Commissions (wholesale and retail)	67,315	24,668
Ticket printing	8,729	6,815
	234,852	162,859
Gross profit	158,940	105,753
OPERATING EXPENSES:		
Marketing and sales	13,210	10,522
Administration	6,078	4,865
Information systems	10,686	8,189
Depreciation	5,819	5,256
	35,793	28,832
OPERATING PROFIT	123,147	76,921
Interest and other income	1,080	1,691
PROFIT BEFORE UNDERNOTED ITEMS	124,227	78,612
Less:		
Payments to the Government of Canada (note 5)	3,354	3,249
Goods and Services Tax (note 6)	7,215	949
Special commission to non-profit organizations (note 7)	444	596
	11,013	4,794
Profit for distribution to the Atlantic Provinces	\$ 113,214	\$ 73,818
ALLOCATION OF PROFIT:		
Lotteries Commission of New Brunswick	\$ 37,021	\$ 21,819
Province of Newfoundland	30,840	21,428
Nova Scotia Lottery Commission	39,818	27,448
Prince Edward Island Lotteries Commission	5,535	3,123
	\$ 113,214	\$ 73,818

See accompanying notes to financial statements.

MANAGEMENT RESPONSIBILITIES FOR FINANCIAL REPORTING

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.

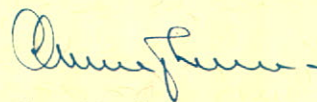
Management prepared the financial statements in accordance with generally accepted accounting principles in Canada. The financial information contained in the Annual Report is consistent with the data presented in the financial statements.

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 and Administration



Cluny Macpherson
General Manager

ATLANTIC LOTTERY CORPORATION INC. STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended March 31, 1992, with comparative figures for 1991
(Stated in thousands of dollars)

	1992	1991
Cash provided by (used in):		
OPERATIONS:		
Profit for distribution to the Atlantic Provinces \$	113,214	\$ 73,818
Depreciation, which does not involve cash	5,819	5,256
Net changes in non-liquid short-term assets and liabilities	3,277	4,104
	122,310	83,178
FINANCING:		
Long-term debt, net of repayments	5,590	(768)
Due to the Atlantic Provinces	(114)	384
	5,476	(384)
INVESTMENT:		
Purchase of property, plant and equipment (net)	(14,591)	(6,348)
DISTRIBUTION TO THE ATLANTIC PROVINCES	(113,214)	(73,818)
INCREASE (DECREASE) IN CASH	(19)	2,628
Cash, beginning of year	17,110	14,482
Cash, end of year	\$ 17,091	\$ 17,110

See accompanying notes to financial statements.

ATLANTIC LOTTERY CORPORATION INC. NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 1992
(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 Game 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%
Draw equipment	10%
Computer equipment and leasehold improvements	20%
Furniture and equipment	20% and 10%

(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 the lottery agencies of each of the four Atlantic Provinces. 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. Up to March 31, 1991, the distribution to each province was based on the percentage of ticket sales in that province.

(f) Net video lottery receipts:

Video lottery receipts are recorded net of credits paid out.

2. PROPERTY, PLANT AND EQUIPMENT:

			1992	1991
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 100	\$ —	\$ 100	\$ 100
Building	3,081	2,357	724	1
Automotive	1,473	544	929	1,043
Furniture and equipment	1,398	1,050	348	165
Computer equipment:				
6/49 terminals	19,951	18,158	1,793	4,180
Video lottery terminals	17,166	1,823	15,343	4,009
Other	7,661	6,168	1,493	2,478
	<u>44,778</u>	<u>26,149</u>	<u>18,629</u>	<u>10,667</u>
Leasehold improvements	245	95	150	132
	<u>\$ 51,075</u>	<u>\$ 30,195</u>	<u>\$ 20,880</u>	<u>\$ 12,108</u>

3. TERM BANK LOANS:

As at March 31, 1992, the loans amounted to \$11,775 (March 31, 1991 - \$6,185). 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: 1993 - \$3,460; 1994 - \$2,315; 1995 - \$2,200; and 1996 - \$2,200; and 1997 - \$1,600.

4. SHARE CAPITAL:

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

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 \$47.9 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:

Effective January 1, 1991, lottery products are GST taxable. The decision was made to sell lottery products GST included and absorb 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. COMPARATIVE FIGURES:

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

Ours is a dynamic company. Proud as we may be of yesterday's successes, their real value is as the foundation on which we shall build to meet the challenges of tomorrow.

Atlantic Lottery Corporation Inc.



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