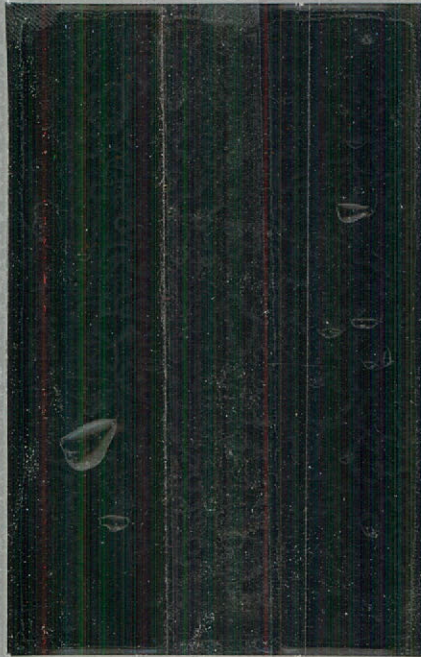


ATLANTIC LOTTERY  
CORPORATION INC.

C



1986-1987  
ANNUAL REPORT



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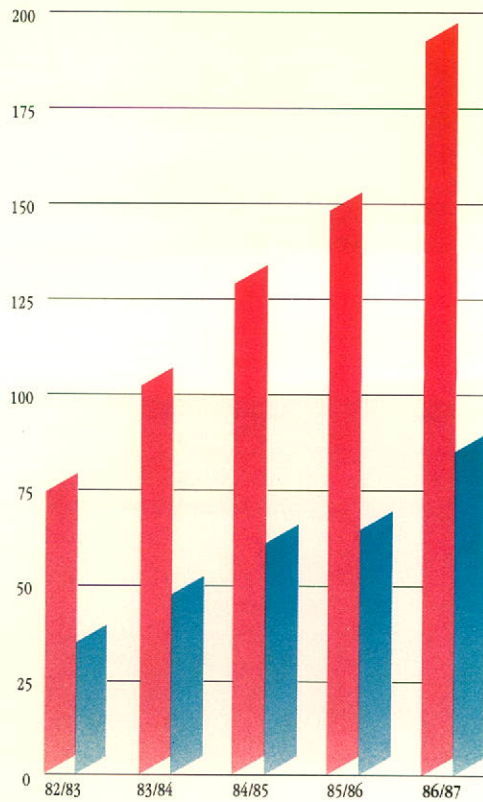
*FINANCIAL HIGHLIGHTS*

<i>(\$ thousands)</i>	86/87	85/86	84/85	83/84	82/83
Sales	197,117	152,734	134,987	109,162	78,635
Retailer Commissions	10,941	8,708	8,143	7,112	5,528
Prizes	90,687	70,694	65,023	51,083	35,784
Net Operating Expenses	29,759	22,556	18,076	15,901	14,452
Payment to the Government of Canada	5,065	4,965	2,343	2,288	2,267
Profit for distribution to the Atlantic Provinces	60,665	45,811	41,402	32,778	20,604
Number of games	8	6	6	6	5

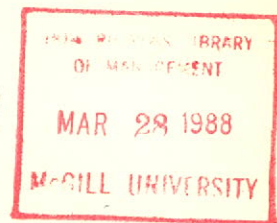
# CELEBRATING OUR TENTH YEAR



*FIVE YEARS IN REVIEW*  
(*\$ millions*)



■ Sales ■ Prizes





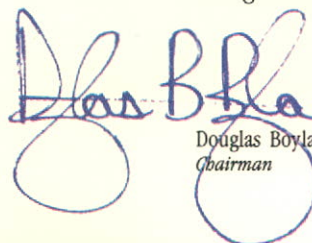
*It was ten years ago that the four Atlantic provinces agreed to create the Atlantic Lottery Corporation Inc., with a mandate to 'develop, organize, undertake, conduct and manage lotteries on behalf of the provinces.'*


*Success was expected, but not success to the extent of annual sales approaching \$200 million. Yet, that is exactly what we achieved in our tenth year of operation.*

*Our success depends on a combination of many factors. Frequent draws, low prices, attractive prizes and good chances of winning are important, as are simple game procedures, fast notice of results, and easy access to ticket outlets. However, the most important factor of all is integrity.*

*In 1986-87, we proudly marked our tenth anniversary. The climax of the year came with the making of a millionaire on live television. Along with the anniversary events, however, this was also a year for looking to the future. Advances included computer upgrading, office expansion and the installation of 500 new on-line gaming terminals to our network. In addition, we modified our flagship A-plus game and launched two new ones: PIK 4 and Breakopen tickets.*

*As times change, the ingredients of successful lotteries change also. The prosperity of the Atlantic Lottery Corporation in its second decade will depend on our ability to track that constantly evolving 'perfect' mix. To do so, we will continue to listen and respond to the wishes of that most important element in all our games — our players.*

  
Douglas Boylan  
Chairman

  
Cluny Macpherson  
General Manager

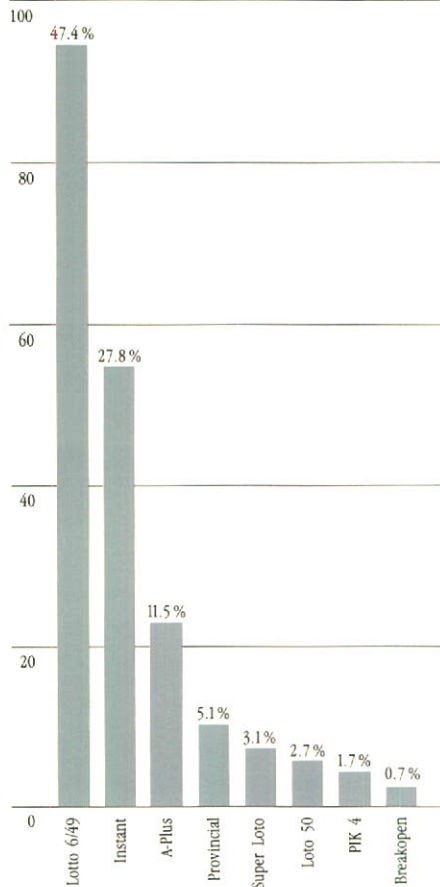
*Our Product Line in 1986-87*

In 1986-87, Atlantic Canadians spent more on Lotto 6/49 tickets than on any other game. Our instant games ranked second in popularity. Together, Lotto 6/49 and instant sales accounted for over three-quarters of Atlantic Loto's total sales. The balance is made up of:

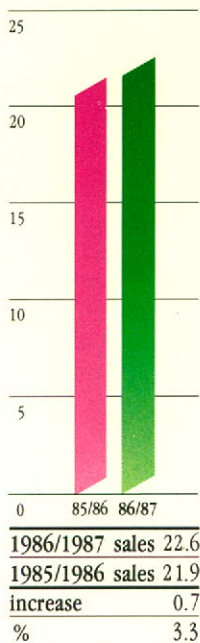
\*Our traditional games — A-plus, Provincial, Super Loto and Loto 50. These represented a decreased share of our total sales for 1986-87, although they still maintain a strong presence in the marketplace.

\*Our two new games — PIK 4 and Breakopen tickets — were launched in the fall of 1986.

SALES BY GAME  
AND SHARE OF TOTAL SALES  
(\$ millions)



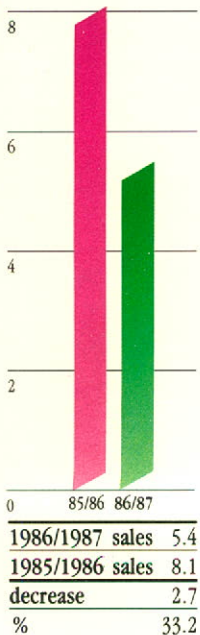
## A-PLUS

A-PLUS SALES  
(\$ millions)

Sales of A-plus increased in 1986-87 from the previous year. This was achieved through an extra bonus drawing in recognition of our 10th anniversary and through design revisions to this flagship game. Twice revised in 1986-87, our current A-plus game now combines the appeal of winning instantly with the excitement of winning a big draw prize. With a detachable instant portion and a draw portion offering prizes from a free ticket right up to the top prize of \$100,000, Atlantic Canadians have overwhelmingly endorsed this 'scratch and win' A-plus game.

Cost \$1.00  
 Top Prize \$100,000  
 Draw Frequency every Wednesday  
 Chances of Winning 1 in 10

## LOTO 50

LOTO 50 SALES  
(\$ millions)

Loto 50, our regional 50 cent game, underwent a facelift in early 1987 when its weekly draw was moved to Wednesday alongside the televised A-plus draw. However, as the tastes of our buying public evolved toward active and instant lotteries, games such as Loto 50 showed the effects of this trend most noticeably. In 1986-87, Loto 50 sales decreased by 33.2 percent.

Cost \$.50  
 Top Prize \$50,000  
 Draw Frequency every Wednesday  
 Chances of Winning 1 in 33

## LOTTO 6/49

Lotto 6/49 continued to dominate the lottery scene throughout the region and the rest of the country.

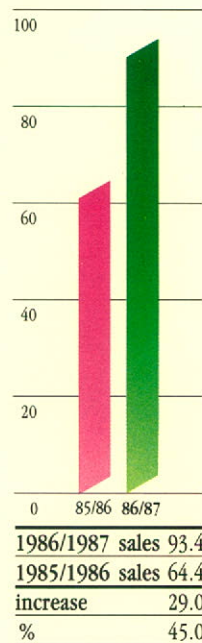
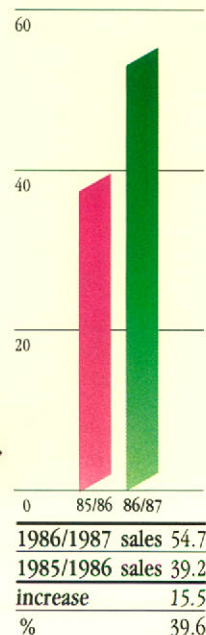
The nationwide enthusiasm for Lotto 6/49 was best reflected on paper with record sales of \$1.8 billion nationally. Atlantic Loto's portion of these sales was \$93.4 million — a 45 percent increase in sales over the previous year.

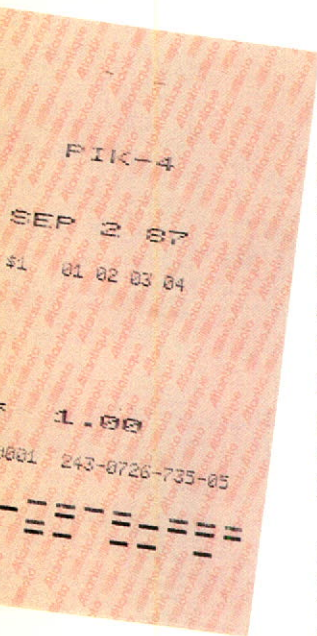
Cost \$1.00  
 Top Prize depends on number of players and winners (minimum of \$1 million)  
 Draw Frequency every Wednesday and Saturday  
 Chances of Winning 1 in 54

## INSTANT

The enthusiasm for buying a lottery ticket that can make you a winner instantly continued to attract Atlantic Canadian lottery buyers as they purchased a record \$54.7 million worth of instant tickets in 1986-87. Six different game themes introduced during the year contributed to a 39.6 percent increase in sales from the previous year.

Cost \$1.00  
 Top Prize \$10,000  
 Draw Frequency no draw  
 Chances of Winning 1 in 5

LOTTO 6/49 SALES  
(\$ millions)INSTANT SALES  
(\$ millions)



**PIK 4**

In the fall of 1986, we added a second on-line 'pick-your-own-numbers' game to our product line. In addition to the national Lotto 6/49 game, we introduced PIK 4, a game played only in Atlantic Canada. With a better chance to win a prize in PIK 4 than in Lotto 6/49, it has already proven to be popular with Atlantic Canadians. In its first six months of operation, PIK 4 earned a respectable \$3.4 million.

Cost \$1.00  
 Top Prize 2,000 times amount wagered  
 Draw Frequency every Wednesday and Saturday  
 Chances of Winning 1 in 15

**BREAKOPEN**

In the fall of 1986, Atlantic Loto introduced its first-ever Breakopen ticket into the legion and bingo halls of Nova Scotia and Prince Edward Island. Aptly named Atlantic Club, breakopen tickets are sold only by non-profit organizations in these two provinces. This product was designed to help these organizations help themselves in funding their own worthwhile causes. Sales totalled \$1.4 million for 1986-87.

Cost \$.50  
 Top Prize \$50.00  
 Draw Frequency no draw  
 Chances of Winning 1 in 10  
 (available only in Nova Scotia and Prince Edward Island)



**PROVINCIAL**

"Still going strong" best describes sales of the Provincial game in 1986-87. Sales are down slightly from the previous year.

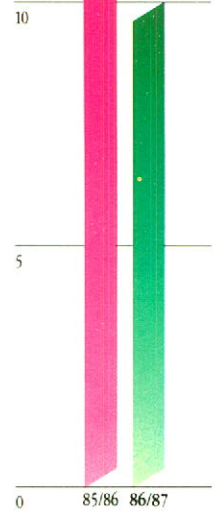
Cost \$5.00  
 Top Prize \$500,000  
 Draw Frequency every Friday  
 Chances of Winning 1 in 3

**SUPER LOTO**

Super Loto started 1986-87 with a new look and a new semi-monthly draw cycle. As the 'cadillac' of our lottery games, Super Loto was hit hard by the growing popularity of our other games.

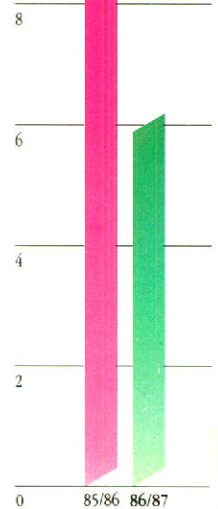
Cost \$10.00  
 Top Prize \$1,000,000  
 Draw Frequency every second Sunday  
 Chances of Winning 1 in 5

*PROVINCIAL SALES (\$ millions)*



1986-87 sales	10.0
1985-86 sales	10.5
decrease	0.5
%	5.1

*SUPER LOTO SALES (\$ millions)*



1986-87 sales	6.2
1985-86 sales	8.6
decrease	2.4
%	28.3





## “IT WAS THE THRILL OF A LIFETIME”

**WINNERS!** At the Atlantic Lottery Corporation, they're the thousands of Atlantic Canadians who cash in tickets every week for prizes ranging from a free ticket to a \$2.5 million Lotto 6/49 jackpot. They are what our business is all about.

For most of our winners in 1986-87 and indeed, in the 10 years since we opened our doors, winning a major prize has really been the 'thrill of a lifetime'. Many of our major prize winners pay off debts, share the windfall with family, and bank whatever is left for a rainy day. For the most part, life goes on much as it did before the win.

*"It's like the thrill of a lifetime ... I thought it was a dream!"* Those are the words of John McGovern of New Waterford, Nova Scotia, describing what winning really feels like. That's what makes the lottery business such a special one. Mr. McGovern will go down in the history books as the year's luckiest winner as he claimed a Lotto 6/49 jackpot prize of \$2.5 million in February of 1987. He and his wife, Rose, will use the windfall to build their dream home after ensuring that their only child, Robert, is well provided for.

When Mildred Hake travelled to Moncton one day in September of 1986 to claim a \$10,000 Super Loto prize, she told lottery officials that she intended to go on and win \$100,000 and then maybe \$1 million. *"You haven't seen the last of me ...,"* she casually remarked on her way out the door. Her words couldn't have rung more true. Halfway home, Mrs. Hake realized that one of the Provincial tickets she had checked at the lottery office was worth \$50,000. *"We turned the car around right in the middle of the road and headed back to the lottery!"* They say good things happen in threes. For Mildred Hake, twice in one day was just fine.

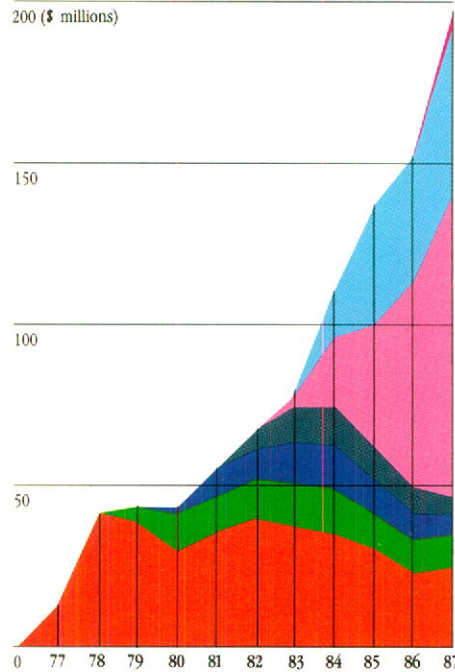
Then there's Irene Smith who is living proof of that same adage. In March of 1986, Mrs. Smith beat odds of one in 166 million to win two cars on an A-plus bonus draw — and the two winning tickets came from the same book! Six months later she was in Moncton again, this time to claim a \$10,000 prize in the instant Loto Baseball game. *"I tried to be more calm this time ... it took me three weeks before I knew who I was the last time I won. I honestly believed I would never win again!"*, exclaimed the ecstatic winner. Now that's the understatement of the year!



Our Sales Story

Better than any commentary, the graphs and chart shown here illustrate sales of our games over the decade. The growth in popularity of lotteries in Atlantic Canada over the past 10 years is clear. Starting with one lottery in 1976-77, Atlantic Loto now manages eight different lottery games. By offering a variety of games, each with its own special features and appeal, the corporation has enjoyed dynamic growth in its first ten years.

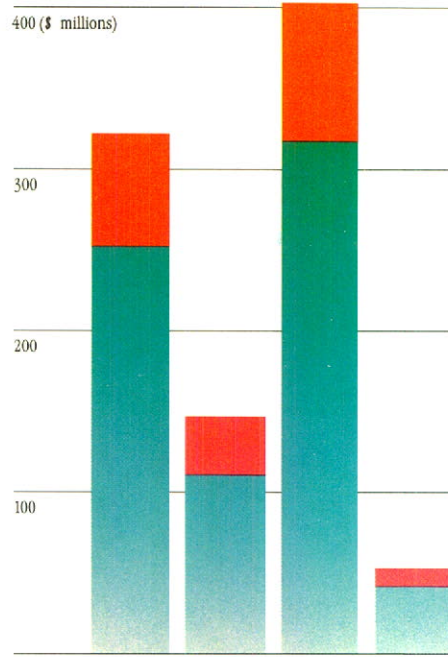
SALES BY FISCAL YEAR 1976-1986



(\$ millions)	76/77	77/78	78/79	79/80	80/81	81/82	82/83	83/84	84/85	85/86	86/87	Total
A-1/A-Plus	11.6	40.6	38.8	29.0	33.3	39.2	37.5	33.2	29.2	21.8	22.6	336.8
Provincial			4.8	10.5	10.8	11.8	13.1	14.0	11.2	10.6	10.0	96.8
Super Loto				1.6	8.5	9.5	12.7	14.1	10.1	8.6	6.2	71.3
Loto 50						6.2	10.9	12.6	10.8	8.1	5.4	54.0
Lotto 6/49							4.4	20.6	37.0	64.4	93.4	219.8
Instant								14.7	36.7	39.2	54.7	145.3
PIK 4											3.4	3.4
Breakopen											1.4	1.4
	11.6	40.6	43.6	41.1	52.6	66.7	78.6	109.2	135.0	152.7	197.1	928.8

Annual sales of \$197 million in 1986-87 are more than triple the annual sales just five years ago. In fact, sales in 1986-87 alone were more than the total sales for the first four years of operation. In 1986-87, the growth in sales of \$44 million over the previous fiscal year is more than the annual sales in any of the first three fiscal years of operation.

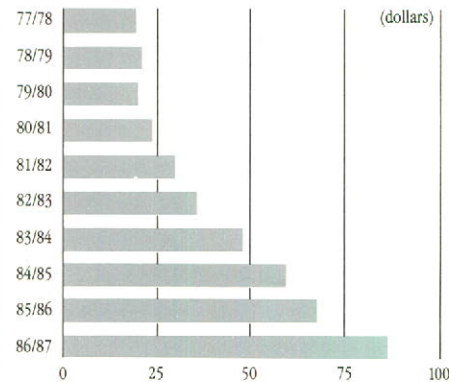
SALES BY PROVINCE 1976-1986



	NB	NF	NS	PE	Total
1986-87	65.8	35.5	85.4	10.4	197.1
1976-86	253.9	113.9	319.7	44.2	731.7
Total	319.7	149.4	405.1	54.6	928.8
%	34.4	16.1	43.6	5.9	100.0

The Atlantic provinces share equally in the direction of Atlantic Loto, each with two members on the Board of Directors. Profit returned to each province from the sale of lottery tickets is shared in proportion to sales in that province for the year.

LOTTERY SALES PER CAPITA



The annual lottery sales per capita in Atlantic Canada have risen from \$18 per year ten years ago, to \$85 per year in 1986-87. As illustrated here, the most rapid rise has been in the last few years.

*LOTTO 6/49 — LOTTOMANIA SWEEPS CANADA*

The concept of a national lotto game where players pick their own numbers presented a major challenge to the Atlantic Lottery Corporation. The first drawing was scheduled for June 12, 1982. Atlantic Loto only had six months to set up a fully staffed, operational data centre with communication links to gaming terminals throughout Atlantic Canada. We successfully met that challenge.

With the jackpot approaching \$14 million for the draw of January 14, 1984, the media coined the word 'lottomania' in their reporting of the event. Atlantic Loto's sales reached \$2.6 million for that week. More importantly, sales remained at a much higher plateau in subsequent draws. This pattern has repeated itself several times since then.

Today, Lotto 6/49 is our most popular game with sales of \$93.4 million in 1986-87. There are over 1500 on-line gaming terminals selling Lotto 6/49 tickets at retail outlets throughout Atlantic Canada.

*Milestones**September 3, 1976*

The Atlantic Lottery Corporation is created by the governments of the four Atlantic provinces.

*December 15, 1976*

Moncton's Hotel Beausejour is the site of Atlantic Loto's first-ever draw as the A-1 draw, with a \$50,000 top prize, is held.

*August 25, 1979*

The provincial governments of Canada sign an agreement with the Government of Canada stipulating that the federal government will withdraw from the sale of lottery tickets in Canada. In return, the provinces will remit \$24 million annually, in 1979 dollars, to Ottawa.

*February 12, 1982*

The Atlantic Lottery Corporation purchases property at 770 St. George Boulevard in Moncton to set up a data centre to accommodate the introduction of on-line games to the region. The property will also be the site of the corporation's new head office.

*January 14, 1984*

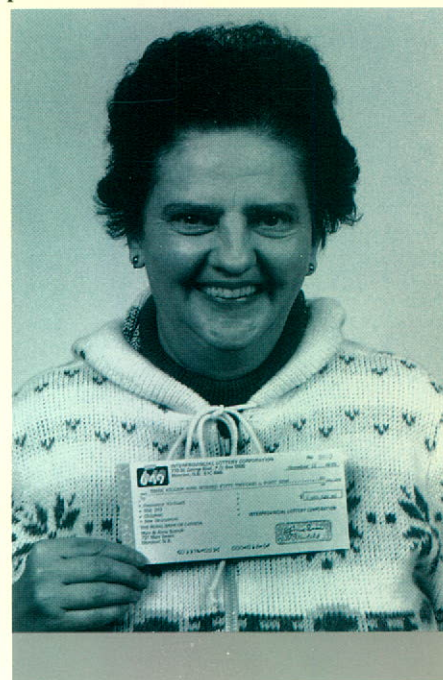
'Lottomania' sweeps the country as millions of Canadians from coast to coast line up to purchase their Lotto 6/49 tickets for a \$14 million jackpot — its highest-ever mark.

*June 3, 1985*

A second federal-provincial agreement recognizes the exclusive jurisdiction of the provinces over lotteries and requires the provinces to pay \$100 million to the federal government over three years.

*November 9, 1985*

Regeanne Richard of Chipman, New Brunswick claims a Lotto 6/49 jackpot prize of \$3.9 million to become the winner of Atlantic Canada's largest lottery prize to date.

*December 13, 1986*

The Atlantic Lottery Corporation celebrates its 10th Anniversary with a televised show featuring top Atlantic Canadian entertainment and the making of New Brunswicker Sterling Cowie into a millionaire on live television.

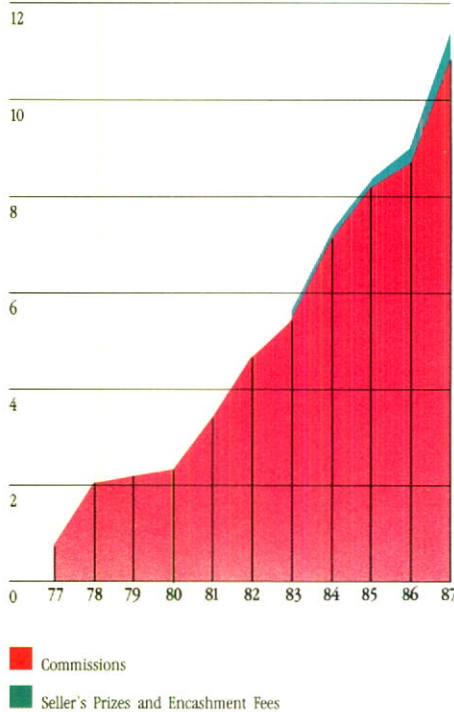
*March 31, 1987*

The Atlantic Lottery Corporation completes its first decade, and its most successful year to date, with sales of \$197.1 million for a decade total of \$928.8 million.



Gary Guillard (left), owner of the Minto Pharmacy, receives a cheque for \$39,500.49 from Atlantic Lottery Corporation representative, Bob Scott for selling a Lotto 6/49 ticket worth \$3.9 million.

#### RETAILER COMPENSATION (\$ thousands)



Retailers licensed by the Atlantic Lottery Corporation to sell lottery tickets continued to enjoy increased revenues in 1986-87. Direct compensation paid to them during the past fiscal year amounted to \$11.4 million, a 27.6 percent growth from the previous year. This largest-ever increase in retailer compensation is not only from increased commission dollars but from our new sources of retailer compensation — seller's prizes and encashment fees.

The seller's prize was introduced in September of 1985. It is a lottery within a lottery where the players are Atlantic Loto retailers. When a retailer sells a winning ticket worth \$10,000 or more and the winner is able to identify the selling retailer, that retailer wins a tax-free prize valued at one percent of the winning ticket. The more tickets sold, the more chances there are to win. When a customer wins big, the retailer wins too. The largest seller's prize awarded to date in Atlantic Canada went to Minto Pharmacy in Minto, New Brunswick for selling a \$3.9 million Lotto 6/49 jackpot ticket in November of 1985. There have been many double-digit winners since then.

Encashment fee payments of ten cents to retailers for every 'cash' winning ticket properly redeemed began on April 1, 1986. This coincided with the implementation of a seven-day credit program for qualifying Atlantic Loto retailers. Retailers now receive direct compensation for the service they provide to lottery players all over Atlantic Canada.

#### WHERE DOES THE SALES DOLLAR GO?

Winners' prizes constitute the largest component on which a sales dollar is spent. To date, over 47 percent of the money earned on the sale of lottery tickets in Atlantic Canada has been allocated to Atlantic Canadian lottery players in the form of prizes. Players have up to one year to claim their prize. Prizes unclaimed after this one year period are placed in a special prize fund which is used to finance bonus draws. In this way, unclaimed prizes from previous draws are returned to the lottery players.

All told, our rate of return of revenue to the Atlantic provinces exceeds 30 percent of sales. Only players, who receive over 47 percent of sales in the form of prizes, profit more.



(\$ millions)	1986-87	Total (10 years)	%
Prizes	90.7	436.2	47.0
Operations	45.8	207.0	22.3
Profit	60.6	285.6	30.7
Sales	197.1	928.8	100.0

Over the past decade, many Atlantic Canadians have become millionaires through the lottery. Many have won other significant prizes which have added to their financial security. And all players have enjoyed the entertainment that comes from playing a lottery game. Ten years later, the Atlantic Lottery Corporation is truly an institution recognized and supported by Atlantic Canadians.

**NET PROFIT (total to 1986-87)**

From its net profit, the Atlantic Lottery Corporation has made \$20.9 million in payments to the Government of Canada on behalf of the Atlantic provinces. These payments are a result of a federal-provincial agreement which gives provinces exclusive jurisdiction in the lottery business. Through the Interprovincial Lottery Corporation, the funds are sent to the Minister of State for Fitness and Amateur Sport.

**PROFIT TOTAL 1986-87**

In 1986-87, Atlantic Loto introduced Breakopen tickets in the provinces of Nova Scotia and Prince Edward Island. Special commissions (\$150,000 in 1986-87) are paid on behalf of the participating provinces directly to the non-profit organizations handling these tickets.

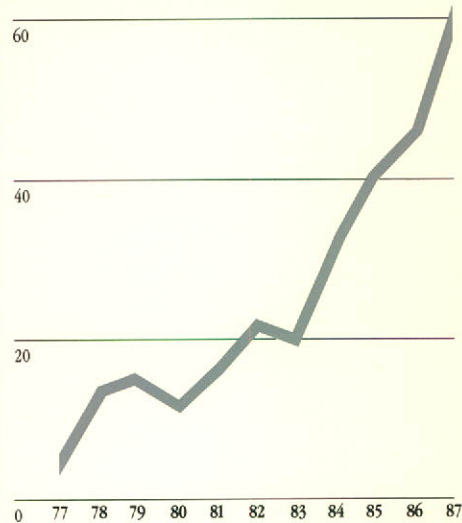
The balance of the profit earned by the Atlantic Lottery Corporation is allocated to the provincial governments in proportion to sales in each province. To the end of 1986-87, this has amounted to \$285.7 million. Lottery profits distributed to the Atlantic provinces are deposited in the provinces' general revenue funds. Hence, they represent an added source of revenue that does not otherwise need to be raised by taxes.

**PROFIT DISTRIBUTED TO THE ATLANTIC PROVINCES**

The \$60.6 million that was earned as profit by the Atlantic Lottery Corporation in 1986-87 is more than the total profit earned in the first four fiscal years. The growth in profit of \$14.8 million in 1986-87 over the previous year is more than the growth in any other year.

A total of \$285.7 million in profit has been distributed to the Atlantic provinces over the past ten years.

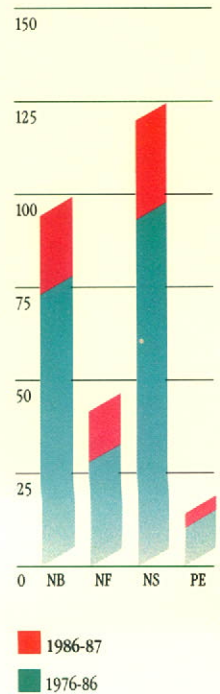
*PROFIT DISTRIBUTED TO THE ATLANTIC PROVINCES*  
(\$ millions)



In addition to the profit earned by Atlantic Loto and distributed to the provinces as illustrated here, the lottery is a major purchaser of equipment, supplies and services on which the sales tax is remitted to the applicable provinces. Sales tax is an operating expense of the Atlantic Lottery Corporation.

	NB	NF	NS	PE	Total
1986-87	20.3	11.0	26.2	3.2	60.7
1976-86	78.7	34.3	98.1	13.9	225.0
	99.0	45.3	124.3	17.1	285.7

*PROFIT BY PROVINCE*  
(\$ millions)



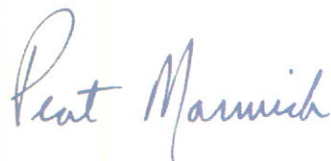
AUDITORS' REPORT TO THE  
SHAREHOLDERS

BALANCE SHEET  
March 31, 1987

In thousands of dollars

We have examined the balance sheet of the Atlantic Lottery Corporation Inc. as at March 31, 1987 and the statements of operations and allocation of profit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1987 and the results of its operations and allocation of profit and changes in financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

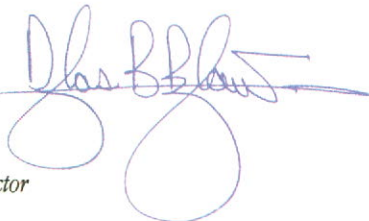


Chartered Accountants  
Moncton, Canada  
June 25, 1987

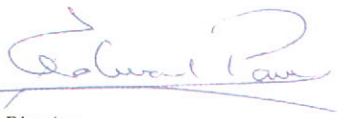
Assets	1987	1986
<b>Current assets:</b>		
Cash	\$ 18,780	20,519
Accounts receivable	3,255	2,343
Prepaid expenses	1,346	2,164
<b>Total current assets</b>	<b>23,381</b>	<b>25,026</b>
Fixed assets (note 3)	13,575	7,888
Other assets, at cost	—	1,000
	<b>\$ 36,956</b>	<b>33,914</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 4,520	5,639
Deferred revenue	4,478	3,929
Liabilities for unclaimed prizes	9,980	12,264
Due to the Atlantic Provinces	4,403	4,193
Current portion of term bank loan (note 4)	3,919	3,214
<b>Total current liabilities</b>	<b>27,300</b>	<b>29,239</b>
<b>Long-term liabilities:</b>		
Term bank loan less current portion (note 4)	9,057	4,026
Due to the Atlantic Provinces	599	649
	<b>9,656</b>	<b>4,675</b>
<b>Shareholders' equity:</b>		
Capital stock (note 5):		
Authorized, issued and fully paid		
— 4 common shares of no par value		
	<b>\$ 36,956</b>	<b>33,914</b>

See accompanying notes to financial statements.

On behalf of the Board



Director



Director

STATEMENT OF OPERATIONS AND  
 ALLOCATION OF PROFIT  
 Year ended March 31, 1987  
 In thousands of dollars

	1987	1986
Lottery sales	\$ 197,117	152,734
Direct expenses:		
Prizes	90,687	70,694
Retailer commissions	10,791	8,708
Ticket printing	6,966	5,386
	108,444	84,788
<b>Gross profit</b>	<b>88,673</b>	<b>67,946</b>
Operating expenses:		
Marketing	10,015	8,817
Administrative	4,164	3,048
Data processing	5,181	3,571
Depreciation	4,629	3,213
	23,989	18,649
<b>Operating profit</b>	<b>64,684</b>	<b>49,297</b>
Interest and other income	1,196	1,479
<b>Net profit</b>	<b>65,880</b>	<b>50,776</b>
Less: payment to the Government of Canada (note 6)	5,065	4,965
special commission to non-profit organizations (note 7)	150	—
	5,215	4,965
<b>Profit for distribution to the Atlantic Provinces</b>	<b>\$ 60,665</b>	<b>45,811</b>
Allocation of profit:		
Lotteries Commission of New Brunswick	\$ 20,336	15,324
Government of the Province of Newfoundland and Labrador	10,974	7,733
Nova Scotia Lottery Commission	26,186	20,143
Prince Edward Island Lotteries Commission	3,169	2,611
	\$ 60,665	45,811

See accompanying notes to financial statements.

STATEMENT OF CHANGES  
IN FINANCIAL POSITION  
Year ended March 31, 1987  
In thousands of dollars

	1987	1986
<b>Operating Activities</b>		
Profit for distribution to the Atlantic Provinces	\$ 60,665	45,811
Add items not involving a flow of cash:		
Depreciation and amortization	4,629	3,213
	65,294	49,024
Net change in non-cash working capital balances	(2,737)	529
<b>Cash provided by operating activities</b>	62,557	49,553
<b>Financing Activities</b>		
Long term debt, net of repayments	5,736	(357)
Due to the Atlantic Provinces	(50)	73
	5,686	(284)
Financial resources generated for investment and distribution to the Atlantic Provinces	68,243	49,269
<b>Investment Activities</b>		
Purchase of fixed assets	(9,317)	(3,929)
Distribution to the Atlantic Provinces	(60,665)	(45,811)
Total investment and distribution to the Atlantic Provinces	(69,982)	(49,740)
<b>Increase (decrease) in cash position during the year</b>	(1,739)	(471)
<b>Cash position, beginning of year</b>	20,519	20,990
<b>Cash position, end of year</b>	\$ 18,780	20,519

*Cash position consists of cash and temporary cash investments.*

*See accompanying notes to financial statements.*



1. Nature of the Corporation:

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 and Labrador, 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, Super Loto and Lotto 6/49 national lottery games, which are joint undertakings by all 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.

2. Significant Accounting Policies:

a) Fixed assets:

Fixed assets are stated at cost and are depreciated over their estimated useful lives. Depreciation is calculated on a straight-line basis using the following annual rates:

- Automotive — 33 1/3 %
- Draw equipment — 10 %
- Building, computer equipment, furniture and leasehold improvements — 20 %

b) Revenues and expenses:

The recognition of lottery sales revenue and the corresponding direct expenses is at the time of sale to the consumer for the instant and breakopen tickets. For all other lotteries, it is as of the date of the draw.

Receipts from lottery tickets sold before March 31 for draws held subsequent to that date are recorded as deferred revenue. The related cost of ticket printing and retailer commissions are recorded as prepaid expenses.

c) 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 bonus prizes in subsequent draws. Prizes of the national lottery games (note 1) 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.

d) Distribution of profit:

The profit of the Corporation, after provisions for prizes and the payment of all operating and other expenses, is distributed to the agencies of the four Atlantic Provinces. The distribution to each province is based on the percentage of ticket sales in that province.

3. Fixed Assets, at cost less accumulated depreciation:

	Cost	1987		1986
		Depreciation	Net	Net
Land	\$ 100	—	100	100
Building	2,357	2,136	221	693
Automotive	864	338	526	530
Furniture and equipment	996	532	464	236
Computer equipment	23,254	10,995	12,259	6,318
Leasehold improvements	42	37	5	11
	<u>\$27,613</u>	<u>14,038</u>	<u>13,575</u>	<u>7,888</u>

**4. Term bank loan:**

As at March 31, 1987, the loan amounted to \$12,976 (March 31, 1986 - \$7,239). The loan is unsecured and bears interest at the prime bank rate, to the extent that the amount of the loan exceeds operating funds on deposit with the bank.

The loan is repayable as follows:

1987-88 —	\$ 3,919
1988-89 —	3,094
1989-90 —	2,905
1990-91 —	2,508
1991-92 —	550
	<u>\$12,976</u>

**5. 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.

**6. 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 for the following combined consideration from the provinces:

- \$100 million over a three year period from 1985 to 1987
- \$24 million annually, in 1979 dollars, adjusted by the consumer price index each year. The amount for the current year was \$38.3 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 net profit.

**7. Special commission to non-profit organizations:**

Breakopen tickets are sold in the Provinces of Nova Scotia and Prince Edward Island by non-profit organizations authorized by the respective Provinces. A special commission is paid directly to these non-profit organizations by the Corporation on behalf of the participating Provinces.

**8. Commitments:**

The corporation is committed to an expansion of its on-line terminal network and an upgrade of computer hardware. To date, these commitments total approximately \$7 million.

**DOUGLAS BOYLAN**

*Chairman,  
Clerk of the Council,  
Executive Council Office,  
Government of Prince Edward Island,  
Charlottetown, PEI*

**IAN MACBAIN**

*Vice-Chairman,  
Deputy Minister, Department of Finance,  
Government of New Brunswick,  
Fredericton, NB*

**BYRON ANTHONY**

*Secretary,  
Deputy Minister, Management Board,  
Government of Nova Scotia,  
Halifax, NS*

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Deputy Minister, Department of Finance  
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