



Atlantic Lottery

2010/11 Accountability Report

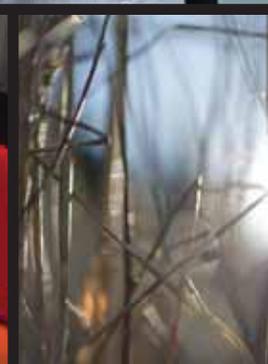














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Brent Scrimshaw

Years Working at Atlantic Lottery: Five years.

Favourite Thing About Living in Atlantic Canada:

When people ask “How’s your day going?”, they really do want to know.

Typical Friday Night Takeout Order: Meat-lovers pizza, double cheese.

President's Message

BY BRENT SCRIMSHAW • Interim President & CEO,
Executive Vice President, Brands and Channels

The lottery business is one that is marked by milestones almost every day. We have the good fortune of actually making dreams come true. With literally thousands of wins every week, big and small, we routinely celebrate with our winners at our offices throughout Atlantic Canada. This Accountability Report celebrates the people that make all of this happen; the employees of Atlantic Lottery who come to work each and every day, across all four provinces, each of whom in their own way contributes to making Atlantic Canada a better place. We're very proud of our team and this report is one way to share their great stories with you.

As you flip through the pages of this year's report, you'll see there's a lot to cheer about. We had a big year with sales records set across a number of our lead brands. Our national games, Lotto MAX and LOTTO 649 recorded sales \$42.1 million higher than the year prior. Our regional games such as Bucko and Atlantic 49 followed suit with a \$5.8 million increase. Scratch 'N Win games produced sales \$8.3 million higher than 2009/10 with the PRO-LINE family of sports games recording a \$2.6 million increase in their playbook. Also notable was the \$1.4 million growth at our Red Shores facilities in PEI, \$0.9 million of which can be attributed to the integration of harness racing operations. Together these results produced an increase in gross profits of \$15.3 million over the year prior. That's worth celebrating because Atlantic Lottery returns 100 per cent of its profits to the governments of Atlantic Canada for the benefit of Atlantic Canadians; to build hospitals, schools and other valuable services that we all count on.

And while sales and profit are pretty important measures, it is by no means the end of the story. Providing fun, safe and responsible gaming is at the core of everything we do. We take special pride this year in receiving the World Lottery Association's highest Level 4 designation for responsible gaming. It assures Atlantic Canadians that we are among the world's best in providing a safe gaming environment. The quality of our operations is also an area of continuous improvement. This past year Atlantic Lottery received the National Quality Institute's Level 2 certification for our overall operations. We also received the World Lottery Association's Security Control Standard certification and ISO 27001 certification in the area of security and compliance.

I am pleased to have worked side-by-side this year with an exceptional management team. At the end of March we said good bye to Michelle Carinci who has been President & CEO for the past decade. On behalf of all of her colleagues at Atlantic Lottery, we wish her the very best for the future.

2010/11 marked an important year of change for this company on so many fronts. We enter 2011/12 with energy and momentum fueled by the drive, the spirit and the talented people of Atlantic Lottery. We anticipate having even more milestones to celebrate next year. ...





From left: Mike Ferguson · Stephen MacDonald · Charles F. Cox · Terry Paddon (Secretary)



From left: Kevin Breen · Patricia J. Mella (Vice Chair) · Doug Clow · C. Sean O'Connor (Independent Chair)

Chair of the Board Message

BY C. SEAN O'CONNOR

On behalf of Atlantic Lottery's leadership team, employees and Board of Directors, it is my privilege to present the Accountability Report for the year ending March 31, 2011.

Each year, I look forward to submitting this document. The reason is simple: Atlantic Lottery is owned and operated by the four governments of our Atlantic Provinces and we take great pride in our responsibility to report the corporation's activities to its shareholders and the people who live in this region. Every day Atlantic Lottery's employees demonstrate their shared commitment to social responsibility, operational integrity and to making a difference across Atlantic Canada. While job titles may vary, what is constant is their focus on helping to fulfill government's mandate of player protection within a regulated environment.

That mandate of player protection shapes our operations today and into the future. It guides how we evolve within an ever-changing and increasingly competitive environment. Online and mobile gaming is the future of this industry. Illegal and unregulated operators have shown this to be true. They are aggressively working to entice players and encourage them to spend their entertainment dollars outside our region on sites of questionable standards. To remain relevant, we must respond. But we cannot be hasty or careless in doing so. We must consider our four shareholders, the mandates of their respective governments, and first and foremost, Atlantic Canadians. The need

to stay competitive must always be balanced with responsible, yet timely actions. The lottery industry of 2011 and beyond is a digital industry – bringing with it all the opportunities and challenges that were beyond our imagination when Atlantic Lottery was formed in 1976.

This is why in 2010/11, we focused on stakeholder engagement, gaining greater insights into the opportunities for growth and associated risks, as well as planning for what the future will bring. In 2011/12, we will put the insights from the past year into action, ensuring that a steadfast commitment to the sustainable, long-term growth of Atlantic Lottery never compromises our commitment to strong governance principles.

I would like to recognize the contributions of two board members whose terms with the board ended this fiscal year - Roger Melanson and Marie Mullally. In addition, it is a pleasure to welcome Mike Ferguson, New Brunswick's Deputy Minister of Finance and Stephen MacDonald, Acting-President & CEO, Nova Scotia Gaming Corporation.

I would also like to thank Michelle Carinci who left the organization at the end of March after 10 years at the helm as President and CEO.

The Board of Directors is proud of the work that Atlantic Lottery's employees do every day, and we are pleased to put faces to those efforts throughout the pages of this report. ...





C. Sean O'Connor

Years as Atlantic Lottery Board Chair: Four years.

Favourite Thing About Living in Atlantic Canada:

It's where my children, my wife and I were all born, and where I choose to live... it's home!

Typical Friday Night

Takeout Order: A healthy restaurant.

2010/11

443
MAJOR
WINNERS
(Over \$10,000)

more
MILLIONAIRES
than any other year



Sophie Robichaud

Years Working at Atlantic Lottery: Three years.

Favourite Thing About Living in Atlantic Canada: The people.

Typical Friday Night Takeout Order: We make a new recipe every Friday night. (i.e homemade supper with wine...mmm!)

\$367
MILLION
IN TICKET LOTTERY
prizes

A Winning Year

BY SOPHIE ROBICHAUD • Brand Manager,
Corporate Brand and Winners

There aren't many people in life whose number one job priority is to deliver good news, but I'm one of them! As the Brand Manager for Winning at Atlantic Lottery, my team and I deliver the winning cheques, we celebrate the good news with staff, and have the privilege of telling Atlantic Canadians just how much winning has been happening across our region.

And in 2010/11 there was a lot of good news to share. Atlantic Lottery gave away more than \$367 million in ticket lottery prizes and we had 443 major winners (over \$10,000). But what was most exciting is that we created more millionaires than any other year in our 34-year history. Thanks to Lotto MAX and some big LOTTO 649 wins, we gave away 16 prizes of over \$1 million as well as four Set for Life prizes across Atlantic Canada.

In a region where our collective population is about 2.3 million people, it's not difficult to see that all of this winning has a significant impact on our little corner of the world. Every day I see small wins and big wins alike changing people's lives. Winning the lottery gives Atlantic Canadians the opportunity to do things they could only otherwise

dream of: purchase a new car, build a garage, fix up the old one, take the family on a vacation, or just take someone special out for dinner. It doesn't matter whether it's \$50 or \$50 million; I've learned that any amount of unexpected money can bring happiness.

People ask me all of the time how they can win the lottery, or whether there's a way to know the winning numbers. I laugh and tell them that if I knew the answer to that I wouldn't still be working. But I don't know if that's true. I have an incredible job. My days are filled with smiling faces, happy tears and dreams come true. It doesn't get much better than that. ...

Sophie Robichaud

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WHAT DO PEOPLE DO WITH THEIR WINNINGS?

There are as many dreams as there are people. Every person is different and each and every win is unique. Some of the most popular things we hear lottery

winners say they're going to do are: travel, pay off debts, buy a new home or vehicle, donate to charities and help out family members.

Getting Our Hands Dirty

BY CATHY DALLAIRE • Supervisor,
Sponsorship Marketing

There's a lot to appreciate about living in Atlantic Canada, but for me there's one simple fact that trumps them all: we get our hands dirty. From community events to school bake sales, benefit dances to family weddings, Atlantic Canadians show up and participate. We go outside the walls of our own homes to support our communities in whatever ways we can.

This value runs as deep at Atlantic Lottery as it does in my own home and the homes of our 600 employees. That's why we work here – because for us, giving back is just as important as writing a winning cheque.

This spirit couldn't have been more evident than during our four biggest sponsorships of 2010/11. As part of our Platinum sponsorship of the Canada Winter Games in Nova Scotia, our sponsor tent with its fun photo booth drew in thousands of visitors, while our 14 volunteer centres (each one represented by an Atlantic Lottery employee) became home to the 5,200 volunteers. At the IAAF World Junior Track and Field Championships, held in Moncton, and the Juno Awards in Newfoundland and Labrador, we celebrated and cheered on event volunteers at our volunteer appreciation receptions. At the Scotties Tournament of Hearts in Charlottetown, we led a charity fundraiser which raised \$2,000 for the Sandra Schmirler Foundation.

And at the Moncton CFL Touchdown Atlantic event, we scored our own touchdown with our sponsorship of the Downtown Festival and Main Stage, both of which added vibrancy to an already tremendous event.

These are just four examples of the more than 55 events and festivals that Atlantic Lottery supported in 2010/11. Together, they represent a \$1.8 million investment into our communities.

They also show the commitment that our employees have to our communities. They were on the ground, generating excitement, adding value and, of course, getting their hands dirty. •••



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HOW DO YOU DECIDE WHAT EVENTS, ACTIVITIES AND SPONSORSHIPS YOU ENDORSE/SUPPORT?

We look for opportunities that fit with our product brands and we look for events like grassroots festivals that reach out into communities (large and small). We see so many good causes, but our budget and resources are not unlimited, so we look at sponsorships across the region that provide the best chance to reach as many Atlantic Canadians as possible and provide the biggest positive impact for Atlantic Canada overall.

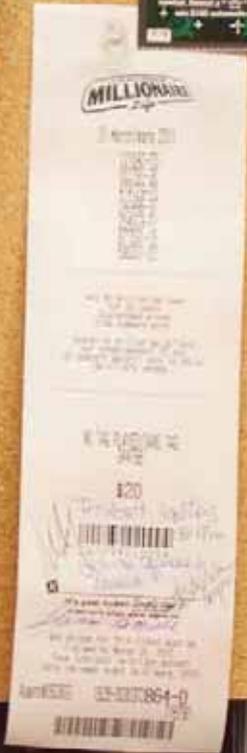


Cathy Dallaire

Years Working at Atlantic Lottery: 18.5 years.

Favourite Thing About Living in Atlantic Canada: Our people and our captivating scenery.

Typical Friday Night Takeout Order: Veggie pizza.





Jean-Marc Landry

Years Working at Atlantic Lottery: Six beautiful years.

Favourite Thing About Living in Atlantic Canada: It's peaceful.

Typical Friday Night Takeout Order: St. Hubert chicken.

It's All Fun and Games

BY JEAN-MARC LANDRY • Category Manager, Ticket Lottery

You would think that being in the business of games would be, well, fun and games. While there's lots of enjoyment in what we do, creating, marketing and selling responsible games that people want to play is a complex business. It can be challenging to get it right.

However, last year was a year of getting it right in ticket lottery, with sales of Lotto MAX leading the way. In 2010/11, the game broke all previously held single-draw sales records by more than 40 per cent. The advertised jackpot hit a Canadian record of \$99 million in June. In Atlantic Canada alone we experienced a \$64.6 million growth in Lotto MAX sales over the previous year.

The success of this game had nothing to do with beginner's luck and everything to do with listening to our players and delivering exactly what they asked for. We conducted research with more than 25,000 Canadians. Atlantic Lottery and our national lottery counterparts debated and discussed more than 1,000 possible game ideas, until finally Lotto MAX was selected as our new national draw game. We're tremendously proud of this process.

2010/11 was also a banner year for the Scratch 'N Win category, with yearly sales being the second highest in the company's history. Once again, success can be attributed to listening. Our research showed that players wanted better price points, more chances of winning and a second chance if their ticket was a non-winner the first time around. We delivered, and it resulted in record sales in December and a new all-time weekly sales record.

Atlantic Lottery employees invest a great deal of effort, passion and care into creating tickets, programs and promotions. At every step of the way we're listening to our shareholders, retailers, players and even those with opposing viewpoints to ensure we're doing the right thing for Atlantic Canadians. All those voices make our job a challenge. And that's exactly how we like it. ...

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WHY DON'T YOU BREAK UP BIG PRIZES INTO SMALLER PRIZES SO THAT MORE PEOPLE WIN?

Funny you should ask. Canadians have been asking this question for several years, so we developed a game to do just that – it's called Lotto MAX! Lotto MAX offers bigger jackpots and more million dollar prizes. The smaller prizes are called Maxmillions.

When the Lotto MAX jackpot hits \$50 million, that main jackpot is capped and all additional dollars that would normally contribute to the jackpot increasing, go towards individual draws for \$1 million each. We've had instances of draws such as

\$50 million + 10 Maxmillions, +25 Maxmillions, +41 Maxmillions and even a record breaking draw for \$50 million + 49 Maxmillions – where we drew for a total of 50 big prizes, plus a number of secondary prizes. That's a lot of winning!



Kim Wilson

Years Working at Atlantic Lottery: Four years.

Favourite Thing About Living in Atlantic Canada:

Watching my kids grow up in the same city where their grandparents live – it's such a special relationship.

Typical Friday Night Takeout Order:

Chicken from my sister-in-law's take-out (K&B Take-Out) in Salisbury. It's the best in the area.

Playing by the Rules

BY KIM WILSON • Manager, Social Responsibility

Meeting someone for the first time and telling them what I do for a living is a moment I look forward to. When I tell them that I'm the Manager of Social Responsibility at Atlantic Lottery, their response is often the same – a blank stare, a quizzical look, even a chuckle. Most Atlantic Canadians don't understand how responsibility and gambling co-exist and I have the privilege of telling them how at Atlantic Lottery, it does.

Social responsibility is at the core of how we operate this business. Through third-party research and evaluation, we know that we've been doing a good job providing players with key facts about gambling, keeping gambling products out of the hands of kids, and training our retailers and employees to foster responsible gambling behaviour.

While we know our programs make a difference, it's always nice to have someone external validate your efforts. That's why when the World Lottery Association (WLA) awarded us a Level 4 certification in responsible gambling in July 2010, we felt pretty good.

The WLA is made up of 140 gambling operators from around the world. A Level 4 certification, which has only been granted to 20 of those 140, is the highest level of responsibility to achieve. It required us to demonstrate that we have a robust suite of responsible gambling programs and that we are continuously working to improve and enhance them. It also required that a second party insurer review and audit all of our offerings. A panel of independent social responsibility experts then reviewed our submission and determined that we met the robust requirements.

When I share all of this with someone, there's an inevitable Aha! moment that happens. They begin to share in my sense of pride in the work we're doing in social responsibility and that's my favourite part of answering the age-old question, "So, what do you do?" ...

Kim Wilson

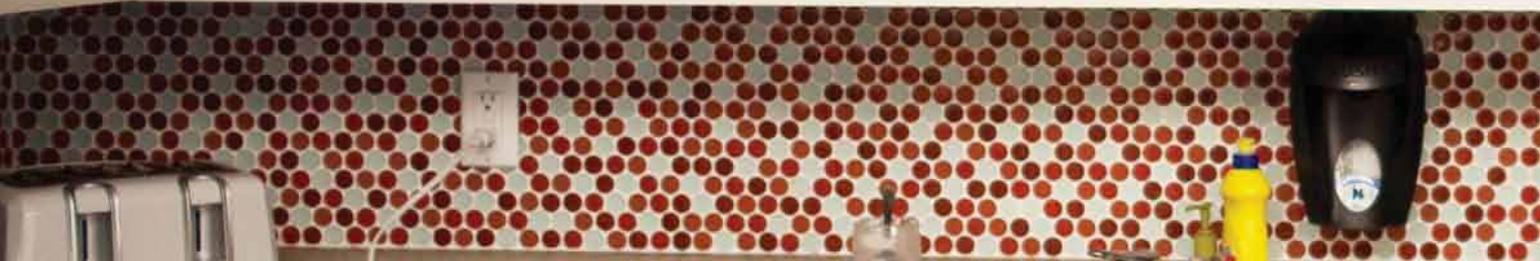
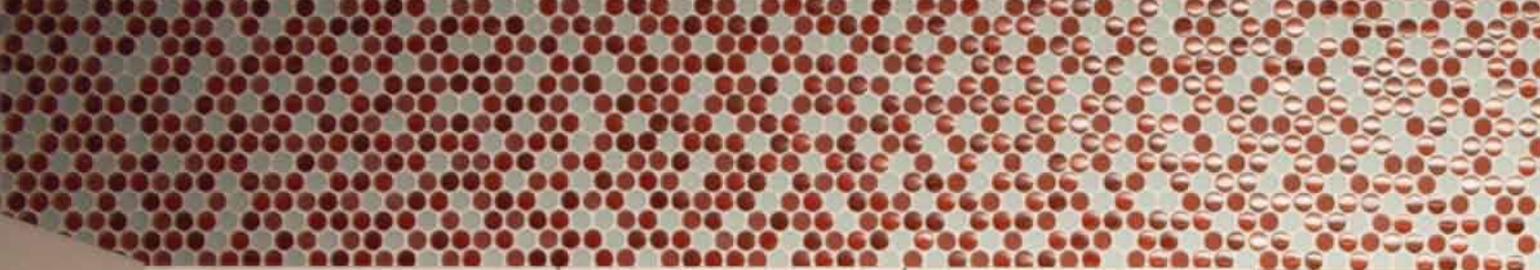
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**DO RETAILERS
SELL TO
SOMEONE THEY
THINK MAY
BE A PROBLEM
GAMBLER?**

Responsible Gaming (RG) training is provided to all retailers and part of the training addresses referring someone they feel displays certain signs of problem

gambling to community resources. All retailers have this information on-site for players in need.





Ashley McGuigan, Social Responsibility Officer

By Retailers, For Retailers

BY JOAN LEGER • Terminal Project Lead

Before lottery tickets reach the hands of our players, they're generated by one of our terminals, found in 3,050 convenience stores, gas stations and pharmacies across Atlantic Canada. Like every piece of technology, lottery terminals eventually become obsolete. For the fourth time in Atlantic Lottery's history, it's time for a replacement.

In 2010/11, I led the project team tasked with creating our fifth generation lottery retail terminal, called GENE. On the surface, this might seem like a mundane technology project, part of the inner workings of Atlantic Lottery. But it's not. This is a project about people. It's about the 3,050 small business owners who manage lottery on our behalf, and the thousands more who work for them and interact with our customers every single day.

For the two years that we've been creating GENE, we've thought of the project as being "by the retailers, for the retailers." We issued a region-wide survey, created a retailer advisory group

that we worked closely with, and completed two pilot tests before signing off on the design and software completion.

We made a concerted effort to listen. I'm really proud of that. Our dedicated and passionate project team at Atlantic Lottery never lost sight of the fact that this project wasn't about us, it was about them. Our retailers are a core component of who we are and their businesses are part of the fabric of where we live.

Our goal for GENE is to make managing our lottery business and servicing our customers easier for retailers. And because we collaborated with our retailers from start to finish, I'm confident that when the terminals are rolled out in the summer of 2011, we'll accomplish what we set out to do. Now *that's* a win. ...

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HOW MANY PEOPLE PLAY THE LOTTERY?

We're pretty big on numbers here at Atlantic Lottery and our player data tells us that the number of lottery players in Atlantic Canada is 1,371,391. When

you divide that by the total adult population in Atlantic Canada, it means that 73 per cent of Atlantic Canadian adults play the lottery at least once per year.

Lottery



Joan Leger

Years Working at Atlantic Lottery: 24 years.

Favourite Thing About Living in Atlantic Canada: Family, friends, pride in being an east coaster.

Typical Friday Night Takeout Order: I love to grill fresh seafood as a treat at the end of the work week.

Get to Know Us



PEI

WHO ARE YOU?

Sean Furlong, Dining Experience Manager, Red Shores.

HOW LONG HAVE YOU BEEN PART OF ATLANTIC LOTTERY?

15 months.

WHAT'S YOUR PROUDEST MOMENT OF THE PAST YEAR?

My food and beverage team's performance during the Scotties Tournament of Hearts, which Red Shores hosted in February.

WHAT'S YOUR FAVOURITE THING ABOUT LIVING IN ATLANTIC CANADA?

The people, the seafood and the natural beauty.

WHO ARE YOU?

Peter McDonald, Account Manager, Ticket Lottery.

HOW LONG HAVE YOU BEEN PART OF ATLANTIC LOTTERY?

More than 20 years.

WHAT'S YOUR PROUDEST MOMENT OF THE PAST YEAR?

Hosting a winner's celebration in Truro for a couple who won \$11,255,272 and knowing this windfall would have a positive impact on their lives and their community!

WHAT'S YOUR FAVOURITE THING ABOUT LIVING IN ATLANTIC CANADA?

The beautiful scenery, the ocean, the food, the culture and the friendly people.



NS



PEI

WHO ARE YOU?

George Heald, Acting Security/Facility Manager, Red Shores.

HOW LONG HAVE YOU BEEN PART OF ATLANTIC LOTTERY?

Six years.

WHAT'S YOUR PROUDEST MOMENT OF THE PAST YEAR?

The exceptional work done by the Security and Facilities departments during last year's Old Home Week. We had huge crowds and we kept them safe and comfortable.

WHAT'S YOUR FAVOURITE THING ABOUT LIVING IN ATLANTIC CANADA?

Being from Prince Edward Island.

WHO ARE YOU?

Lise Gagnon, Supervisor Creative Services.

HOW LONG HAVE YOU BEEN PART OF ATLANTIC LOTTERY?

25 years.

WHAT'S YOUR PROUDEST MOMENT OF THE PAST YEAR?

Being part of the success of the Canada Games.

WHAT'S YOUR FAVOURITE THING ABOUT LIVING IN ATLANTIC CANADA?

Being able to smell the ocean air.



NB



NB

WHO ARE YOU?

Debbie Walker, Manager, Customer Care.

HOW LONG HAVE YOU BEEN PART OF ATLANTIC LOTTERY?

One year.

WHAT'S YOUR PROUDEST MOMENT OF THE PAST YEAR?

Participating in a Flash Mob at our annual Sales conference. It taught us all that sometimes you need to try new things and that with the support of a great team, amazing results can be achieved!

WHAT'S YOUR FAVOURITE THING ABOUT LIVING IN ATLANTIC CANADA?

The feeling of community, being close to family and friends, and living amongst friendly neighbours who you can trust.

WHO ARE YOU?

Kenneth Taylor, Key Account Manager.

HOW LONG HAVE YOU BEEN PART OF ATLANTIC LOTTERY?

Coming up on 12 years.

WHAT'S YOUR PROUDEST MOMENT OF THE PAST YEAR?

Marrying my sweetheart Jenny who happens to be a retailer. I actually met her while filling in for an Account Manager who was off sick.

WHAT'S YOUR FAVOURITE THING ABOUT LIVING IN ATLANTIC CANADA?

The weather! People think we get such terrible weather here but when you look at the natural disasters that happen elsewhere, our rain, drizzle, fog, and snow are welcome.



NL



PEI

WHO ARE YOU?

Darlene Kennedy, Executive Assistant.

HOW LONG HAVE YOU BEEN PART OF ATLANTIC LOTTERY?

Six years.

WHAT'S YOUR PROUDEST MOMENT OF THE PAST YEAR?

Increasing our engagement score by 11% for Red Shores.

WHAT'S YOUR FAVOURITE THING ABOUT LIVING IN ATLANTIC CANADA?

It's like living with a very large extended family. Everyone's always stepping up to help their neighbours.

WHO ARE YOU?

Lynn Wells, Program Manager, Kiosk.

HOW LONG HAVE YOU BEEN PART OF ATLANTIC LOTTERY?

32 years - I'm the longest serving Atlantic Lottery employee.

WHAT'S YOUR PROUDEST MOMENT OF THE PAST YEAR?

Setting up a Renovation Allowance to help operators fix up their kiosks.

WHAT'S YOUR FAVOURITE THING ABOUT LIVING IN ATLANTIC CANADA?

We can still say "hi" to someone we meet on the street and not get 'the look'.



NB



Let's Allergic Together



INDIVIDUÉS EN CAS DE DÉFECTUOSITÉ

7 7 7

Coasters



Bob Brown

Years Working at Atlantic Lottery: 17 months.

Favourite Thing About Living in Atlantic Canada: My family and friends.

Typical Friday Night Takeout Order: Pizza. Every Friday night.

The Creation of a World-Class Program

BY BOB BROWN • Director, Destination Sales

I'm part of the Atlantic Lottery team, but first and foremost, I'm a father and a husband. For me to feel good about my job, I need to know the work that I'm doing is helping to build a better Atlantic Canada for my family. A lot of people question whether that's possible, since I work on the Video Lottery (VLT) business. They question its entertainment value, responsibility and sustainability. But there's a lot of positive change underway. An example is the My-Play System in Nova Scotia which gives players access to information and responsible gambling tools like setting spending and time limits. The foundation building that happened in 2010/11, while not fully visible to the public yet, is setting us up for success. We recognize that Atlantic Canadians want more variety, more interactivity and more socialization. They're demanding better entertainment and we're working on giving it to them.

In 2010/11, new social entertainment centres for adults, called Coasters, were proven successful in locations around New Brunswick. They're part of an ambitious strategy for diversifying the product offerings and the player base in age-restricted environments across the region. We're pilot testing

new games, such as electronic table games and competitive, skill-based games, and we're analyzing how to make the environment more responsible, comfortable and enjoyable for more Atlantic Canadians. Player input is key, as are social responsibility assessments, and a product's proven success in other markets. Our goal is to create a world-class program that stacks up against any other around the world.

I want everyone to see what we see: the potential for safe and entertaining products to be enjoyed in licensed environments. It's potential I've seen since I started and it inspires me every day.

We operate this product line with our families, our neighbours and our friends in mind, doing our absolute best to do right by them. And that makes me certain that the work we do is making a difference. I wouldn't be here otherwise. ...



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**DO YOU LIKE
YOUR JOB? HOW
DO YOU RESPOND
TO PEOPLE WHO
OPPOSE LOTTERY
OR QUESTION
YOUR ETHICS OR
MORALS?**

Atlantic Lottery's fundamental reason for existence is to benefit Atlantic Canadians. We've taken gambling from an illegal and uncontrolled practice into a legal, monitored activity that provides player protection and major economic benefit for the shareholders. I go

home at the end of the day knowing that Atlantic Lottery has a huge, positive impact on our communities.



Joey Cormier

Years Working at Atlantic Lottery: 18 years.

Favourite Thing About Living in Atlantic Canada: The people.

Typical Friday Night Takeout Order: Pizza.

Competing to Win

BY JOEY CORMIER • Brand Manager, Sports

Three years ago, I developed a vision for what Atlantic Lottery's sports category could look like – and while it was idealistic and perhaps a long shot at the time, it's being realized. It's rare to have that kind of opportunity and then see it through to success. Because of it we're going head-to-head with illegal, Internet-based sports books and we're competing to win. The last year was really impressive.

Our sports products experienced more sales growth in 2010/11 than any other lottery in Canada. We crested \$28.5 million in sales for the first time and established a new gross profit of \$9.2 million.

I attribute our success to three main things. First, product changes, like attractive changes to our odds tables that, although only a couple of years old, are still providing year-over-year sales boosts. Second, continuous improvements to the PRO-LINE Stadium website, where visitation traffic

is up more than 16 per cent. Third, our PRO-LINE ad campaign, which we know resonates with players. We ran our third evolution of the campaign this past year.

In listening to Atlantic Canadians and what they want, we're developing products that will appeal to sports bettors who would otherwise spend their money on illegal, offshore options. That's important because we know there are potential players out there who are looking for games that, up until a few years ago, we were overlooking.

The products in our sports category are just one example of why we exist. Our job is to offer regulated products so that if and when people choose to gamble, they have a safe way to do that. I want to keep the money here in Atlantic Canada. If we didn't make a serious, hard fought effort to serve players better, we wouldn't be doing our job. We'd be letting Atlantic Canadians down. . . .

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WERE YOU NOT CREATED TO SUPPORT SPORTS?

In 1973, the Federal Government set up the Olympic Lottery to help fund the 1976 Montreal Olympics. That's where the tie between lottery

and sports started. In 1976, separately of the Olympics, we were established by the four Atlantic Provinces, and our mandate has always been to provide revenue to

each province's General Revenue fund. Profits are not specifically earmarked for sports.



Mike Sandalis

Years Working at Atlantic Lottery: Three years.

Favourite Thing About Living in Atlantic Canada: Family.

Typical Friday Night Takeout Order: Pizza.

Bingo

ay, chat and n

Planning for the Future

BY MIKE SANDALIS • Senior Manager,
Digital Gaming Group

In many ways, my job at Atlantic Lottery is to envision the future. Why? Because even if we didn't spend time preparing for the future, there are plenty of other gaming companies that do. They are constantly improving the gaming experience that they offer and are trying to get one step ahead of regulated operators like Atlantic Lottery. Our products are safe, secure and responsible. But they also need to offer the entertainment experience that our players want.

It is estimated that over \$74 million left Atlantic Canada in 2010 to online gaming operators which makes one of our objectives to repatriate those funds and provide players the gaming experience they want in a safe environment. There is an opportunity for us to extend our current Internet offering to a fully competitive suite of products and in moving forward we will work with our shareholders to determine exactly what the longer term view of the Atlantic Canadian gaming environment looks like. Listening to our players is vital in moving forward too and we have heard that they are interested in an interactive online experience. Their behaviour suggests the same thing, as our most popular online game, iBingo, accounted for 77 per cent of our organization's internet sales last year.

This past year we also introduced a new player account management system. Part of this initiative involved retiring PlaySphere and transforming alc.ca into a full-service transactional, e-commerce site. Now the website is more user-friendly and better-meets players' expectations. It allows them to continue to purchase and play online interactive games, as well as purchase our retail products, including lottery tickets and PRO-LINE products. In addition, it was created with the future in mind, allowing us to offer improved features, easier navigation and new products over time.

These projects are a launching pad for potential growth and improvements. We look forward to working with our shareholders and players alike with the singular objective of providing Atlantic Canadians with enhanced player protection through regulated access to safe, fun games. ...



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IS IT SECURE FOR ME TO PLAY ONLINE?

We never play around with player safety and security. We're industry leaders in this regard. During a brief outage in January 2011, all player data was safe. Our site is secure.



Heidi Duchesne

Years Working at Atlantic Lottery: Two Years.

Favourite Thing About Living in Atlantic Canada: The beaches.

Typical Friday Night Takeout Order: Falafel from Cedars Eatery.



Grabbing the Reins

BY HEIDI DUCHESNE • General Manager, Red Shores

Changing anything that has been around for more than 100 years requires a respectful approach. You simply can't ignore the tradition and history that comes with that kind of longevity. Ask any Islander how they feel about harness racing and this certainly rings true. Deeply entrenched in the fabric of Prince Edward Island (PEI), harness racing is an inherent part of the Island's culture and up until last year, had always been run by an independent governing body. In November 2010, however, Atlantic Lottery took over the reins as the new manager of harness racing on PEI.

The reason for the change was simple: the Red Shores facilities in Charlottetown and Summerside, offering an exciting mix of live and simulcast racing, slot machines, poker, and dining, had been built with the primary intention of supporting the harness racing industry. Having Atlantic Lottery run Red Shores while another body managed harness racing was no longer feasible. We would be in a better position to facilitate growth for the harness industry by centralizing all operations under Atlantic Lottery.

Given the long history, consultation was critical. There were many stakeholders to consider – government, farmers, racers, and so on. The process we undertook engaged all of these audiences, ensuring they were well informed and their opinions were always respected.

The result is a centralized model that is unique in North America. Because of that, harness racing operators from across the continent have come to see what we have accomplished and the growth that is resulting from the change. They want to learn from us. Many, in fact, are looking to replicate our model.

Red Shores is not only one of the best entertainment destinations in the region, but we've also struck a balance between respecting the Island's history, while still pushing forward into the future. And to that I say: "Here's to another 100 years." ...

Heidi Duchesne

AskAway.ca



DO YOU RUN ALL THE CASINOS IN ATLANTIC CANADA?

Our shareholders, the four provincial governments, made the decision that the casinos in Nova Scotia and New Brunswick would be owned and managed by

private operators. Atlantic Lottery runs Red Shores Racetrack and Casino in Charlottetown and Red Shores at Summerside Raceway in PEI.

alc.ca





Financial Highlights

THOUSANDS OF DOLLARS

	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006
Gross ticket sales	\$ 646,428	\$ 592,319	\$ 595,784	\$ 587,433	\$ 611,991	\$ 597,570
Prizes on ticket sales	366,827	342,794	339,658	332,597	345,871	336,350
Net ticket sales	279,601	249,525	256,126	254,836	266,120	261,220
Prizes as % of sales	57%	58%	57%	57%	57%	56%
Net video lottery receipts	411,596	427,931	437,417	410,808	425,000	459,598
Entertainment centre revenue	15,002	13,606	11,538	10,425	8,380	3,970
Direct costs (commissions, tickets)	148,632	148,806	155,859	150,078	156,371	167,099
Gross profit	557,567	542,256	549,222	525,991	543,129	557,689
Gross profit % of net sales	79%	78%	78%	78%	78%	77%
Operating expenses (before capital-related costs)	125,135	98,683	95,167	86,857	80,942	78,280
Expenses as % of net sales	18%	14%	13%	13%	12%	11%
Capital-related costs *	24,872	22,878	26,581	29,886	44,215	45,675
Other expenses and distributions	36,426	31,327	29,345	30,797	35,109	39,717
Net profit	\$ 371,134	\$ 389,368	\$ 398,129	\$ 378,451	\$ 382,863	\$ 394,017
Net profit as % of net revenue	53%	56%	56%	56%	55%	54%
Profit distribution:						
New Brunswick	121,823	\$ 130,760	\$ 133,401	\$ 128,234	\$ 120,985	\$ 117,555
Newfoundland and Labrador	106,393	109,161	107,504	98,266	105,692	105,285
Nova Scotia	129,808	134,606	139,729	136,407	142,819	156,602
Prince Edward Island	13,202	14,737	17,620	15,407	13,389	14,534
	\$ 371,226	\$ 389,264	\$ 398,254	\$ 378,314	\$ 382,885	\$ 393,976
Profit distribution per capita:						
New Brunswick	\$ 203	\$ 228	\$ 233	\$ 224	\$ 217	\$ 210
Newfoundland and Labrador	259	273	269	246	269	268
Nova Scotia	172	188	195	190	206	226
Prince Edward Island	142	142	166	146	131	142
Number of lottery retail terminals	3,018	3,060	3,198	3,084	3,149	3,194
Number of multi-purpose retail terminals	91	168	264	321	377	439
Number of video lottery terminals	7,102	7,303	7,619	8,000	8,281	8,525

* Includes depreciation and tax

Provincial Net Profit

THOUSANDS OF DOLLARS

New Brunswick	Total		Traditional		Video Lottery	
	2011	2010	2011	2010	2011	2010
Gross ticket sales	\$ 180,945	\$ 163,345	\$ 180,945	\$ 163,345	-	-
Net video lottery receipts	134,321	143,884	-	-	\$ 134,321	\$ 143,884
Gross revenue	315,266	307,229	180,945	163,345	134,321	143,884
Direct costs	141,902	135,337	115,821	106,776	26,081	28,561
Gross profit	173,364	171,892	65,124	56,569	108,240	115,323
Operating expenses	51,541	41,132	34,403	26,161	17,138	14,971
Net Profit	\$ 121,823	\$ 130,760	\$ 30,721	\$ 30,408	\$ 91,102	\$ 100,352

Newfoundland and Labrador	Total		Traditional		Video Lottery	
	2011	2010	2011	2010	2011	2010
Gross ticket sales	\$ 213,786	\$ 196,374	\$ 213,786	\$ 196,374	-	-
Net video lottery receipts	120,606	121,558	-	-	\$ 120,606	\$ 121,558
Gross revenue	334,392	317,932	213,786	196,374	120,606	121,558
Direct costs	176,822	167,319	148,286	138,045	28,536	29,274
Gross profit	157,570	150,613	65,500	58,329	92,070	92,284
Operating expenses	51,177	41,452	31,432	30,193	19,745	11,259
Net Profit	\$ 106,393	\$ 109,161	\$ 34,068	\$ 28,136	\$ 72,325	\$ 81,025

Nova Scotia	Total		Traditional		Video Lottery	
	2011	2010	2011	2010	2011	2010
Gross ticket sales	\$ 217,000	\$ 200,267	\$ 217,000	\$ 200,267	-	-
Net video lottery receipts	139,979	145,078	-	-	\$ 139,979	\$ 145,078
Gross revenue	356,979	345,345	217,000	200,267	139,979	145,078
Direct costs	168,341	161,431	140,714	131,094	27,627	30,337
Gross profit	188,638	183,914	76,286	69,173	112,352	114,741
Operating expenses	58,830	49,308	36,258	35,838	22,572	13,470
Net Profit	\$ 129,808	\$ 134,606	\$ 40,028	\$ 33,335	\$ 89,780	\$ 101,271

Provincial Net Profit

THOUSANDS OF DOLLARS

Prince Edward Island	Total		Traditional		Video Lottery	
	2011	2010	2011	2010	2011	2010
Gross ticket sales	\$ 34,697	\$ 32,333	\$ 34,697	\$ 32,333	-	-
Net video lottery receipts	16,690	17,778	-	-	\$ 16,690	\$ 17,778
Entertainment centre revenue	15,002	13,238	-	-	15,002	13,238
Gross revenue	66,389	63,349	34,697	32,333	31,692	31,016
Direct costs	28,394	26,987	23,321	22,065	5,073	4,922
Gross profit	37,995	36,362	11,376	10,268	26,619	26,094
Operating expenses	24,793	21,625	8,338	6,952	16,455	14,673
Net Profit	\$ 13,202	\$ 14,737	\$ 3,038	\$ 3,316	\$ 10,164	\$ 11,421

Corporate Total	Total		Traditional		Video Lottery	
	2011	2010	2011	2010	2011	2010
Gross ticket sales	\$ 646,428	\$ 592,319	\$ 646,428	\$ 592,319	-	-
Net video lottery receipts	411,596	428,298	-	-	411,596	428,298
Entertainment centre revenue	15,002	13,238	-	-	15,002	13,238
Gross revenue	1,073,026	1,033,855	646,428	592,319	426,598	441,536
Direct costs	515,459	491,074	428,142	397,980	87,317	93,094
Gross profit	557,567	542,781	218,286	194,339	339,281	348,442
Operating expenses	186,341	153,517	110,431	99,144	75,910	54,373
Net Profit	\$ 371,226	\$ 389,264	\$ 107,855	\$ 95,195	\$ 263,371	\$ 294,069

*The provincial Net Profit Calculations are based on unconsolidated financial statements.



WHAT WAS ATLANTIC LOTTERY'S DIRECT ECONOMIC CONTRIBUTION TO THE ATLANTIC PROVINCES IN 2010/11?

Atlantic Lottery plays an important economic role in Atlantic Canada. In 2010/11 we are proud to have provided more than \$371 million to our shareholders – the provincial governments of New Brunswick, Newfoundland and Labrador, Nova Scotia and Prince Edward Island.

And Atlantic Lottery's economic impact doesn't stop there – it also includes awarding more than \$366 million in prizes and over \$127 million in commissions to our retailers. Now that's a lot of giving!

Non-Arm's Length Wins

Prize Amount	Number of Non-Arm's Length (NAL) Wins	Total # of Wins	% of NAL Wins
\$1,000-\$9,999.99	150	3948	3.8%
10,000-24,999.99	17	190	8.9%
25,000 +	27	253	11%
Total	194	4391	4%

19+ Testing

	2009/2010		2010/2011	
Province	# Tested	# Compliant	# Tested	# Compliant
NS	193	184	601	583
NB	180	163	280	254
NL	156	128	204	198
PE	50	50	84	74
Total	579	525	1169	1109

2010/11 Compliance Testing

Province	# Tested	# Compliant	% Compliant
NS	614	536	87%
NB	286	231	81%
NL	204	184	90%
PE	85	66	78%
Total	1189	1017	86%

