



Atlantic Lottery - Accountability Report 2011/2012





President's Message	03
Board Members	05
Chair of the Board Message	07
Character Traits and Customer Commitments	09
Making Time and Money Count	15
Nuts, Bolts and Networks	19
Passionate about our Player Interaction	23
Compliance, Player Protection and Related Parties	27
Financial Highlights	33



Brent Scrimshaw
President & CEO

President's Message

We're in the business of providing regulated lottery to Atlantic Canadians and through that, delivering 100% of our profit to our provincial shareholders. We feel good knowing that we deliver safe and responsible gambling products to those who choose to play our products. That our profit contributes to improving the lives of Atlantic Canadians? That's the greatest win of all.

I'm new to the President's role but what is not new is our declared vision of Making Atlantic Canada a Better Place. I'm extremely proud of the Atlantic Lottery team and our commitment to make this an even better company, making every interaction with Atlantic Canadians a positive one. We want a relationship with our players and our public they feel good about. We aspire to be the best lottery in the world because our players deserve nothing less. To be that company, we must keep improving and, in some cases, overhauling. This report outlines our efforts during the 2011/12 fiscal year.

As the regulated provider of lottery and gambling in Atlantic Canada, we must, and will, meet and exceed the expectations of our shareholders – the four Atlantic Canadian provincial governments. To be successful, our players and the public must have full confidence in our ability to provide socially responsible, relevant and entertaining gambling products. That responsibility extends beyond the games we offer. It means operating as an engaged corporate citizen demonstrating integrity and transparency in all we do.

Delivering regulated gambling is a privilege. Transparency and our approach to how we do business are paramount. We work every

day to earn that privilege and that requires a constant commitment to evolving and improving. This commitment led us to launch AskAway.ca, a forum to have real and direct conversations with Atlantic Canadians. Feedback from AskAway has contributed to many improvements such as the enhancement of our security and audit practices, and delivery of extensive retailer and employee education programs. We'll continue to embrace positive change that will reinforce our unwavering commitment to delivering safe, regulated, entertaining lottery to Atlantic Canadians.

Ensuring sustainable revenues in today's marketplace will require bold thinking. We are operating in a mature industry. On top of that, the Atlantic Canadian marketplace isn't getting bigger. Those two factors put pressures on costs and profit. It demands we continually modernize our products and ensure we offer them in ways our players are demanding. The Internet and Mobile space will continue to grow in importance to gambling providers worldwide and must be a focus for Atlantic Lottery, on top of our commitment to our retail operations. To grow our contribution to Atlantic Canada, we must look for new opportunities both within our borders and outside. As we grow, our commitment to social responsibility will always be our guide.

In this day and age, technology and infrastructure play a huge role in delivering the best play experience. This year we introduced an all-new online platform called prolinestadium.alc.ca, which we believe to be the best sports wagering site on the continent. Whether you connect with us through your computer, your tablet, your cell phone or at the traditional corner store, the experience has to be world class and we are committed to making that happen.

I hope you'll enjoy reading about our efforts in 2011/12. It has been a successful year, and one of change, as we recalibrate for the new gambling environment. We have a great team as committed to the region as they are to our business. That's the way we want it. Working to 'make Atlantic Canada a better place' is a pretty good rallying cry. Who wouldn't want a job like that?

Sean

C. Sean O'Connor, Board Chair
Nova Scotia

Gordon

Gordon Gillis
Nova Scotia

Wallace

Wallace Floyd
New Brunswick

Doug

Doug Clow
Prince Edward Island



Kevin

Kevin Breen
Newfoundland & Labrador

Jane

Jane Garbutt
New Brunswick

Patricia

Patricia J. Mella, Vice Chair
Prince Edward Island

Stephen

Stephen Mont
Nova Scotia

Missing:
Terry Paddon, Secretary
Newfoundland & Labrador

Board Members




C. Sean O'Connor
Chair

Chair of the Board Message

I'm pleased to present the 2011/12 Accountability Report on behalf of Atlantic Lottery's Board of Directors. The 2011/12 Report tracks Atlantic Lottery's efforts to improve every day for Atlantic Canadians by focusing on fiscal responsibility, system integrity, innovative thinking and effective planning. In doing so, Atlantic Lottery is able to deliver financial results for Atlantic Canadians.

The Board consists of appointed representatives from all four Atlantic Governments and an independent chair. We play a role in strategic planning and budgeting, internal controls and financial systems as well as human resources and risk management. It's our job to ensure Atlantic Lottery continues to operate with the highest level of accountability with openness, integrity and transparency.

We've entrusted Atlantic Lottery with delivering lottery to Atlantic Canadians for more than 35 years. They've been socially responsible in meeting the challenges of an ever-evolving industry. Atlantic Lottery has adapted to changing player preferences while never wavering from their commitment to player protection. They have successfully delivered profit to the four Atlantic Canadian governments. This year alone, Atlantic Lottery delivered \$369,641,935 in profit, and \$362,526,923 in prizes.

Every Atlantic Lottery employee shares in the vision to "make Atlantic Canada a better place". Atlantic Lottery has demonstrated time and again that they are responsible, transparent and deserving of our trust and confidence.

In a time when governments are working to stretch budgets to fund programs that matter to Atlantic Canadians, Atlantic Lottery is being fiscally and socially responsible. Their efforts in 2011/12 reflect sound business planning and practices and the reinforcement of an infrastructure that will drive long term sustainability.

As a Board we've provided strategic guidance for, and approval of, Atlantic Lottery's operational plans. Atlantic Lottery continues to evolve in stride with the industry, the players, and environment.

We're very aware that gambling isn't just a corner store purchase anymore. Laptops and mobile phones are the places where players are increasingly going for lottery products and services. Likewise, we've seen a growing interest in gambling in a social environment. Atlantic Lottery has proven to be responsible in the delivery of all gambling experiences. Any new options would be developed with the same sense of rigorous integrity and responsibility.

Likewise, the Board has endorsed Atlantic Lottery's efforts to pursue financial sustainability and growth by searching beyond Atlantic Canada for opportunities. Atlantic Lottery has 35 years of experience and is a recognized world leader in the lottery business. The ability to invest, consult, or operate elsewhere is a realistic option worth exploring.

No matter where Atlantic Lottery pursues new business, making Atlantic Canada a better place will always remain the primary goal.

[Learn more about the Executive team.](#)

Character Traits and Customer Commitments

Awarding prizes to Atlantic Canadians is a big part of our story, but there's so much more to it.

The journey from game to winners lounge is grounded in social responsibility. It's what makes us the safe choice for Atlantic Canadians and we've built our reputation on it. You might say it's hardcoded into our DNA!





A commitment to Social Responsibility

Since 2007, Atlantic Lottery has had a Social Responsibility Assessment (SRA) process to ensure we incorporate strong social responsibility standards into the launch of new programs, initiatives and products. By answering a defined set of questions, we can assess whether or not an initiative is aligning with our Social Responsibility Framework. By outlining benefits and risks, SRAs help us decide whether or not a new product should be introduced, a new marketing approach undertaken or a new project initiated.

The SRA process helped us to achieve our [Level IV Certification](#) of the World Lottery Association (WLA) Responsible Gaming Framework, the highest level of certification offered by this independent body. This certification means that players are being offered best-of-class responsible gambling features and programs in the world and that we're committed to continuous improvement.

Education, education, education

As a provider of lottery, it's our role to provide tools and information to help players manage their play. We believe in educating everyone, from our employees to retailers and from parents to youth, through programs and information targeted to their interests.

In the fall of 2011 we sent all lottery employees back to school to take the first-ever comprehensive Social Responsibility Certification Program. The program educates employees on our corporate commitment to social responsibility and the role they play in delivering on that commitment. Everyone from the kitchen staff at Red Shores to senior leadership completed the program. We are proud to be the first lottery in the world to launch an internal social responsibility certification program.

In September 2011 we launched a significantly improved, interactive, online responsible gambling training program to our retailers in N.B., P.E.I. and N.L. (N.S. retailers receive their training from the Nova Scotia Gaming Corporation). We rely on our retailers to handle thousands of lottery transactions every day. They know what scenarios they face so naturally, they were closely involved in the development of the content, which ensured the training addressed their specific needs.

The program is getting great reviews from retailers, and many are encouraging their staff to take the training as well. It was also recognized with a [2012 Gold Quill Award® of Merit](#), an international communications award from the International Association of Business Communicators (IABC).



REACHED 12,200
post-secondary students since 2007.



EVERY DAY WE GIVE
away an average of \$786,817 in prizes.



REACHED 29,000
high school students since 2006.

Since 2006, we've been helping educate youth, by sponsoring an interactive drama program. Developed by the Responsible Gambling Council, 82% uses young actors and age-specific language and scenarios to address the risks associated with youth gambling. The youth education program runs in selected high schools and community venues, and since 2006, we've reached approximately 29,000 students.

Since 2007, we also reached approximately 12,200 post-secondary students by sponsoring an interactive, problem gambling awareness program. It offers messages about problem gambling warning signs, community resources, how the games work, and tips to keep gambling fun.

Stepping up to reduce our environmental footprint

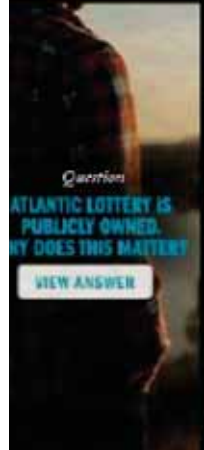
Atlantic Lottery collaborated with Stantec Consulting Ltd., a world-class leader and innovator in the delivery of sustainable solutions, to conduct an annual environmental audit in five key areas: paper, energy, water, waste and carbon emissions. The audit measures our progress in reducing our overall environmental footprint.

While we've made some good progress, we're working to make even greater improvement in our environmental impacts. [See more about our efforts.](#)

We love a good community event

We're a company that believes in making Atlantic Canada a better place each and every day – and our support of festivals and events give us a chance to demonstrate how we deliver.

Our [Festivals and Events program](#) allows us to be involved with events that have become part of Atlantic Canadian culture. Community celebrations let us experience all that is uniquely Atlantic Canadian. As Atlantic Canadians ourselves, we love supporting them!



AskAway.ca FRANÇAIS

We'd like you to get to know us better. AskAway.ca is all about answering your questions and sharing the stories that make us an Atlantic Canadian company. If you have a question here is your chance to ask or if you just want to come in and look around click here.

WHAT'S YOUR QUESTION?

Please fill in the required fields below.

QUESTION 500 CHARACTERS REMAINING

NAME CITY EMAIL

☐ I have read and accept the terms and conditions.

Our answers will be emailed to you at the address provided. [Privacy policy](#)

SUBMIT

Get to know us better at: AskAway.ca



Sometimes, we're on site with our signature dome where visitors can drop in, have some fun with our interactive displays and learn our story. At other times when we can't be there, we offer a patron sponsorship. It's more about behind the scenes support and we feel good that patron sponsorships help contribute to the fun and success of these events. Last year we visited or supported events in more than 50 communities!

Once again in 2012/13, we will be partnering with organizations who share our desire to make Atlantic Canada a better place and celebrate where we live. We plan to support more than 85 festivals and events, big and small, across Atlantic Canada. When the fit is right we'll be there.

I wear my (LOTTO MAX) sunglasses at night

Branded sponsorships help fuel the success of major events and we were excited to be part of a few hosted in Atlantic Canada in 2011/12. We hoped our sponsorship could add that little extra. We wanted people to come away saying, "WOW, that was fun!" We think we succeeded.

During the LOTTO MAX presents Cavendish Beach Music Festival, LOTTO MAX ambassadors were onsite hosting a text-to-win mobile promotion. With the promo, 50,000+ visitors had the chance to have their seats upgraded to the "Best Seats in the House" in our LOTTO MAX Corral. Festival goers loved our light-up LOTTO MAX sunglasses which were a sought-after accessory.

Those light-up glasses made another appearance in Moncton during the LOTTO MAX Touchdown Downtown Festival in September. What a mix of fans, great entertainment and football! Another text-to-win contest offered a lucky game-goer a CFL™ Grey Cup package!

We celebrated with Atlantic Canadians at the premier New Year's celebration at Halifax's Grande Parade. Nearly a half million joined in via television and thousands were on hand to welcome 2012. As the New Year's Eve Ball dropped at midnight, Parade Square was lit-up, once again by our LOTTO MAX glasses. We're committed to helping to make these major events happen in Atlantic Canada for the enjoyment of Atlantic Canadians.



THE FIRST MOBILE APP

by a Canadian lottery was Atlantic Lottery's Washer Toss.

"People were thrilled to win seats in the LOTTO MAX Corral each night to view the performances from there. Built up excitement in the crowd for the main performance generated an electricity as people were texting like crazy, vying for those special seats."

Cavendish Beach Music Festival goer



THANKS FOR ASKING!

We've had more than 49,000 visits and 403 questions.

"Atlantic Lottery was an excellent sponsor for our event. As a smaller community festival, a corporate sponsor such as Atlantic Lottery helps raise the awareness and importance of all festivals, not just the major ones."

Kensington Community Harvest Festival

You had a question? AskAway!

Next to the winning numbers for the next lottery draw, the other thing Atlantic Canadians want to know is "where does the money go?".

Research tells us many Atlantic Canadians don't know why we exist and aren't aware that since we opened our doors, 100% of our profit has been returned to the communities of Atlantic Canada.

We want our employees, retail partners, business partners, customers, and our critics to understand what we are about; that we exist to share the benefits of a safe and regulated gambling industry with all Atlantic Canadians.

AskAway.ca is our commitment to open dialogue. It's a forum for Atlantic Canadians to engage with us. The site features video, dialogue and content from real people from across the region. In asking questions of us, Atlantic Canadians are helping to tell our story.

We're all winners

One of the best parts of our job is meeting Atlantic Canadians and learning about their winning experience. The "Big Cheques" represent early retirement, debt-free living, and dreams-come-true for our winners. The smaller wins can be celebrated with lunch, a manicure or an escape weekend. All our winners have different reasons for playing and they are united in the thrill of winning – big or small. Every day we give away an average of \$786,817 in prizes. We love seeing our winners' smiling faces, celebrating their wins and sharing their stories with other Atlantic Canadians who all have dreams that start with the words "If I won the lottery..."



Making Time and Money Count

We've worked hard over the past three decades to provide 100% of our profit to the four Atlantic provinces to help pay for, among other things, health care, schools and roads. Today, economic challenges and budget deficits mean the profit we return is more important than it ever has been.

In this current economic environment, our efficiencies, our costs, and our ability to build responsible and entertaining games must be planned and managed to balance the need to entertain our players with the need to be fiscally accountable. With this in mind, we've focused our strategies, efforts and resources on market and internal initiatives that will deliver the best bang for the buck in the short-term and sustainable revenues in the long-term.



Sometimes it's what you DON'T see

Smart decisions, streamlined processes and working smarter won't ever be lines on a balance sheet but they make a difference to our bottom line. We searched throughout the organization for ways to use our resources more efficiently, and for ways to reorganize our processes and practices to add value. We call it Innovation Productivity Realized.

It's about innovative ideas and increasing productivity by doing more with less. It's about making changes in our practices and processes that translate into dollars saved. Our efforts resulted in \$12.2 million of savings and innovations. From investing in VoIP technology to process efficiencies; from shifting to online training and implementing automating tracking systems, our efforts are working and the ideas keep coming in.

The exciting part has been watching the change in how we look at things. It was not a one-time exercise; it's now part of our day. Employees from every corner of the organization have championed initiatives, realizing that even the smallest changes can add up and make a big difference.

Scratch'N Win ticket sales and savings

A combination of higher payouts, a broader scope of products, and applying best practices has helped our Scratch'N Win category rebound from annual sales of \$160.5 million in 2008/09, to \$185.7 million this year.

Without affecting the player experience, we made some environmentally-friendly changes that resulted in considerable cost savings as well. A reduction in the size of our \$2 tickets means we're using less paper. We restricted the use of some varnish finishes, which contributes to more cost-efficient printing. When we increased the number of tickets in a package for some of our more popular games, it resulted in less packaging and packaging costs.

As a player-centric company, the player experience is our biggest concern. As a fiscally responsible company, we've got to pay attention to costs. This is an example of where we've been able to successfully achieve both objectives.

Plans, process and performance

Capacity planning plays a role in short-term profitability and long-term sustainability. We've set our focus on strong, stable, operational foundations and better use of our core processes to support fact-based decision making. Core processes like the Product Development Life Cycle and tools like simulation modeling – a strategic planning tool that simulates the effects of different courses of actions – are guiding our choices and planning.

Our efforts are being evaluated nationally through an application for an Excellence Canada (formerly NQI) Level 3 [Progressive Excellence \(PEP\) Program® certification](#). Level 3 recognizes that we have tangibly improved our operations and that we have systemically instituted the principles of excellence across the organization.



SCRATCH'N WIN

category annual ticket sales increased to \$185.7 million this year.



PROFITS RETURNED

100% returned to Atlantic Canadian communities since we opened the doors.

This certification assesses our operations against best practice in the areas of Leadership, Planning, Customer Focus, People Focus, Process Management, and Supplier and Partner focus.

Our efforts in this area have made us a much stronger organization. We've seen the value and we're committed to further improvements.

Ensuring sustainability

In 2010, Atlantic Lottery established a Corporate Development department to lead the pursuit of new, sustainable business opportunities. We did that because the reality of our industry is clear: if we don't pursue opportunities outside of our traditional lines of business, we'll face a significant decline in our profitability.

Ensuring sustainable revenues to our owners is our mandate, and our strategy to do that includes offering products to consumers within Atlantic Canada, and participating in responsible business ventures and investments – both inside and outside the region – that bring revenue back to Atlantic Canadians.

An example is our relationship with Roboreus, a developer of online games and technology platforms, and a new gambling option for our players called GeoSweep. By also investing in the UK-based company, we can generate additional profit as that company grows around the world.

Our strategy recognizes the need to protect and enhance the value of a crown asset that for 35 years has returned 100% of its profit for good causes in Atlantic Canada. As we pursue growth opportunities, our commitment to social responsibility will continue to be our compass.



Nuts, Bolts and Networks

Atlantic Lottery has a strong web presence: corp.alc.ca which is our corporate site, and alc.ca, our transactional site. We've offered lottery products online since 2004. With the addition of GeoSweep, we will further bolster our online offerings. As we grow our online presence, our technology and Internet platforms must also grow and improve.

We've spent the past year doing that. It's not without its challenges but we know our technology has to be world class on your computer, your tablet and your mobile phone. We are committed to making that happen.



Lottery terminals loaded with latest technology

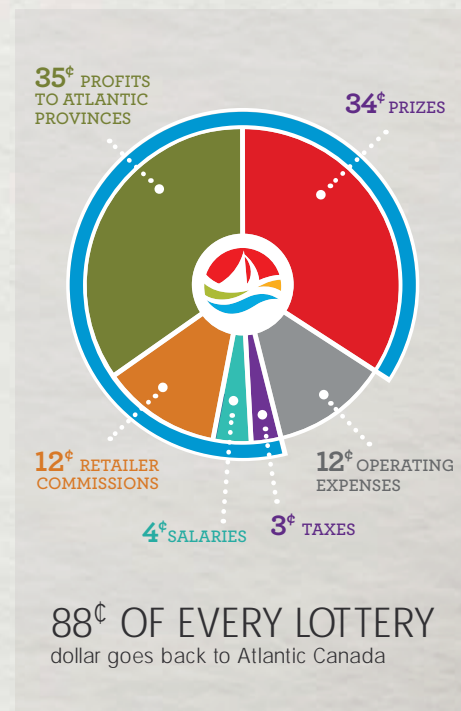
We're fortunate to have a long-standing partnership with lottery retailers. They are the first point of contact for many of our players and understanding that interaction helps us to better respond to player needs. They've got insights into all aspects of the lottery business, so, when we developed a new retailer terminal we turned to retailers for advice on the design. They helped ensure the terminal had an easy-to-learn selling screen, faster slip selection and reading, and improved real-time retailer communications through the terminal. Another key feature is the ability to scan a driver's licence to assist with age of majority verification. Player benefits include improved communications through a customer-facing screen so players see validation results as they are processed, and a single receipt instead of multiple validation slips.

We were able to roll-out these new terminals in just four months. Enhancements will continue but overall, the terminal helps meet retailer needs, improves convenience, and supports our commitments to transparency, security and not selling to minors.

More than winning numbers

To ramp up for what the future holds for alc.ca, we implemented a new player account management system. Seamless to the player, the new system bolstered the security and integrity of player information and it also identified areas for improving our technology that we continue to address.

We're on the way to reworking navigation and the content, overhauling the home page to include easier, quicker access to winning numbers, social media links, and to our community content. We know our user experience can improve, and it's part of what's ahead. Our players deserve the best possible online experience.



"In key areas, the panel felt that Atlantic Lottery's programs and services were clearly industry best practices including its research program, its remote gaming channel program, its game design program and its stakeholder relations program."

Independent Panel feedback on Atlantic Lottery's submission for Level 4 World Lottery Association Assessment

Certified processes and practices

Integrity in our processes and practices is part of what sets Atlantic Lottery apart from the unregulated gambling options available today. Our processes help ensure that the rightful winners get their prizes, that alc.ca is a secure site, and that players are protected with tools and resources to manage their play.

Accreditations like the [World Lottery Association Security Control Standard](#), the ISO/IEC 27001 Standard for information security, and Level IV Certification of the World Lottery Association Responsible Gaming Framework are nice to achieve but we really value what they represent to our player: a commitment to the highest standards of security, integrity, compliance and responsible gambling.



Passionate about our Player Interaction

We rely on research tools – including regular tracking, online panels and focus groups – for feedback, validation, and sometimes, course correction. While these are industry-standard, today, we're paying just as much attention to social media. It has given players a stronger voice with Atlantic Lottery.

Social media has become part of understanding our players; a virtual focus group built on candid interactions in real time. For us, social media provides the means to talk with our players rather than talk to them through conventional advertising.

We've learned that our players don't want a supplier; they want a relationship with a company they can feel good about. We've spent the past year forging these relationships and connecting with players on their turf.



Mobile meeting places

Today’s mobile phones are used to play games, make purchases, find information and stay connected. We wanted to be accessible to our players on their most essential accessory – their phone.

Our first step was a free app for iPhone® and iPod touch® – the first by a Canadian lottery – that lets players try the backyard-favourite game [Washer Toss](#) against a backdrop of Atlantic Canadian tourist attractions.

We kicked off our Mobi Club with a text-to-win contest at the LOTTO MAX Cavendish Beach Music Festival, with an ultimate VIP experience with the best seats at the site as the prize. Now 5,000+ members continue to enjoy contests and promos, and learn about our new products through their mobile phone.

We also overhauled our winning numbers mobile site. Now, m.alc.ca offers winning numbers, jackpot information and prize payouts with a slick new look and feel. What comes next? A winning numbers app and the ability to purchase on m.alc.ca are on our radar. The technology is evolving quickly, smartphone adoption is climbing, and we want to keep pace.

PRO-LINE Stadium packs’em in:

Through our research, we knew what our sports players wanted, and frankly, they wanted more than what we were offering. From the online purchasing process to the game formats, and the interactivity of the site overall, players provided critical input to the redesign of PRO-LINE Stadium.

With the new [PRO-LINE Stadium](#) players are enjoying our world-class platform, exclusive online games, contests, article feeds and forums. We’re enjoying the built-in monitoring and liability tools that make it more cost efficient to operate.

Our players are responding. Said one via e-mail: *“FYI I’m loving the alc site now. I might start betting on other sports as football season is drawing to a close! To be frank, I only ever used it for football in the past, but the changes you all have made is really making me reconsider that philosophy. :)”*

The results speak for themselves: this year total sports sales exceeded the old record of \$28.4 million reaching \$32.2 million. Revenue from Atlantic Lottery’s sports products grew, per capita, at the greatest (nominal) amount of all Canadian lotteries’ sports groups last year. This resulted in a 13.2% increase in total sports revenue, the second highest growth rate in the country.

More fun and games

With our exclusive Atlantic Canadian 2 Chance promotions, players got a second chance to make a ticket a winner. From April 1 to January 31, eligible non-winning Scratch’N Win tickets could be entered at: [2chance.alc.ca](#) for a chance at \$500,000 in total prizes.

As well, at [2chance.ca/649](#) LOTTO 6/49 tickets for every Wednesday draw held from June 8 – 29, 2011 could be entered for a chance to win either the \$25,000 top prize or one of 10 \$1,000 prizes. There’s nothing to lose when you take a second chance!

Players also got in on a couple of national LOTTO 6/49 promotions. In October, there were bonus draws for a chance to win \$100,000 per year for life. In March, there were bonus draws for \$649,000. These little extras are about our players, and for our players. Bonus!

Rave reviews for Red Shores

Red Shores in Charlottetown hosted the Atlantic Canada Poker Championship and it was a sell-out. Red Shores is getting a reputation for some of the best poker around. In fact, our poker excitement earned a mention in *Canadian Poker Player* magazine (Vol 01, issue 11) in an article on Norman Overdijk, the Canadian player of

Hockey | Football | College Football | Basketball | College Basketball | Baseball | Other | [Contests](#) | [Forum](#)

PRO-LINE STADIUM PICKS CONTEST

Make picks and accumulate points • Compete for prizes against other members
Picks are included in our consensus information • See the rules page for more details

ENTER PICKS

FEBRUARY CONTEST

ENDS: FEB 29, 2012

RANK	MEMBER	RECORD			PICKS
		W L	%	POINTS	HISTORY
1	Livermore99	1236-1102	53%	382.60	View
2	qomomoo	1224-1130	52%	345.45	View
3	notoniba	1208-1130	52%	321.75	View
4	hockey81	892-789	53%	309.10	View
5	steveo7777	1153-1162	50%	233.35	View
6	Sapo99	1116-1103	50%	231.40	View
7	newfieboy711	1089-1129	49%	216.85	View
8	FREEMONEY	988-985	50%	207.90	View
9	cb12315	701-660	51%	203.35	View
10	GoldDout21	667-671	50%	153.05	View

VIEW FULL LEADERBOARD >

TOP CONSENSUS PICKS

Money Line		Spread		Totals	
#	SPORT	VISITOR	HOME	PICK	%
512	COLLEGE BASKETBALL	Oregon	California	H	100%
514	COLLEGE BASKETBALL	Gonzaga	Santa Clara	V	100%
507	COLLEGE BASKETBALL	NC State	Duke	H	93%
510	SOCCER - CHAMPIONS LEAGUE	Bayern Munich	Dortmund	V	92%
487	PRO HOCKEY	Buffalo	Philadelphia	H	91%

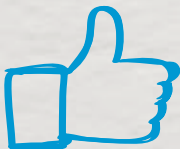
SEE ALL CONSENSUS PICKS >

NEXT CONTEST(S)



POKER FACE!

Red Shores is getting a reputation for some of the best poker around.



15,000+ FACEBOOK LIKES

More importantly, we’re talking with our followers and listening to them.

the year. When asked about the craziest game he’d ever played, Norman answered, “a qualifying round in Prince Edward Island. I eliminated 18 players.”

While we are a gambling company at heart, we’ve excelled in the kitchen too. Red Shores’ culinary team was recognized

with the best dessert award at the 2011 Savour Food & Wine Show. Their ribs were deemed the best on the Island at the first Tickle Your Ribs contest. At the PEI International Shellfish Festival, Chef David Mottershall took home the title of International Shellfish Festival Champion.

The main event at both of our Red Shores locations remains [harness racing](#), attracting fans for simulcast and live racing. In a deal inked with Horse Player’s Interactive, every member of the Internet-based organization can bet on every race from Red Shores Charlottetown and Summerside, giving Red Shores exposure to race fans across Canada and the United States. And of course, there’s no shortage of noteworthy talent competing in the Gold Cup and Saucer, the Atlantic Breeders Crown and the Governor’s Plate.

Getting sociable with Atlantic Canadians

Customers are talking about us online and we chose to join the discussion. The number of followers on our [Facebook](#) page grew from 1,699 at the beginning of the year to more than 15,000 by year’s end. More importantly, we’re talking with our followers and listening to them. We’ve been notified of customer issues, provided technical advice, communicated proactively with players about game or

system changes and offered exclusive social promotions. We’ve also learned that conversation topics around large jackpots, winner announcements and general interest stories about Atlantic Canada generate lots of discussion.

We’re still learning, but we know players appreciate things like advance notices, contests such as Create Your Own Scratch Ticket, and timely responses to their comments and concerns.

ShaBam changes the traditional draw game...Instantly!

When we built [ShaBam](#), we added a twist to this daily draw game. ShaBam is all about unexpected surprises and it’s like nothing we’ve ever offered before. Daily jackpots of \$15,000, instant wins up to \$20, and quirky pictures and slogans make this game a lot of fun.

Exclusively Atlantic Canadian, ShaBam is available at retail and online for only \$1. No matter where you play it, being ShaBammed! is a fun experience.

Compliance, Player Protection and Related Parties





Player protection

Public trust in the fairness of our games is fundamental to the integrity and sustainability of Atlantic Lottery. In 2007, we implemented a series of player protection measures to ensure player confidence in our products, processes and retail partners.

Process compliance

Atlantic Lottery regularly conducts “mystery shopper” visits at retail locations to monitor adherence to player protection policies. These visits help ensure retailers are consistently following Atlantic Lottery’s retail policies and procedures. Compliance rates continue to be strong, with 92% overall compliance during fiscal 2011/12; an increase of six percentage points from the previous year.

19+ Compliance

We also conduct testing to ensure retailers are adhering to our 19+ policy, which prohibits the sale of our lottery products to any person under the age of majority. The sale of lottery products to minors is also prohibited by law in P.E.I. and N.S.

19+ compliance results in 2011/12 were 87% – a decrease of eight percentage points over the previous year. These numbers are not where we want them. We will continue to work with retailers to train and educate them on our 19+ strategy and will act as needed to address retailers who fail to comply by means of our three stage progressive disciplinary approach.

Process compliance				2010/2011			2011/2012		
Province	# Tested	# Compliant	Compliance (%)	# Tested	# Compliant	Compliance (%)	# Tested	# Compliant	Compliance (%)
NS	614	536	87%	603	567	94%			
NB	286	231	81%	282	245	87%			
NL	204	184	90%	200	188	94%			
PE	85	66	78%	81	76	94%			
Total	1,189	1,017	86%	1,166	1,076	92%			

19+ Compliance				2010/2011			2011/2012		
Province	# Tested	# Compliant	Compliance (%)	# Tested	# Compliant	Compliance (%)	# Tested	# Compliant	Compliance (%)
NS	601	583	97%	602	530	88%			
NB	280	254	91%	282	245	87%			
NL	204	198	97%	208	178	86%			
PE	84	74	88%	83	70	84%			
Total	1,169	1,109	95%	1,175	1,023	87%			

Ensuring that no player has a better chance to win than any other player is fundamental to Atlantic Lottery. Therefore, we have strict measures in place to ensure that every prize is awarded to its rightful owner and we monitor all wins. However, we are always interested in better, more certain, processes.

Related Parties terminology

Non-Arm’s Length is the terminology that has been used publicly by Atlantic Lottery since 2007 to describe wins by Atlantic Lottery employees and board members, retailers and their employees, suppliers and immediate family members of these groups. To add clarity, and to be consistent with other lottery jurisdictions across Canada, Non-Arm’s Length will be now referred to as Related Parties.

In the interest of preserving player confidence, Atlantic Lottery has had reviews of its prize claim process and Related Parties wins conducted by two external parties, Dr. Jacques Allard and KPMG. On the matter of Related Parties, both reviews found that Atlantic Lottery takes a conservative approach to the application of its policy as it relates to retail employees.

This results in individuals who have no influence on the sale of lottery products being identified as Related Parties. For instance, Atlantic Lottery would count an employee who works in the bakery department of a grocery store which sells our lottery products as a Related Party.

Based on the recommendations contained in the independant reviews, starting April 1, 2012, the application of the Related Parties definition for retail employees applies strictly to individuals involved in the handling of lottery tickets and those who supervise them. This is the practice of all other lottery jurisdictions in Canada.

Independent external reviews

In 2011/12, Atlantic Lottery commissioned two independent reviews of its prize claim and investigation process to ensure we aligned with industry best practices and to gain more insight on Related Parties win trends. KPMG completed a review of the prize claim and investigation process, including an assessment of previous prize claim files. In addition, a statistical review was completed by Jacques Allard, PhD (Mathematics), of Atlantic Statistical Analysis Inc., to assess Related Parties win rates. Both reports were released to the public in March, 2012.



RED SHORES



The KPMG review concluded that Atlantic Lottery has implemented a number of strong controls since 2007 to help protect the player. It noted that Atlantic Lottery is using gambling industry-based controls found in many other Canadian jurisdictions and that these controls are effective in mitigating the risks around Related Parties wins.

The statistical review concluded in November noted the increase in the annual number of identified \$10,000+ Related Parties wins “is within the range of natural variation expected but near the upper limit of this range.” Post-review, the rate of wins continued to increase in the latter part of 2011/12. The win analysis completed did note that the growth coincided with the implementation of an additional control in the Related Parties identification process for \$1,000+ wins. The control requires winners to sign a Statutory Declaration at Atlantic Lottery offices, which is witnessed by a Commissioner of Oaths.

The statistical review also concluded “that \$1,000 to \$9,999 Related Parties winners are under identified compared to the \$10,000+ Related Parties winners.” This is due to the variation in the prize claim process found between Atlantic Lottery’s offices and in the Bankline process

(whereby players may claim prizes of less than \$10,000 at a Bank of Nova Scotia). The variation is being addressed through additional controls, as indicated above, and strengthening of process.

Atlantic Lottery was pleased to receive external validation that its processes are strong.

The company was also pleased to receive additional recommendations on how to make them even stronger. To this end, additional recommendations included in the external reviews will be implemented over the next year and when the appropriate technology is available. One recommendation of note that has already been implemented is use of the Retailer Play button. As of April 1, 2012, Atlantic Lottery retailer and retail employees are encouraged to use a feature on their lottery terminal to print the words “Retailer Play” on their draws and sports-based lottery tickets.

Atlantic Lottery will continue to monitor and assess its player protection and investigation processes to ensure they remain effective and in line with industry standards.

Related Parties wins
Atlantic Lottery investigates every Related Parties win greater than \$999 to ensure prizes are awarded to their rightful owner(s).

Final notes
We’ve been providing a safe and regulated gambling environment for Atlantic Canadians for more than 35 years, and as a public company, we take our responsibility of openness and accountability seriously. Sharing the details of our processes helps our players feel confident in the strength, integrity and fairness of our games.

Atlantic Lottery is committed to improving every day, in every aspect of our company. Our goal in monitoring these measures and implementing recommendations is to continuously improve our processes, protect our players, and ensure public trust.

Retailer & retailer employees 2010/2011				2011/2012		
Prize Amount	Number of Identified Related Parties Wins	Total # of Wins	% of Related Parties Wins	Number of Identified Related Parties Wins	Total # of Wins	% of Related Parties Wins
\$1,000 - \$9,999	124	3,948	3.1%	133	4,303	3.1%
\$10,000 +	26	443	5.9%	32	454	7.0%
Total	150	4,391	3.4%	165	4,757	3.5%

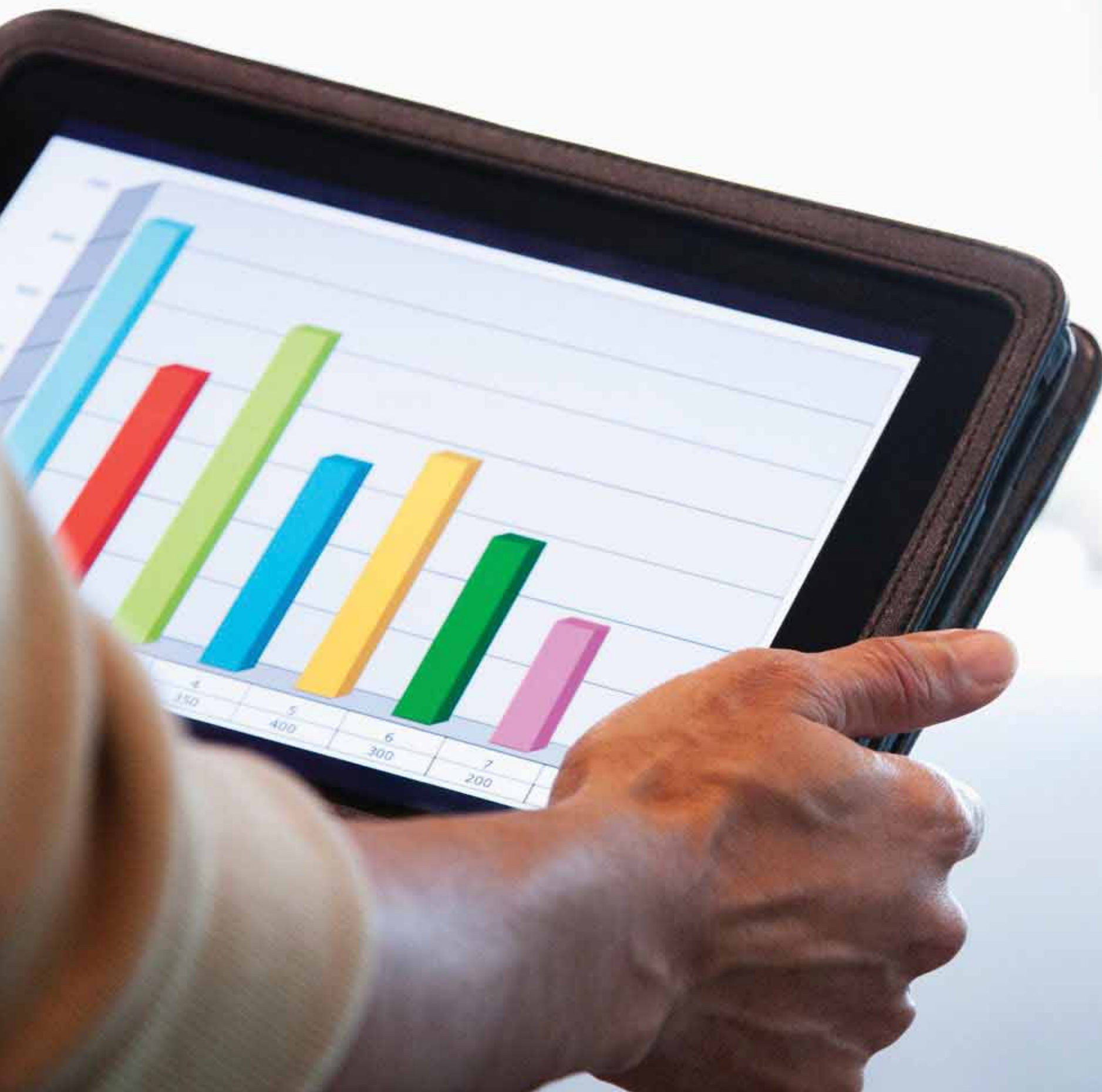
Related Parties - Other 2010/2011				2011/2012		
Prize Amount	Number of Identified Related Parties Wins	Total # of Wins	% of Related Parties Wins	Number of Identified Related Parties Wins	Total # of Wins	% of Related Parties Wins
\$1,000 - \$9,999	26	3,948	0.7%	42	4,303	1.0%
\$10,000 +	18	443	4.1%	32	454	7.0%
Total	44	4,391	1.0%	74	4,757	1.6%

Table Notes

Note 1 ‘Related Parties - Other’ includes Retailer/Retail Employee Immediate Family as well as Atlantic Lottery Employees, Suppliers, and Immediate Family of these two groups.

Note 2 If the application of the related parties definition that will be in place on April 1, 2012, were applied to this table, 27 wins in 2010/11 and 20 wins in 2011/12 over \$10,000 would not be included in the above tables.

Note 3 The \$10,000 - \$24,999 and \$25,000+ prize tiers, as reported in previous years, have been consolidated to \$10,000+ to better reflect the differences between our prize claim channels and establish a statistically relevant population size.



Financial Highlights

The year ended March 31, 2012 is Atlantic Lottery's first year of financial reporting under International Financial Reporting Standards (IFRS). IFRS requirements differ from those under Canadian Generally Accepted Accounting Principles (GAAP), changing the face of Atlantic Lottery's consolidated financial statements.

Some of the most significant changes include increased note disclosure, making policy choices and detail more transparent, and accounting policy changes to Employee Benefits, Property & Equipment, and Intangible Assets. Atlantic Lottery will continue to report under IFRS in subsequent years. The financial highlights table reflects 2011/12 figures under the new standards.

Provincial net profit tables are also slightly modified from prior years to accurately reflect the current nature of Atlantic Lottery's business. Activity is segmented between Traditional and Destination. Traditional activity includes revenues and expenses associated with Regional and National draw games, Scratch'N Win, and Breakopen games, and includes all Internet activity. Destination activity includes revenues and expenses associated with Video Lottery terminals, Coasters' locations, Table Games and Red Shores.

Financial Highlights

	2011/2012	2010/2011	2009/2010	2008/2009	2007/2008	2006/2007
Gross ticket sales	\$626,991	\$646,428	\$592,319	\$595,784	\$587,433	\$611,991
Prizes on ticket sales	362,527	366,827	342,794	339,658	332,597	345,871
Net ticket sales	\$264,464	\$279,601	\$249,525	\$256,126	\$254,836	\$266,120
Prizes as % of sales	58%	57%	58%	57%	57%	57%
Net video lottery receipts	411,101	411,596	427,931	437,417	410,808	425,000
Entertainment centre revenue	19,162	15,002	13,606	11,538	10,425	8,380
Direct costs (commissions, tickets, game licensing)	145,529	148,632	148,806	155,859	150,078	156,371
Gross profit	\$549,198	\$557,567	\$542,256	\$549,222	\$525,991	\$543,129
Gross profit % of net sales	79%	79%	78%	78%	78%	78%
Operating expenses	124,010	125,135	98,683	95,167	86,857	80,942
Operating expenses as % of net sales	18%	18%	14%	13%	13%	12%
Capital-related costs	23,602	24,872	22,878	26,581	29,886	44,215
Other expenses and distributions	31,899	36,426	31,327	29,345	30,797	35,109
Net profit	\$369,687	\$371,134	\$389,368	\$398,129	\$378,451	\$382,863
Net profit as % of net sales	53%	53%	56%	56%	56%	55%
Profit distribution:						
New Brunswick	\$120,010	\$121,823	\$130,760	\$133,401	\$128,234	\$120,985
Newfoundland and Labrador	107,805	106,393	109,161	107,504	98,266	105,692
Nova Scotia	126,957	129,808	134,606	139,729	136,407	142,819
Prince Edward Island	14,871	13,202	14,737	17,620	15,407	13,389
	\$369,643	\$371,226	\$389,264	\$398,254	\$378,314	\$382,885
Profit distribution per capita:						
New Brunswick	\$200	\$203	\$228	\$233	\$224	\$217
Newfoundland and Labrador	260	259	273	269	246	269
Nova Scotia	172	172	188	195	190	206
Prince Edward Island	136	142	142	166	146	131
Number of lottery retail terminals	3,004	3,018	3,060	3,198	3,084	3,149
Number of multi-purpose retail terminals	63	91	168	264	321	377
Number of video lottery terminals	6,957	7,102	7,303	7,619	8,000	8,281

* This table is based on Atlantic Lottery’s consolidated financial statements
* 2012 figures are presented under IFRS; prior year figures are presented under GAAP
* \$ in 000’s

Provincial Net Profit

New Brunswick	Total		Traditional		Destination	
	2012	2011	2012	2011	2012	2011
Gross ticket sales	\$169,110	\$180,945	\$167,472	\$179,207	\$1,638	\$1,738
Net video lottery receipts	133,833	134,321	-	-	133,833	134,321
Gross Revenue	302,943	315,266	167,472	179,207	135,471	136,059
Direct costs	134,423	141,902	107,628	114,474	26,795	27,428
Gross profit	168,520	173,364	59,844	64,733	108,676	108,631
Operating and other expenses	48,510	51,541	29,895	34,012	18,615	17,529
Net Profit	\$120,010	\$121,823	\$29,949	\$30,721	\$90,061	\$91,102
Newfoundland and Labrador	Total		Traditional		Destination	
	2012	2011	2012	2011	2012	2011
Gross ticket sales	\$215,244	\$213,786	\$214,433	\$213,055	\$811	\$731
Net video lottery receipts	122,677	120,606	-	-	122,677	120,606
Gross revenue	337,921	334,392	214,433	213,055	123,488	121,337
Direct costs	180,292	176,822	150,818	147,635	29,474	29,187
Gross profit	157,629	157,570	63,615	65,420	94,014	92,150
Operating and other expenses	49,824	51,177	30,774	31,353	19,050	19,824
Net Profit	\$107,805	\$106,393	\$32,841	\$34,067	\$74,964	\$72,326
Nova Scotia	Total		Traditional		Destination	
	2012	2011	2012	2011	2012	2011
Gross ticket sales	\$207,509	\$217,000	\$206,458	\$215,376	\$1,051	\$1,624
Net video lottery receipts	137,199	139,979	-	-	137,199	139,979
Gross revenue	344,708	356,979	206,458	215,376	138,250	141,603
Direct costs	161,863	168,341	134,546	139,384	27,317	28,957
Gross profit	182,845	188,638	71,912	75,992	110,933	112,646
Operating and other expenses	55,888	58,830	36,339	35,964	19,549	22,866
Net Profit	\$126,957	\$129,808	\$35,573	\$40,028	\$91,384	\$89,780
Prince Edward Island	Total		Traditional		Destination	
	2012	2011	2012	2011	2012	2011
Gross ticket sales	\$35,128	\$34,697	\$34,410	\$34,038	\$718	\$659
Net video lottery receipts	17,392	16,690	-	-	17,392	16,690
Entertainment centre revenue	19,162	15,002	-	-	19,162	15,002
Gross revenue	71,682	66,389	34,410	34,038	37,272	32,351
Direct costs	31,478	28,394	23,263	22,779	8,215	5,615
Gross profit	40,204	37,995	11,147	11,259	29,057	26,736
Operating and other expenses	25,333	24,793	7,640	8,220	17,693	16,573
Net Profit	\$14,871	\$13,202	\$3,507	\$3,039	\$11,364	\$10,163
Corporate Total	Total		Traditional		Destination	
	2012	2011	2012	2011	2012	2011
Gross ticket sales	\$626,991	\$646,428	\$622,773	\$641,676	\$4,218	\$4,752
Net video lottery receipts	411,101	411,596	-	-	411,101	411,596
Entertainment centre revenue	19,162	15,002	-	-	19,162	15,002
Gross revenue	1,057,254	1,073,026	622,773	641,676	434,481	431,350
Direct costs	508,056	515,459	416,255	424,272	91,801	91,187
Gross profit	549,198	557,567	206,518	217,404	342,680	340,163
Operating and other expenses	179,555	186,341	104,648	109,549	74,907	76,792
Net Profit	\$369,643	\$371,226	\$101,870	\$107,855	\$267,773	\$263,371

* The provincial Net Profit Calculations are based on unconsolidated financial statements
* Figures are rounded
* 2012 figures are presented under IFRS; 2011 figures are presented under GAAP
* 2011 figures have been restated to properly reflect Traditional vs Destination
* \$ in 000’s

