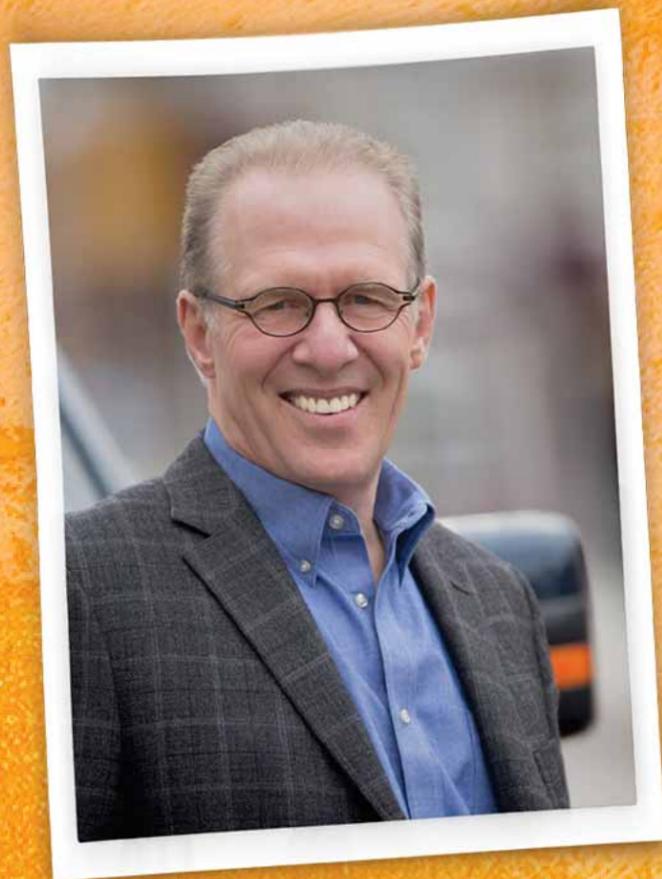




**Atlantic Lottery**  
Accountability Report 2012/2013



**Brent Scrimshaw**  
President & CEO

## President's Message

Every year since we opened our doors, we've returned 100% of our profits to the four Atlantic provinces; 100%. Every year. Money that's used to make Atlantic Canada a better place for all of us and a fact that makes working here so special.

We are coming off a strong year with three of our business lines, Scratch, PRO•LINE Sports and our Internet operations at alc.ca recording all-time record sales. Thanks to a roster of great products and an exceptional team, we returned nearly \$363 million in profit in 2012/13; dollars which will help build schools, roads and hospitals in communities across Atlantic Canada.

We've also awarded more than \$367 million in prizes to Atlantic Canadians.

In fact, we've been pretty successful in the lottery business for nearly 37 years providing safe and responsible games for those who choose to play.

We want to continue that success.

To do that, we need to be offering games our players want, when they want and where they want.

That means new and innovative thinking, new products and a business approach that reflects our competitive reality.

Make no mistake – our products are still popular, as shown by our record-breaking sales, but with increasing unregulated global competition,

and younger generations going elsewhere for interactive, entertaining and social games, our player base, player safety and profits are at risk.

So, change is necessary, desirable and in the public interest.

Productive change means looking at new possibilities and new ways of conducting our business; it means new products in new channels right here at home.

It means 'exporting' our recognized industry-expertise around the globe. It also means partnering with, and sourcing unique skills from other companies, many from Atlantic Canada, who can help us become more competitive.

Much of the work we've accomplished this year was aimed at setting the stage. While the way Atlantic Lottery operates may change, one element remains true and strong and that is our commitment to delivering lottery products with the highest standard of player protection and safety. That will never change. National and international accreditations, like the World Lotteries Association Responsible Gambling certification, continue to recognize our expertise in this area.

We are proud Atlantic Canadians. We want Atlantic Canadians to be proud of us for what we do, and as importantly, how we do it.

I invite you to take a few minutes and have a look around. Find out what we're doing to ensure that our players have a safe and fun experience, and how we're adjusting our business to ensure our profits continue to make Atlantic Canada a better place.

### Want to hear more of our story?

Visit the [Accountability Report](#) section of [AskAway.ca](#)

## Message from the Board Chair

As Chair of the Board, I'm pleased to present Atlantic Lottery's 2012/13 Accountability Report on behalf of the Board of Directors. The Report highlights Atlantic Lottery's recent successes and touches on their plans to ensure continued success in the new global gambling landscape.



**C. Sean O'Connor**  
Chair

**Board (l-r)**  
C. Sean O'Connor, Board Chair  
Kevin Breen  
Gordon Gillis  
Jane Garbutt  
Wallace Floyd  
Patricia J. Mella  
Doug Clow  
Stephen Mont  
Laurie Skinner



Atlantic Canadians can feel good knowing that every Atlantic Lottery product and experience is designed with player safety and protection standards recognized among the best in the world. The Board has a responsibility to ensure that Atlantic Lottery continues to deliver with the highest levels of integrity, accountability and transparency. The Board also advises on matters related to human resources, risk management, budgeting and strategic planning. Acting as liaisons with the government shareholders, the Board both advocates and promotes understanding of Atlantic Lottery's business decisions and plans.

Atlantic Canadians have long benefitted from Atlantic Lottery's efforts to deliver fun, entertaining and responsible lottery products. Since 1976, nearly \$7.8 billion – 100% of Atlantic Lottery's profit – has helped support essential services in Atlantic Canada such as hospitals, roads and schools.

This year alone they've delivered nearly \$363 million in profit, thanks to record sales in PRO•LINE Sports, Scratch'N Win tickets and on alc.ca.

It's a point of pride for more than 600 Atlantic Lottery employees who also call Atlantic Canada home.

You don't have to be in the gambling industry to recognize the gambling experience has changed in recent years. With digital technology, the world is at our fingertips. Atlantic Canadians can access more than 2,500 unregulated gambling options 24-7. What players expect is changing too. Today they want more options, more often, different play experiences, and access at their fingertips. While Atlantic Lottery has a loyal player base, demographics are shifting and younger generations of players are going elsewhere for their play experiences.

For Atlantic Lottery to remain competitive, attract players and continue to deliver profits, a shift in the business model is required. With this new strategy, Atlantic Canadians can still look forward to playing their traditional favourites, but they can also expect new options more aligned with their lifestyle and habits. The strategy contemplates partnering with like-minded companies with world-calibre talent capable of delivering

competitive edge and efficiencies. Likewise, it outlines a plan for potentially exporting expertise to other jurisdictions.

Every element of the strategy is necessary to meet the challenges, stay competitive and continue delivering profits back to Atlantic Canadians. By adjusting the manner in which they operate, Atlantic Lottery is positioning itself for continued success.

The Board supports the company's efforts to remain a key contributor to the Atlantic Canadian economy. It is the right thing for Atlantic Canada and Atlantic Canadians.

# Financial Highlights

	2012/2013	2011/2012	2010/2011	2009/2010	2008/2009	2007/2008
Gross ticket sales	\$646,903	\$626,991	\$646,428	\$592,319	\$595,784	\$587,433
Prizes on ticket sales	367,723	362,527	366,827	342,794	339,658	332,597
<b>Net ticket sales</b>	<b>\$279,180</b>	<b>\$264,464</b>	<b>\$279,601</b>	<b>\$249,525</b>	<b>\$256,126</b>	<b>\$254,836</b>
Prizes as % of sales	57%	58%	57%	58%	57%	57%
Net video lottery receipts	381,830	411,101	411,596	427,931	437,417	410,808
Entertainment centre revenue	19,320	19,162	15,002	13,606	11,538	10,425
Direct costs (commissions, tickets, game licensing)	140,425	145,529	148,632	148,806	155,859	150,078
<b>Gross profit</b>	<b>\$539,905</b>	<b>\$549,198</b>	<b>\$557,567</b>	<b>\$542,256</b>	<b>\$549,222</b>	<b>\$525,991</b>
Gross profit % of net sales	79%	79%	79%	78%	78%	78%
Operating expenses	114,571	124,010	125,135	98,683	95,167	86,857
Operating expenses as % of net sales	17%	18%	18%	14%	13%	13%
Capital-related costs	30,585	23,602	24,872	22,878	26,581	29,886
Other expenses and distributions	32,123	31,899	36,426	31,327	29,345	30,797
<b>Net profit</b>	<b>\$362,626</b>	<b>\$369,687</b>	<b>\$371,134</b>	<b>\$389,368</b>	<b>\$398,129</b>	<b>\$378,451</b>
Net profit as % of net sales	53%	53%	53%	56%	56%	56%
<b>Profit distribution:</b>						
New Brunswick	\$120,140	\$120,010	\$121,823	\$130,760	\$133,401	\$128,234
Newfoundland and Labrador	114,149	107,805	106,393	109,161	107,504	98,266
Nova Scotia	112,761	126,957	129,808	134,606	139,729	136,407
Prince Edward Island	15,645	14,871	13,202	14,737	17,620	15,407
	\$362,695	\$369,643	\$371,226	\$389,264	\$398,254	\$378,314
<b>Profit distribution per capita:</b>						
New Brunswick	\$198	\$200	\$203	\$228	\$233	\$224
Newfoundland and Labrador	276	260	259	273	269	246
Nova Scotia	147	172	172	188	195	190
Prince Edward Island	136	136	142	142	166	146
Number of lottery retail terminals	2,990	3,004	3,018	3,060	3,198	3,084
Number of multi-purpose retail terminals	57	63	91	168	264	321
Number of video lottery terminals	6,934	6,957	7,102	7,303	7,619	8,000

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

# Provincial Net Profit

New Brunswick	Total		Traditional		Destination	
	2013	2012	2013	2012	2013	2012
Gross ticket sales	\$169,010	\$169,110	\$167,400	\$167,472	\$1,610	\$1,638
Net video lottery receipts	128,324	133,833	-	-	128,324	133,833
Gross Revenue	297,334	302,943	167,400	167,472	129,934	135,471
Direct costs	130,856	134,423	105,461	107,628	25,395	26,795
Gross profit	166,478	168,520	61,939	59,844	104,539	108,676
Operating and other expenses	46,338	48,510	28,233	29,895	18,105	18,615
<b>Net Profit</b>	<b>\$120,140</b>	<b>\$120,010</b>	<b>\$33,706</b>	<b>\$29,949</b>	<b>\$86,434</b>	<b>\$90,061</b>
Newfoundland and Labrador	Total		Traditional		Destination	
	2013	2012	2013	2012	2013	2012
Gross ticket sales	\$229,333	\$215,244	\$228,543	\$214,433	\$790	\$811
Net video lottery receipts	122,687	122,677	-	-	122,687	122,677
Gross revenue	352,020	337,921	228,543	214,433	123,477	123,488
Direct costs	187,553	180,292	158,101	150,818	29,452	29,474
Gross profit	164,467	157,629	70,442	63,615	94,025	94,014
Operating and other expenses	50,318	49,824	31,726	30,774	18,592	19,050
<b>Net Profit</b>	<b>\$114,149</b>	<b>\$107,805</b>	<b>\$38,716</b>	<b>\$32,841</b>	<b>\$75,433</b>	<b>\$74,964</b>
Nova Scotia	Total		Traditional		Destination	
	2013	2012	2013	2012	2013	2012
Gross ticket sales	\$214,025	\$207,509	\$213,225	\$206,458	\$800	\$1,051
Net video lottery receipts	113,872	137,199	-	-	113,872	137,199
Gross revenue	327,897	344,708	213,225	206,458	114,672	138,250
Direct costs	159,216	161,863	136,395	134,546	22,821	27,317
Gross profit	168,681	182,845	76,830	71,912	91,851	110,933
Operating and other expenses	55,920	55,888	35,623	36,339	20,297	19,549
<b>Net Profit</b>	<b>\$112,761</b>	<b>\$126,957</b>	<b>\$41,207</b>	<b>\$35,573</b>	<b>\$71,554</b>	<b>\$91,384</b>
Prince Edward Island	Total		Traditional		Destination	
	2013	2012	2013	2012	2013	2012
Gross ticket sales	\$34,535	\$35,128	\$33,873	\$34,410	\$662	\$718
Net video lottery receipts	16,947	17,392	-	-	16,947	17,392
Entertainment centre revenue	19,320	19,162	-	-	19,320	19,162
Gross revenue	70,802	71,682	33,873	34,410	36,929	37,272
Direct costs	30,523	31,478	22,355	23,263	8,168	8,215
Gross profit	40,279	40,204	11,518	11,147	28,761	29,057
Operating and other expenses	24,634	25,333	7,089	7,640	17,545	17,693
<b>Net Profit</b>	<b>\$15,645</b>	<b>\$14,871</b>	<b>\$4,429</b>	<b>\$3,507</b>	<b>\$11,216</b>	<b>\$11,364</b>
Corporate Total	Total		Traditional		Destination	
	2013	2012	2013	2012	2013	2012
Gross ticket sales	\$646,903	\$626,991	\$643,041	\$622,773	\$3,862	\$4,218
Net video lottery receipts	381,830	411,101	-	-	381,830	411,101
Entertainment centre revenue	19,320	19,162	-	-	19,320	19,162
Gross revenue	1,048,053	1,057,254	643,041	622,773	405,012	434,481
Direct costs	508,148	508,056	422,312	416,255	85,836	91,801
Gross profit	539,905	549,198	220,729	206,518	319,176	342,680
Operating and other expenses	177,210	179,555	102,671	104,648	74,539	74,907
<b>Net Profit</b>	<b>\$362,695</b>	<b>\$369,643</b>	<b>\$118,058</b>	<b>\$101,870</b>	<b>\$244,637</b>	<b>\$267,773</b>

\* The provincial Net Profit Calculations are based on unconsolidated financial statements  
 \* \$ in '000's  
 \* Figures are rounded