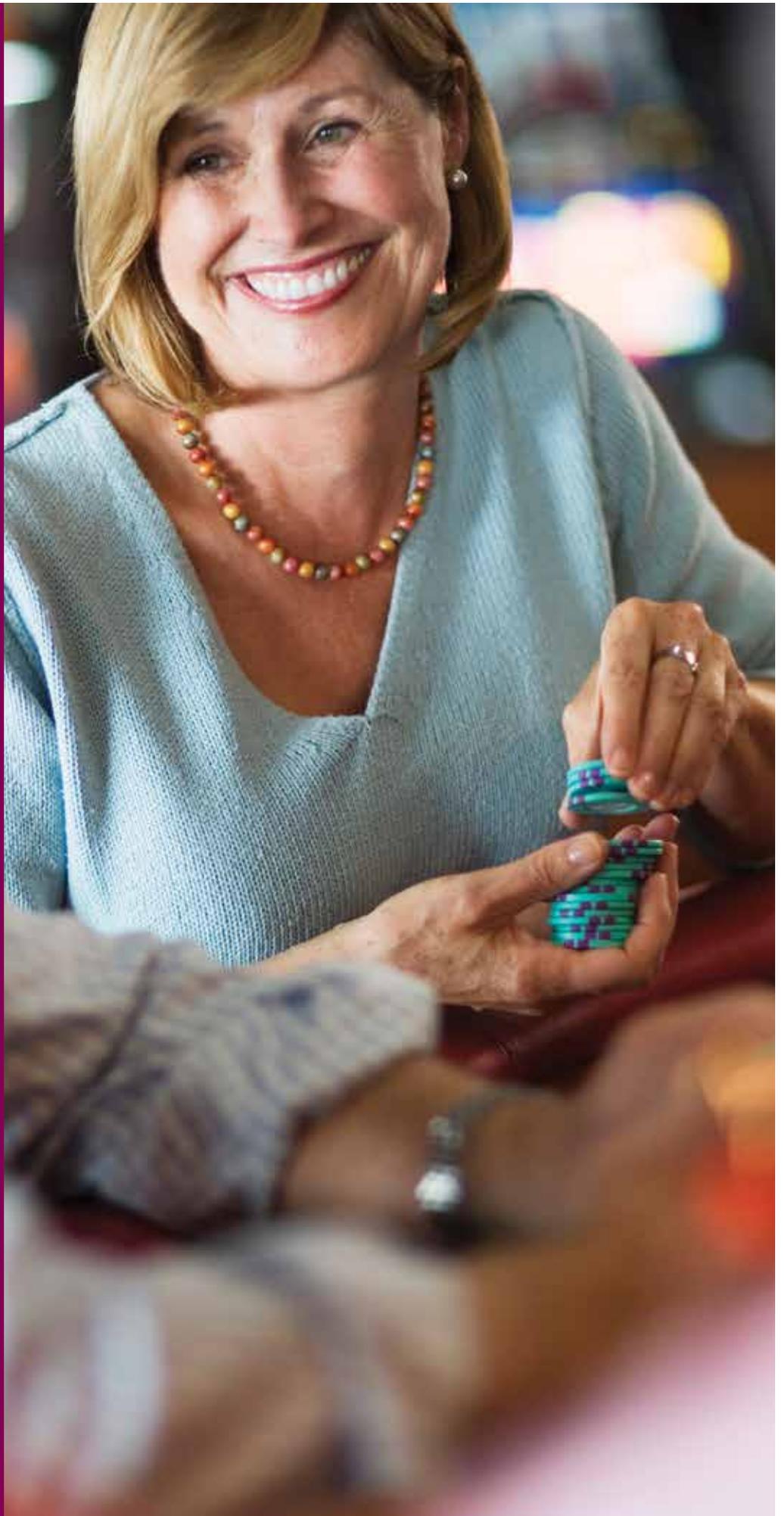


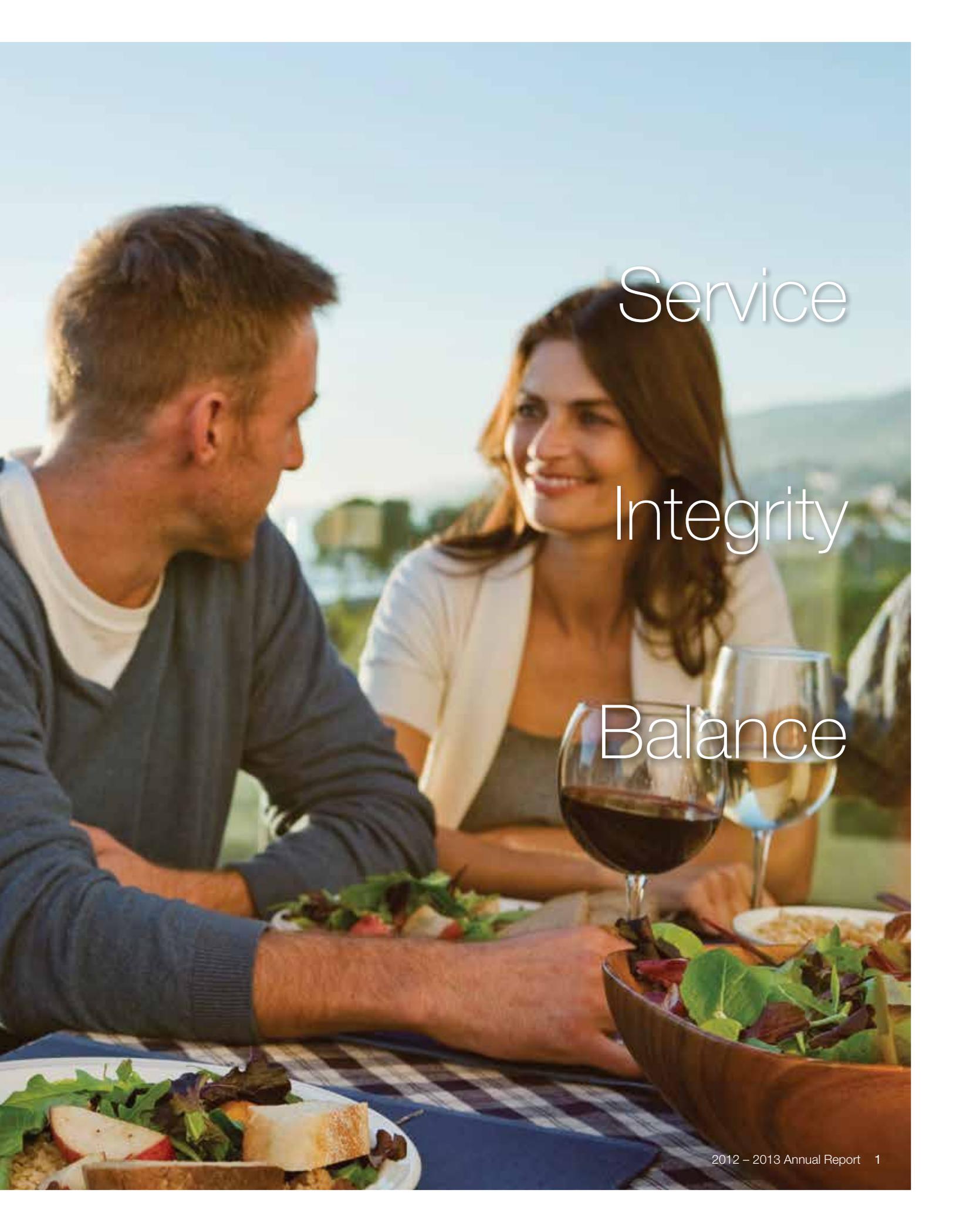
# ANNUAL REPPORT

2012-2013



The Alberta Gaming and Liquor Commission (AGLC) is a Crown commercial enterprise and agent of the Government of Alberta. We are governed by the province's *Gaming and Liquor Act*, Gaming and Liquor Regulation and related policies. We conduct and manage provincial lotteries, and regulate liquor and charitable gaming activities in the province.

Information about the AGLC is also available on our website at [aglc.ca](http://aglc.ca)



Service

Integrity

Balance

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## On Service, Integrity and Balance

Each work day we can relate stories ...

# Service

About **SERVING** Albertans, our customers and partners with courtesy and efficiency

# Integrity

About demonstrating **INTEGRITY** through our words and actions

# Balance

About how striking the right **BALANCE** is the responsible thing to do

We work hard in these areas and strive to be better.  
**In this annual report we show how.**

The Board has three major areas of responsibility in its governance of the AGLC. These are related to **monitoring, regulation as exercised through administrative tribunals, and policy.**

A blurred office desk with a pair of glasses, a pen, and a calculator. The background is out of focus, showing a computer monitor and some papers. The foreground is in sharp focus, showing a pair of glasses, a pen, and a calculator.

SECTION 1

# Governance

## Message from the Chair

**“We value the close working relationships with our many gaming and liquor partners and stakeholders that make these results possible.”**

### **In 2012–13 the AGLC experienced substantial change and growth.**

The AGLC earned more than \$2.2 billion in gaming and liquor revenue in 2012–13. Close to \$1.5 billion of this amount was derived from provincial gaming revenue and placed in the Alberta Lottery Fund to support thousands of volunteer, public and community-focused initiatives in the province. About \$700 million was derived from liquor sales and directed to government’s general revenues for public programs and services.

We value the close working relationships with our many gaming and liquor partners and stakeholders that make these results possible.

The AGLC also issued 14,989 charitable gaming licences to eligible charitable and religious organizations. In 2012–13, these organizations earned \$330 million in proceeds from their gaming activities, which fund charitable community projects to improve the quality of life in Alberta.

In September 2012, we welcomed Bill Robinson as the AGLC’s new President and Chief Executive Officer. During the year, Mr. Robinson led a number of initiatives to instill a business-oriented culture in AGLC. He is dedicated to finding efficiencies in operations and developing improved products to meet consumer demands. We look forward to working closely with Mr. Robinson in the years ahead.

Ms. Susan Green was welcomed to the AGLC Board in October 2012, filling the vacancy left by the retirement of Lynn Faulder, whom we thank for her contributions.

The Board encourages and supports the administration’s ongoing efforts and programs to foster a culture of moderation in gaming and liquor activities. As discussed in this annual report, the AGLC delivers a number of social responsibility and compliance programs. These programs help managers and employees in the gaming and liquor industries to understand and comply with service requirements. Other programs help Albertans make positive choices in their gambling or alcohol consumption. The results are supported by the performance measure outcomes that are provided in this annual report.

In 2012–13, the Board held 58 hearings into alleged contraventions of the requirements by licensees or retailers.

One priority for the Board is to keep gaming and liquor policies up to date and modernized. As businesses, technologies and customer expectations continue to evolve this focus on continual improvement becomes ever more critical. During the year, we continued to review policy and legislation, and provided recommendations and advice to the Minister responsible for the AGLC for his consideration.

The Board met 11 times last year and oversees AGLC operations through four committees: Audit, Finance and IT, Corporate Governance, Stakeholder and Strategic Planning, and Human Resources. I thank all of the Board members for their diligence and professionalism in serving on the Board and committees and sitting on hearings, and to our Board Executive Assistant, Helen Todd for her excellent support of all our work.

On behalf of the Board, I wish to thank AGLC employees for their excellent work, dedication and commitment. The three themes of this annual report – service, integrity and balance – sum up very well how AGLC employees carry out the Commission's mandate in the public interest.

Sincerely,

**Hon. Marguerite J. Trussler**  
Chair of the Board



## An Interview with the President and CEO



Bill Robinson was appointed President and CEO of the AGLC in September 2012. Here are Bill's thoughts about the priorities of the AGLC, and on the themes of this year's annual report: service, integrity and balance.

### **What were the AGLC's major accomplishments in 2012–13?**

This was an exciting year for the AGLC. Revenues increased over 2011–12. We implemented major new initiatives such as the vlt replacement program and Drink Responsibly campaign. Our educational initiatives helped us to increase awareness of and compliance with our policies and regulations, and balance our revenue goals with our direction to foster socially responsible gaming and liquor activities.

### **What are the main priorities for the AGLC moving forward?**

Moving forward we must continue to understand the challenges in the marketplace and find ways to address them. We need to examine ways to better use technology in the gaming industry. The products and services we offer need to keep pace with what Albertans expect. We need to ensure that we are meeting Albertans' service expectations, whether this is in accessing a licensing service or buying a Lotto 6/49 lottery ticket. On the liquor side we need to remove barriers to innovation in our regulatory framework while still protecting the interests of Albertans.

### **You led a reorganization of AGLC divisions. How will this help obtain the results you are seeking?**

The reorganization will help us gain efficiencies in our lines of business. It will help transfer skills and knowledge across our divisions and internal processes, and encourage new and innovative ways to serve customers and partners.

“We implemented major new initiatives such as the vlt replacement program and Drink Responsibly campaign.”

**You mentioned balance earlier, can you comment more on this?**

Balance is important to the AGLC as a regulator and organization that works with the private sector to grow business. Balance means setting policies and standards, including those of social responsibility, while allowing for a reasonable level of growth across the gaming and liquor industries.

**Can you talk about integrity, another key theme of the AGLC?**

Integrity refers to following the rules and standards that are set out in our legislation, regulation and policies. It's one of our key values as an organization. We need to be rigorous in this regard. How we operate internally influences how our stakeholders and partners view our integrity. In 2012–13 we created an ethics area responsible for communicating policies such as our code of conduct or whistle blowing. This creates awareness and consistency across the organization and holds us to the highest standards.

**How is the third theme, service, important to the AGLC?**

The AGLC is respected in the marketplace. That is the result of providing a high level of service that comes from hard work, dedication and the 'can do' attitude of employees. We work hard to be a true partner with the people in the gaming and liquor industries and the communities and charities that benefit from these gaming revenues.

**Do you have any final thoughts?**

I am very proud of AGLC employees and their teamwork to get the job done. I thank them for their service.



## Members of the Board of the Alberta Gaming and Liquor Commission

### Back row (from left to right)

- James (Jim) Hansen
- Hon. Marguerite Trussler, Q.C., Chair
- Bill Robinson, President and CEO (non-voting member)
- William (Bill) Clark
- Brent Shervey

### Front row (from left to right)

- Thorna Lawrence
- William (Bill) Anhorn, Q.C.
- Susan Green

Biographies of the Board members are available online at [aglc.ca/aboutus/board/](http://aglc.ca/aboutus/board/)

# The Board and Corporate Governance

## Structure

The Board of the AGLC is appointed by the Government of Alberta. It is comprised of seven public members and the President and CEO of the AGLC who is a non-voting member. The Board reports to the Minister responsible for the *Gaming and Liquor Act* through the Chair.

The responsibilities of the Board are set out in Section 12 of the *Gaming and Liquor Act*. These include ensuring that the powers and duties of the organization are appropriately carried out, establishing the policies of the organization, conducting hearings, and making decisions respecting licences and registrations.

## Governance

The Board has three major areas of responsibility in its governance of the AGLC. These are related to monitoring, regulation as exercised through administrative tribunals, and policy.

## Monitoring

The Board ensures that appropriate monitoring processes and control systems are in place and that the AGLC's financial reports meet the highest standards. The Board also oversees and monitors the administration of the AGLC by the President and CEO. The President and CEO ensures policies of the Board are implemented and advises and informs the Board on the operations of the AGLC.

The Internal Audit office operates under a mandate approved by the Audit Committee. The independence of the Internal Audit office is assured as the Audit Committee has the responsibility for the hiring, compensation, and performance reviews of the Director, Internal Audit. The Audit Committee also meets independently with the Office of the Auditor General for the Province of Alberta.

## Regulation

The Board functions as an administrative tribunal. The Board conducts hearings, establishes and applies policies, and makes decisions on gaming and liquor licences and registrations. When it conducts hearings, the Board has the powers, privileges and immunities of a commissioner under the *Public Inquiries Act*. It may hold an inquiry into any matter related to the *Gaming and Liquor Act*.

## Policy

The Board develops policy collaboratively through strategic planning and stakeholder consultation. The Board may receive policy direction from the Minister and in turn provide policy recommendations to the Minister.

## Committees

The Board has four committees to carry out its responsibilities.

The function of the Audit Committee is to provide oversight of the following:

- external financial and performance systems and disclosure;
- internal and external audit activities; and
- enterprise risk management and internal controls.

The function of the Finance and IT Committee is to provide oversight of the following;

- annual business planning and budget process;
- internal financial and performance reporting systems;
- enterprise information technology governance; and
- business continuity and disaster recovery plans.

The function of the Corporate Governance, Stakeholder, and Strategic Planning Committee is to support the Board of the Alberta Gaming and Liquor Commission by establishing, monitoring, and reviewing the corporate governance process as well as ensuring ongoing stakeholder relations are maximized.

The function of the Human Resources Committee is to assist the Board to fulfill its obligations by focusing on:

- corporate human resource matters; and
- code of conduct and ethics matters.

This will include conducting an annual President and CEO performance review, making a recommendation on the compensation for the President and CEO, overseeing succession planning for the organization, and Code of Conduct issues and public interest disclosures. In addition, this Committee will oversee the development of a Board member competency matrix and lead the implementation of Board staff evaluations.

## Vision, Mission and Values

### Our Vision

Ensuring gaming and liquor sustainability for Alberta

### Our Mission

Providing and protecting Albertans' choices

### Our Values

**FORESIGHT** We are aware of and take a proactive approach to shifts in social, political, economic and environmental trends.

**ACCOUNTABILITY** We hold ourselves accountable for our decisions.

**INTEGRITY** We are open and transparent and act with impartiality to uphold the trust of all our stakeholders.

**RESPECT** We value our colleagues, stakeholders and Albertans and our shared responsibilities to society and the environment.

## Our Strategic Directions

Strategic directions outline a course of action to guide us in achieving our goals. Each year, our Board and Executive Team jointly review and revise these strategic directions to ensure they remain viable in light of current economic, industry and environmental trends.

These are the AGLC's strategic directions for the next five years:

- 1** Review the charitable gaming model to ensure charities and communities continue to benefit from the changing Alberta landscape.
- 2** Enhance our understanding of customer groups and use that knowledge to modernize and transform the gaming experience to broaden the player base and grow revenues in a sustainable way.
- 3** Streamline business processes and services and deliver them to customers through the most appropriate channel (with preference given to web based service delivery).
- 4** Invest in technology and continually evolve business practices to mitigate security risks, ensure accountability, and protect revenue.
- 5** Foster a culture of moderation to prevent and reduce gambling and liquor related harm.
- 6** Leverage partnerships between the AGLC, other government ministries, jurisdictions and stakeholders to ensure that client and business needs are met and the AGLC's reputation of being approachable and consultative is upheld.
- 7** Continue to build a culture where employees are empowered to actively identify, lead and implement change to increase organizational efficiency and effectiveness.
- 8** Communicate proactively with Albertans using current and emerging technologies to raise awareness of AGLC programs and services.





Service

Our lines of business bring our staff in contact with thousands of charities, businesses, stakeholders, community partners and Albertans each year. Our employees are dedicated to providing excellent customer service that ranges from working with partners in the liquor supply chain to interacting with end users or customers and consumers. Service plays a key role in delivering a robust gaming and liquor industry in Alberta.

We take great pride in providing timely, efficient, and high-quality service. Whether it's working with a liquor store for a new licence, helping a charity register for a gaming licence, or helping a vlt retailer with an accounting problem, we try to work with our stakeholders to answer questions and resolve issues as quickly as possible.

This is where our Hotline team members come in.

Our Hotline operators are a first point of contact for the gaming industry and general public on gaming-related matters. They answer hundreds of calls each day – addressing questions, solving issues and directing callers as appropriate to AGLC divisions or other agencies for more information or help. The team strives for excellence and courtesy in all of its work.

Michelle Renschler has been a Hotline operator for seven years. Her goal is to “help, whatever the issue may be.” Her own guiding principles are to provide high quality customer service with courtesy and efficiency.

“We answer calls on different issues each day,” says Michelle. “Some are short, some take more time.”

Longer calls often involve troubleshooting; for example, to find solutions when gaming terminals are not operating, using step-by-step processes. Sometimes, technicians must be dispatched to visit the site. “As the first point of contact, our goal is to get the terminals running as soon as possible,” adds Michelle.

Recently a new vlt retailer was having trouble filling out the appropriate accounting forms. A Hotline operator walked the retailer through the process, step by step, using the retailer’s daily reports. The retailer ended up balancing their account and thanked the operator for her help and personal attention.

AGLC Hotline is comprised of a team of 27 operators based in Stettler. The team operates seven days-a-week, with close to 20 hours of phone service each day, from 8 a.m. to 3:30 a.m.

“As the first point of contact our goal is to get the terminals running as soon as possible.”

■ **Michelle Renschler**  
Hotline Operator

We work to **sustain the long-term economic benefits of liquor and gaming in a socially responsible manner**, and consult with stakeholders and partners when developing and implementing policies.



SECTION 2

# Corporate



## About The AGLC

The AGLC administers the *Gaming and Liquor Act*, Gaming and Liquor Regulation and related policies.

Our responsibilities include regulating charitable gaming activities, conducting and managing provincial lotteries, and controlling liquor in the province, including its manufacture, importation, sale, purchase, possession, storage, transportation, use and consumption.

We work to sustain the long-term economic benefits of liquor and gaming in a socially responsible manner, and consult with stakeholders and partners when developing and implementing policies. Maintaining integrity in the gaming and liquor industries is at the core of everything we do for Albertans.

## Where the Money Goes

We collect and disburse funds in our liquor and gaming businesses, according to the *Gaming and Liquor Act*, other legislation, policies, and agreements.

### Liquor

We pay liquor suppliers for their products when the product is sold to licensees. Payments are also made for warehousing, distribution, container deposit and recycling fees, and federal taxes and duties. The related operating costs of the AGLC are deducted and the net operating results from liquor is provided to the provincial government.

### Provincial Gaming

We record sales from slot machines, ticket lotteries, video lottery terminals (vlts) and electronic bingo. We ensure prizes are paid and remit the appropriate federal taxes. Commissions are paid to retailers/operators. Charities and religious groups are paid a commission from slot machines in casinos and from electronic bingo in licensed bingo facilities. After gaming related operating costs of the AGLC are deducted, the resulting net operating results is transferred to the Alberta Lottery Fund.

### Charitable Gaming

Charitable and religious groups that conduct raffles, sell pull tickets, and conduct bingo and casino table games use the proceeds from these gaming activities for approved charitable or religious purposes. The groups pay private sector suppliers for the cost of products and services they obtain from them to hold their events. Other than fees for licences and trustee services for charitable proceeds from traditional casino events, the AGLC does not receive any revenue from charitable gaming.



## Our Executive Team

### Members of the Executive Team of the Alberta Gaming and Liquor Commission

#### Back row (from left to right)

- Shane Loxterkamp – Vice President, Compliance and Social Responsibility
- Muriel Grimble – Vice President, Strategy, Transformation and Ethics
- Bill Robinson – President and CEO
- Gill Hermanns – Chief Financial Officer and Vice President, Corporate Services
- Jeff Wyton – Chief Information Officer and Vice President, Technologies

#### Front row (from left to right)

- Jody Korchinski – Director, Strategic Communications
- Kent Verlik – Vice President, Lottery and Gaming
- Karen Egan – Vice President, Human Resources and Learning and Development

## Our Divisions

The offices of the AGLC are located in St. Albert (head office), Calgary, Grande Prairie, Lethbridge, Red Deer and Stettler. Our 904 employees serve Albertans in the following six divisions.

### **Compliance and Social Responsibility**

This division monitors the integrity of Alberta's gaming and liquor industries in a number of ways. It conducts industry audits, issues gaming and liquor licences, conducts on-site monitoring, and investigates gaming-related offences under the *Criminal Code* (Canada) and provincial offences related to liquor and tobacco. The division develops and maintains gaming and liquor policies and reports on the processes used to monitor the integrity of those businesses. This division works closely with partners in the liquor and gaming industries to develop and implement social responsibility programs with the aim to reduce alcohol and gambling-related harms and encourage a culture of moderation.

### **Lottery and Gaming Services**

This division manages business operations related to the conduct and management of provincial lotteries. Provincial lotteries include video lottery terminals (vlt) in licensed premises, slot machines in casinos and Racing Entertainment Centres (RECs), electronic bingo in licensed bingo facilities and ticket lotteries. Ticket lotteries are conducted and managed in collaboration with the Western Canada Lottery Corporation (WCLC). The division ensures provincial lotteries networks are secure, operated with integrity and efficiency, and meet revenue expectations. They also monitor consumer trends and emerging gaming technologies as part of a commitment to the long-term sustainability of gaming.

### **Strategy, Transformation and Ethics**

This division focuses on assisting the AGLC to execute its strategic plan. This plan reflects the AGLC's approach in carrying out the strategic directions of the Board. This division builds best-in-class corporate strategic business

capabilities and uses strategic communications to achieve results. The processes we adopt involve close collaboration and alignment among business units throughout the AGLC. As well, our ethics office affirms the importance of integrity and provides managers and employees with the understanding, training and tools to make decisions aligned with integrity, one of our key corporate values.

### **Corporate Services**

This division manages all financial and related reporting requirements of the AGLC. These include requirements pertaining to revenue, collections, payments, payroll, procurement and property. Corporate Services leads corporate process mapping and re-engineering projects and is responsible for managing key liquor-related policies and business functions, including the liquor warehousing and distribution contract with Connect Logistics.

### **Technologies and Information Services**

This division provides information technology to support AGLC's mandate, strategic activities, and technological requirements. TIS develops and manages systems to deliver key components of the gaming and liquor businesses of the AGLC efficiently and effectively and also develops specialized applications, and collects and monitors information in support of all business units of the AGLC.

### **Human Resources and Learning and Development**

This division provides human resource programs and services to help our employees achieve their learning and business goals. The division is involved in staffing, job evaluation, employee recognition, retention initiatives, learning and development, occupational health and safety, benefit administration and collective bargaining.



In 2012–13, we met or exceeded 10 of our 15 performance measures...

Each year we measure our performance based on the goals set out in our business plan. In 2012–13, we met or exceeded 10 of our 15 performance measures as summarized to the right. Measuring performance sets clear priorities and ensures the province's gaming and liquor industries are managed in a manner that reflects the views and values of Albertans.

## 2012–13 Performance at a Glance

Goal	Performance Measure	2012–13 Target	2012–13 Result
<b>1</b> Maintain the integrity of Alberta's liquor industry	<b>a</b> Percentage of liquor licensees who comply with legislation, regulation and policy	96.7%	92.7%
	<b>b</b> Percentage of Albertans satisfied that liquor is provided in a responsible manner	94.6%	91.9%
<b>2</b> Encourage a culture of moderation to reduce alcohol related harms	<b>a</b> Percentage of Albertans aware of prevention and treatment programs for alcohol abuse	89.6%	91.0%
	<b>b</b> Percentage of Albertans that drink alcohol in moderation	91.0%	91.0%
	<b>c</b> Percentage of Albertans satisfied with the safety and security in and around licensed premises	90.0%	89.0%
<b>3</b> Sustain the province's revenue from liquor operations	<b>a</b> Liquor and other net operating results (thousands of dollars)	\$701,129	\$728,729
	<b>b</b> Percentage of Albertans satisfied with the selection of products at liquor stores	94.0%	92.0%
<b>4</b> Uphold the integrity of Alberta's gaming activities	<b>a</b> Percentage of charitable gaming activities conducted in accordance with legislation, regulation and policy	99.2%	99.8%
	<b>b</b> Percentage of Albertans satisfied that the gaming activity they participated in was provided fairly and in a responsible manner	92.4%	92.6%
	<b>c</b> Percentage of gaming integrity issues resolved within established timeframes	98.3%	98.6%
<b>5</b> Encourage the development of healthy, sustainable gaming environments that minimize gambling related harm	<b>a</b> Percentage of Albertans aware of prevention and treatment programs for problem gambling	84.0%	86.0%
	<b>b</b> Percentage of Albertans that gamble responsibly	97.0%	99.0%
	<b>c</b> Percentage of Albertans satisfied that licensed gaming venues are safe and responsible environments in which to gamble	69.0%	69.8%
<b>6</b> Sustain revenues from gaming operations by responding to player expectations and changes in the environment	<b>a</b> Gaming net operating results (thousands of dollars)	\$1,336,405	\$1,485,205
	<b>b</b> Percentage of Albertans satisfied with the availability of gaming products and services	81.3%	78.0%

A man with a goatee and glasses, wearing a blue button-down shirt and a patterned tie, is speaking and gesturing with his hands. He is standing in front of a wall made of glass blocks. An orange rectangular box is overlaid on the left side of the image, containing the word "Integrity" in white text.

# Integrity

## Focus on standards

The AGLC is committed to earning the trust of customers, partners and Albertans by being accountable and transparent. Integrity is at the core of everything we do. Albertans expect integrity in the way the gaming and liquor industries deliver their products and service and want assurances that products and services are delivered fairly and honestly.

## Going the distance to track down a prize winner

In March 2013, a player in a casino walked away from a progressive slot machine without realizing his last spin had won him more than \$24,000. Casino security reviewed the security tapes but were unable to track down the player. They called the AGLC and the search for the winner began in earnest.

A surveillance photo was shared with casino staff and, a month later, the unsuspecting prize winner was recognized when they returned. Casino staff asked the player to call the AGLC. "He confirmed he was the man in the surveillance photo," said Brent Harrington with the AGLC. "But he wasn't sure what the fuss was all about at that time. When he arrived at our office the next day and we told him the news, the man was ecstatic."

"It wasn't just about ensuring that a winner could collect his prize. At the end of the day it was about the integrity of the gaming experience and ensuring that the right person walked away with the winnings," Brent added.

**“At the end of the day it was about the integrity of the gaming experience and ensuring that the right person walked away with the winnings.”**

■ **Brent Harrington**  
AGLC

## Inspecting sites and investigating complaints

Our Compliance and Social Responsibility Division works to ensure that liquor and gaming industries are operated with integrity, and comply with legislation, regulation and policies. Inspectors routinely visit gaming sites, liquor licensed premises and tobacco retailers. They check that advisors who are hired by charities to assist with charitable gaming activities understand and comply with policies. Inspectors also investigate complaints related to the operation of liquor licensed premises, bingo games, vlts and slots. Inspectors educate licensees about their obligations set out in legislation, regulation and policy.

Investigators follow up on complaints or possible violations of the *Gaming and Liquor Act*, Gaming and Liquor Regulation, *Criminal Code* (Canada), *Tobacco Tax Act* and *Tobacco Reduction Act*. Complaints range from those related to licensed gaming facilities or charitable gaming events to lottery ticket retailers or the illegal use of gaming proceeds. These efforts help to maintain consistent standards in liquor and gaming operations and raise awareness of the industry's social responsibility and duty of care obligations.

Report gaming irregularities toll free:  
1-800-742-7818

Report illegal liquor activity toll free:  
1-800-577-2522



SECTION 3

# Liquor

Liquor is a core business of the AGLC. We work to sustain the long-term economic benefits of liquor in a socially responsible manner.

## Goals

### Business Plan Goal 1

Maintain the integrity of Alberta's liquor industry

### Business Plan Goal 2

Encourage a culture of moderation to reduce alcohol related harms

### Business Plan Goal 3

Sustain the province's revenue from liquor operations

## Highlights and Key Facts

### Liquor Licences

The AGLC issues licences to companies and individuals for the sale and service of liquor. There were 8,424 liquor licences in effect on March 31, 2013, excluding special event licences. This compares to 8,415 licences in effect the previous year.

#### Liquor Licences by Class (at March 31, 2013)

	2012-13	2011-12	2010-11	2009-10	2008-09
<b>Class A</b> (open to the public)	5,067	5,094	5,087	5,059	5,015
<b>Class B</b> (facilities where people pay an entrance fee or buy a ticket)	554	542	540	523	507
<b>Class C</b> (private clubs)	795	793	793	793	795
<b>Class D</b> (retail outlets that sell liquor for off-premises consumption)*	1,978	1,960	1,942	1,868	1,801
<b>Class E</b> (liquor manufacturers)	30	26	25	22	22
<b>Total</b>	8,424	8,415	8,387	8,265	8,140
<b>Private Retail Liquor Stores</b> (included in D above)	1,312	1,285	1,250	1,176	1,122
<b>General Merchandise Liquor Stores</b> (included in D above)	93	96	94	92	88

\* Includes private retail liquor stores, general merchandise liquor stores, off-sales, manufacturers' off-sales (for example, cottage wineries), delivery services, sacramental wine sales and commercial caterers.

### Special Event Licences

Special event licences allow the holder to serve liquor at a public or private function, for example, at a wedding reception in a community hall. The licence holder may be an individual, non-profit organization, company or municipality. These licences are not required for functions held at private residences unless liquor is sold at the function. Special event licences may be obtained from retail liquor stores, general merchandise liquor stores, general off-sales rooms or the AGLC offices in St. Albert, Calgary, Grande Prairie, Red Deer and Lethbridge. The total number of public resale licences issued was 790. The total number of private resale licences issued was 288.

## Liquor Products Available

Consumers in Alberta have unparalleled choice in liquor products, with close to 18,000 spirits, wines, beer, coolers and ciders to choose from. Decisions about which products we make available to consumers are driven by the marketplace. Over 1,400 private liquor stores offer a wide choice and excellent access to liquor products province-wide.

### Liquor Products Available

	2012-13	2011-12	2010-11	2009-10	2008-09
Spirits	3,310	3,001	2,844	2,727	2,776
Wine	12,054	11,407	11,342	11,674	11,805
Coolers/Cider	361	367	338	313	289
Beer	2,193	1,672	1,405	1,249	1,002
<b>Total</b>	<b>17,918</b>	<b>16,447</b>	<b>15,929</b>	<b>15,963</b>	<b>15,872</b>

### Liquor Sales by Volume (in hectolitres)

	2012-13	2011-12	2010-11	2009-10	2008-09
Spirits	271,571	255,396	253,472	243,862	254,205
Wine	389,045	363,789	346,898	326,321	314,746
Coolers/Cider	198,616	167,263	144,370	146,983	150,357
Beer	2,742,474	2,720,865	2,610,874	2,705,264	2,715,449
<b>Total</b>	<b>3,601,706</b>	<b>3,507,313</b>	<b>3,355,614</b>	<b>3,422,430</b>	<b>3,434,757</b>

### Liquor Sales by Type (\$ thousands)

	2012-13	2011-12	2010-11	2009-10	2008-09
Spirits	\$ 713,910	\$ 663,656	\$ 643,763	\$ 634,262	\$ 638,550
Wine	494,658	450,746	426,468	403,218	390,804
Coolers/Cider	89,533	75,156	66,680	70,751	70,361
Beer	1,002,560	959,647	896,571	946,542	921,158
<b>Total</b>	<b>\$ 2,300,661</b>	<b>\$ 2,149,205</b>	<b>\$ 2,033,482</b>	<b>\$ 2,054,773</b>	<b>\$ 2,020,873</b>

## Liquor and Other Net Operating Results

Liquor and other net operating results in 2012-13 (in thousands of dollars) were \$728,729. This compares to \$700,997 (as restated) in 2011-12. Net operating results are transferred to the General Revenue Fund.

<i>Liquor and Other Net Operating Results (in thousands)</i>	2012-13 <sup>a</sup>	2011-12 <sup>a1</sup>	2010-11 <sup>a1</sup>	2009-10 <sup>b</sup>	2008-09 <sup>b</sup>
<b>Net Operating Results – transferred to General Revenue Fund</b>	728,729	700,997	684,534	715,805	684,468

a Accounting based on International Financial Reporting Standards

1 restated

b Accounting based on Canadian Generally Accepted Accounting Principles

## Liquor Mark-up Rates

Liquor suppliers or their agents register liquor products with the AGLC. They set an invoice price reflecting their costs. The invoice price includes cost of the product (manufacturer's cost), the costs related to marketing and promotion, transporting the products to the warehouse and warehouse charges, plus a profit margin.

The AGLC calculates a wholesale price based on the supplier's invoice price, federal customs and excise taxes and duties, a recycling fee, container deposit and provincial mark-up. Mark-up rates are based on product type and have been at the same level for more than ten years. Revenue from liquor operations is collected on behalf of the Government of Alberta and funds programs and services that Albertans rely on each day.

	<b>As of March 31/13</b>
	<b>\$ per Litre</b>
<b>Spirits, Refreshment Beverages and Wine</b>	
Spirits (greater than 60% alcohol content)	17.87
Spirits (greater than 22% and less than or equal to 60% alcohol content)	13.30
Spirits (less than or equal to 22% alcohol content)	9.90
Refreshment Beverages (greater than 8% and less than or equal to 16% alcohol content)	4.05
Refreshment Beverages (greater than 1% and less than or equal to 8% alcohol content)	1.35
Wine and Sake (greater than 16% alcohol content)	6.10
Wine and Sake (less than or equal to 16% alcohol content)	3.45
Wine and Mead (sold from cottage winery/meadery farm gates and/or farmer's markets)	0.70
<b>Beer Annual Worldwide Production*</b> (less than or equal to 11.9% Alcohol by Volume)	<b>\$ per Litre</b>
Less than or equal to 20,000 hectolitres	0.20**
Greater than 20,000 hectolitres and less than or equal to 200,000 hectolitres	0.40**
Greater than 200,000 hectolitres and less than or equal to 400,000 hectolitres	0.40 on sales in Alberta up to and including the first 200,000 hectolitres***
	0.98 on sales in Alberta for the next 200,000 hectolitres up to and including 400,000 hectolitres
Greater than 400,000 hectolitres	0.98
<b>Beer greater than 11.9% by volume</b>	<b>\$ per Litre</b>
Beer (greater than 11.9% and less than or equal to 16% alcohol content)	4.05
Beer (greater than 16% and less than or equal to 22% alcohol content)	9.90
Beer (greater than 22% and less than or equal to 60% alcohol content)	13.30

\* Annual worldwide production includes the volume of all liquor and non-liquor products manufactured where the beer is produced, as well as all contracted or leased volumes.

\*\* All manufacturers/liquor suppliers/liquor agencies are subject to the standard mark-up rate of \$0.98 per litre. A qualified manufacturer may be eligible for the small brewer mark-up if it meets, to the satisfaction of the AGLC, the following criteria:

1 A qualified manufacturer, under the beer mark-up policy, is defined as:

- a An Alberta licensee holding a Class E Manufacturer (Brewery) Licence issued in accordance with the *Gaming and Liquor Act*, Gaming and Liquor Regulation and related AGLC policies; or
- b A person who owns/leases, operates and controls an establishment for making liquor outside of Alberta who meets the following requirements of a Class E Manufacturer (Brewery) in Alberta:
  - i 5,000 hectolitres minimum annual production capacity;
  - ii all beer must be manufactured on site;
  - iii fermentation, maturation and storage tanks with a minimum of 10 hectolitres capacity each;
  - iv there must be a weekly minimum of 50 hectolitres overall fermentation, maturation and storage capability and there must be space available to add additional tanks to achieve the overall annual capacity; and
  - v the person must have the continuous right to solely occupy and control the facility whether or not the facility is owned or leased by the person.

2 A qualified manufacturer is eligible for the small brewer rates mark-up on products for distribution in Alberta only if it is either:

- a the owner of the trade/brand names it manufactures; or
- b the registered agency in Alberta of the products it manufactures.

3 A registered agency that has a product produced at only one qualified manufacturer, that qualified manufacturer having annual world-wide production of all products less than 20,000 hectolitres, is eligible for the small brewer rate.

\*\*\* Only those beer manufacturers and suppliers whose annual worldwide production was less than 200,000 hectolitres when they entered the Alberta market are eligible for the transition mark-up rates.

## Best Bar None (BBN)

A voluntary accreditation program for licensed premises, BBN has a goal of reducing alcohol-related harms in communities. The program uses a system of accreditation, assessment and awards to engage licensed premises in responsible management and safe operations. Best Bar None:

- encourages businesses to adopt best practices related to customer safety and responsible service of alcohol;
- gives businesses the tools to be better prepared for any violent incidents; and
- builds positive relationships among the industry, enforcement agencies, governments and community.

During 2012–13, 29 venues in Calgary and 48 in Edmonton were successfully accredited under Best Bar None.

## Safer Bars Council

This provincial advisory group meets quarterly to discuss and develop ways to deter and reduce violence in and around licensed premises, and to develop best practices for operators. Members are from police agencies, municipalities, the liquor and hospitality industries, and several government departments.

## SMART Training – Liquor

ProServe and ProTect SMART training ensures industry workers understand liquor laws and policies, and are well-prepared to provide responsible service to Albertans.

*ProServe* certification is mandatory for liquor licensees and their staff or others who provide liquor service. The program raises awareness of responsible sale, service and consumption of liquor in licensed premises. ProServe is for those who work in bars, restaurants, private clubs, mass assembly venues, liquor delivery services, liquor sampling and licensed public special events. Training is available online, in seminar sessions and by home study.

*ProTect* is mandatory for those who provide security in liquor licensed premises, including security staff and managers of licensed premises. *ProTect* is aimed at increasing patron and staff safety. This training is a key part of the strategy on safer communities. It is offered in classroom sessions and online.

Last year our SMART training office introduced a way for industry workers to obtain temporary proof of SMART certification. This certification is needed to work in gaming or liquor industries. Registrants can use the temporary cards as proof of training while they wait for a hardcopy of their certification card to arrive in the mail.

Since so many industry workers are employed during hours outside our normal business hours, we developed an online process for ordering new SMART training certification cards.

Licenseses, too, are now able to verify that the SMART training certification of their employees is current through the new online program introduced in August 2012. Certification is valid for five years.

SMART Program	Completed Training (Number of People Certified Since Program Started to March 31, 2013)
ProServe Training	194,359 (liquor licenseses and servers)
ProTect Training	15,354 (security staff of liquor licensed premises)

### Awareness Campaigns

In 2012–13 we launched the attention-getting Drink Responsibly advertising campaign to highlight the recommended limits for alcohol consumption for men and women. This campaign succeeded in generating media and public attention.



# Measuring Up

## Performance Measures – Liquor

### Being Accountable

We evaluate how effective our programs and services are through performance measurement. The results tell us what is working well and where we can improve. We are committed to be open and accountable to Albertans. We set goals in our business plan and provide the results to the public through our annual report.

Our performance is measured based on the goals set out in the AGLC business plan. Measuring performance helps set priorities and ensures the province's liquor industry is managed in a way that reflects the views and values of Albertans.

## GOAL #1 Maintain the integrity of Alberta's liquor industry

### Performance Measures

#### 1.a. Percentage of liquor licensees who comply with legislation, regulation and policy

The *Gaming and Liquor Act*, Gaming and Liquor Regulation, and AGLC policies describe the responsibilities of liquor licensees. The AGLC conducts regular inspections of licensed premises, investigations, and audits to ensure that liquor licensees meet their obligations.

A liquor licensee may be issued an administrative sanction if an infraction is identified during an inspection. Infractions include but are not limited to:

- 1 Failing to request proof of age from a patron who appears to be under 25 years of age;
- 2 Selling liquor to minors or allowing minors in age-restricted facilities;
- 3 Serving liquor to intoxicated patrons;
- 4 Serving liquor after hours; and
- 5 Failing to provide proper supervision and control (e.g. not having enough staff on duty and/or employing staff not properly trained to deal with situations that might occur in licensed premises).

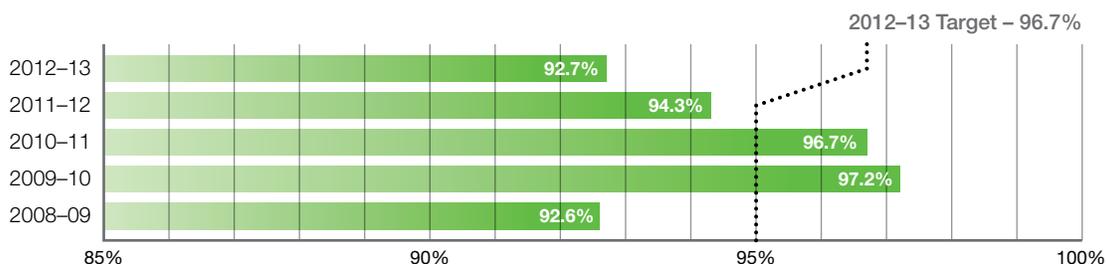
The type of disciplinary action depends on the type and severity of the infraction, as well as prior history, and can include a warning or monetary sanction, or the suspension or cancellation of a licence. A licensee may request a hearing before the AGLC Board to appeal the administrative sanctions imposed. In 2012–13, the AGLC Board held 58 liquor-related hearings compared to 32 in the previous year.

### Number of Licensee Sanctions

	2012–13	2011–12	2010–11
Number of Inspections Conducted	33,378	38,396	34,059
Average Number of Licensees	6,931	6,867	6,751
Number of Licensees who Received Sanctions	507	393	220

In 2012–13, 92.7 per cent of liquor licensees complied with legislation, regulation and policy. This result is slightly lower than the results achieved in previous years and does not quite meet the target of 96.7 per cent. The lower results are attributed to the number of licensees found not complying with the Under 25 Policy.

#### Percentage of liquor licensees who comply with legislation, regulation and policy



Source: Stakeholder Database. Report generated using the AGLC Regulatory Integrity Compliance and Education (RICE) system.

- Licensees consist of five different classes of liquor licences, as well as registrants and special event licences.
- In 2012–13, 88 per cent of licensees were inspected. The percentage of all licensees inspected in 2011–12 was 88 per cent, 2010–11 was 86 per cent, 2009–10 was 88 per cent, and 2008–09 was 88 per cent.
- Cautions (verbal warnings) are not included in the results.

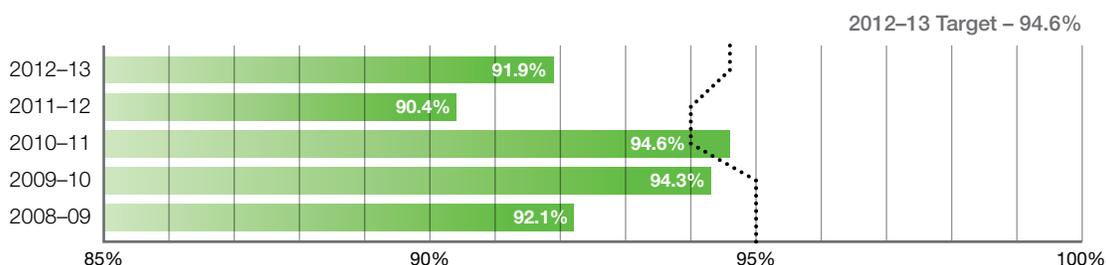
#### 1.b. Percentage of Albertans satisfied that liquor is provided in a responsible manner

The AGLC places significant emphasis on working with our stakeholders, licensees and partners to encourage actions that ensure liquor is provided in a socially responsible manner. We use this performance measure to gauge progress related to this goal. In 2012–13, 91.9 per cent of Albertans indicated they were satisfied that liquor was provided in a responsible manner. While this result does not quite meet the target of 94.6 per cent, it represents a high level of satisfaction among Albertans.

If you would like detailed information on the Survey of Albertans, please refer to page 60.

#### Percentage of Albertans satisfied that liquor is provided in a responsible manner

Source: 2012–13 Survey of Albertans – Leger Marketing



- The target for this performance measure has changed over time. In 2012–13 it was 94.6 per cent, 2011-12 and 2010–11 the target was 94.0 per cent, in 2009-10 and in 2008–09 it was 95.0 per cent.
- There is a 95 per cent certainty that the results are accurate to +/- 3.1 per cent.

## GOAL 2 Encourage a culture of moderation to reduce alcohol related harms

### Performance Measures

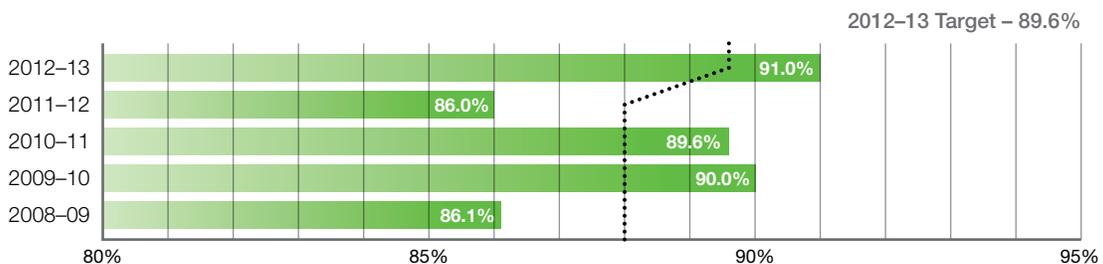
#### 2.a. Percentage of Albertans aware of prevention and treatment programs for alcohol abuse

In conjunction with our stakeholders, we work hard to promote the responsible sale, service, and consumption of liquor in Alberta to reduce alcohol-related harms. By establishing partnerships, like the AGLC's partnership with Alberta Health Services to develop and distribute educational materials, we inform Albertans about the assistance available to those wanting help with their alcohol consumption. During our annual surveys, we ask Albertans if they have come into contact with this type of information.

In 2012–13, 91.0 per cent of Albertans indicated they had heard, seen, or read material related to prevention and treatment programs for alcohol abuse. This result achieves the target set of 89.6 per cent and is consistent with results obtained in previous years.

If you would like detailed information on the Survey of Albertans, please refer to page 60.

#### Percentage of Albertans aware of prevention and treatment programs for alcohol abuse



Source: 2012–13 Survey of Albertans – Leger Marketing

- There is a 95 per cent certainty that the results are accurate to +/- 3.1 per cent.

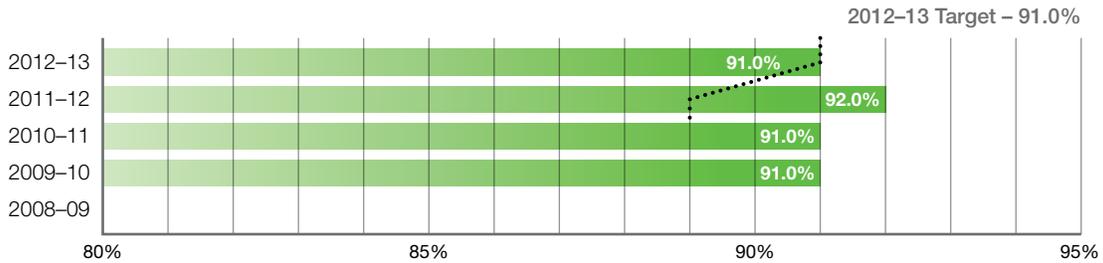
#### 2.b. Percentage of Albertans that drink alcohol in moderation

The AGLC leads or actively participates in a number of initiatives designed to foster a culture of moderation in Alberta. Each year, we survey Albertans about their alcohol consumption. The survey questions and result indices are based on the internationally-recognized Alcohol Use and Disorders Identification Test (AUDIT).

In 2012–13, 91.0 per cent of Albertans self-reported that they either abstained from alcohol or drank a moderate amount of alcohol. This result meets the target of 91.0 per cent and is consistent with the result achieved in previous years.

If you would like detailed information on the Survey of Albertans – Social Responsibility, please refer to page 63.

### Percentage of Albertans that drink alcohol in moderation



Source: 2012-13 Survey of Albertans – Social Responsibility – Leger Marketing

- This was a new performance measure in 2011-12. The target for 2011-12 was 89.0 per cent and for 2012-13 was 91.0 per cent. Targets for prior years and results for 2008-09 do not exist.
- There is a 95 per cent certainty that the results are accurate to +/- 3.1 per cent.

### 2.c. Percentage of Albertans satisfied with the safety and security in and around licensed premises

The AGLC works hard to address the causes and impacts of violence in and around licensed premises and in conjunction with the Alberta Safer Bars Council and licensees, works towards improving safety in these premises. Each year, we survey Albertans to ask how satisfied they are with safety and security in and around licensed premises. This survey question was directed at individuals who purchased liquor at a restaurant, lounge, bar. A licensed premises is considered to be a restaurant, lounge, or bar.

In 2012-13, 89.0 per cent of Albertans were satisfied with the safety and security in and around licensed premises. This result represents a high level of satisfaction but does not quite meet the target of 90.0 per cent.

If you would like detailed information on the Survey of Albertans, please refer to page 61.

### Percentage of Albertans satisfied with the safety and security in and around licensed premises



Source: 2012-13 Survey of Albertans – Leger Marketing

- This was a new performance measure in 2012-13; therefore, targets for prior years do not exist.
- There is a 95 per cent certainty that the results are accurate to +/- 3.1 per cent.

### GOAL 3 Sustain the province's revenue from liquor operations

#### Performance Measures

##### 3.a. Liquor and Other Net Operating Results (thousands of dollars)

Under Alberta's privatized liquor model, suppliers or their agents register liquor products with the AGLC and set a price that reflects the cost of the product. This cost includes the cost of manufacturing the product, costs associated with marketing and promotion, costs associated with transportation to the warehouse, warehousing costs, and a profit margin. The AGLC then adds federal customs and excise duties (as applicable), provincial mark-up, container deposit, recycling fee, and GST to the agent's cost price. This forms the "wholesale price" at which the AGLC sells liquor to licensees.

In 2012–13, the AGLC's liquor sales were \$2.3 billion.

The AGLC's cost of product represents the cost of liquor products from suppliers, taxes and duties paid to the federal government and some container deposits and recycling fees and was \$1.56 billion in 2012–13. Our liquor-related operating costs were \$28 million, leaving \$716 million which, along with \$12 million collected for licences, fines and other charges results in net operating results of \$728 million which was transferred to the General Revenue Fund (GRF).

#### Liquor and Other Net Operating Results Summary

<i>Liquor Summary (\$ thousands)</i>	2012–13	2011–12 (restated)
Sales	\$ 2,300,661	\$ 2,149,205
Cost of Product	(1,556,267)	(1,440,444)
Gross Profit	744,394	708,761
Liquor-related Operating Costs	(28,022)	(21,026)
Revenue from Licences, Fines and Other Charges	12,357	13,262
Net Operating Results – Transferred to the General Revenue Fund	\$ 728,729	\$ 700,997

#### Liquor and other net operating results (\$ thousands) transfer to GRF



Source: AGLC Audited Financial Statements: Note 12

■ This was a new performance measure in 2012–13; therefore, targets for prior years do not exist.

a Accounting based on International Financial Reporting Standards

1 restated

b Accounting based on Canadian Generally Accepted Accounting Principles

### 3.b. Percentage of Albertans satisfied with the selection of products at liquor stores

Providing and protecting Albertans' choices is important to the AGLC. Alberta's privatized liquor model provides Albertans with access to an unparalleled variety of liquor products. On March 31, 2013, there were 17,918 different liquor products available to privately-owned liquor stores and general merchandise liquor stores throughout Alberta. Albertans' satisfaction with the selection of products at liquor stores is a new performance measure in 2012–13. This survey question was directed at those individuals who had purchased liquor products in a liquor store.

#### Liquor Products Available

	2012–13	2011–12	2010–11	2009–10	2008–09
Spirits	3,310	3,001	2,844	2,727	2,776
Wine	12,054	11,407	11,342	11,674	11,805
Coolers/Cider	361	367	338	313	289
Beer	2,193	1,672	1,405	1,249	1,002
<b>Total</b>	<b>17,918</b>	<b>16,447</b>	<b>15,929</b>	<b>15,963</b>	<b>15,872</b>

In 2012–13, 92.0 per cent of Albertans were satisfied with the selection of products at liquor stores. This result is consistent with results achieved in previous years but does not meet the target of 94.0 per cent.

If you would like detailed information on the Survey of Albertans, please refer to page 61.

#### Percentage of Albertans satisfied with the selection of products at liquor stores



Source: 2012–13 Survey of Albertans – Leger Marketing

- This was a new performance measure in 2012–13; therefore, targets for prior years do not exist.
- There is a 95 per cent certainty that the results are accurate to +/- 3.1 per cent.



Balance

“By being right there on gaming floor, we directly support AGLC’s efforts to create healthy gambling environments and minimize gambling related harms. Gambling is a choice. We want to make sure Albertans are making an informed choice when it comes to gambling.”

■ **Anne Mohl**

Program Manager

Responsible Gaming Information Centres

The AGLC takes a balanced approach in managing liquor and gaming activities in the province, one that respects the interests of Albertans.

A number of economic and social benefits are derived from the province’s liquor and gaming industries. These include revenues from sales, jobs, and spin-off economic activities that support the industries, as well as net operating results to government that fund a broad range of government programs and services, and proceeds to charitable and religious groups for their community services.

While there are obvious benefits from liquor and gaming activities, the AGLC recognizes there are costs as well. These are often associated with excessive alcohol use and problem gambling behaviours. These costs affect the health and safety of Albertans and our communities. For this reason, social responsibility is integrated into our core businesses of liquor and gaming with the goal of enabling Albertans to make informed choices.

In relation to gambling, this means educating Albertans about characteristics of games of chance that make it a form of entertainment and not a way to make money. Understanding the concepts of randomness and house advantage, and the common myths of gambling help Albertans maintain a healthy perspective on gambling.

The AGLC operates a network of Responsible Gambling Information Centres (RGICs) in casinos and Racing Entertainment Centres (RECs) throughout the province. RGIC representatives interact with gaming venue patrons and staff to provide information on responsible gambling. These interactions help to identify gambling as a source of entertainment and educate people on the signs of problem gambling. Individuals who indicate they may have a gambling problem are provided information on appropriate resources for treatment, self-management or educational resources such as *GamTalk* (Canada’s first national online peer-support community for people with gambling-related issues) and the Problem Gambling Resources Network.

There are currently 18 casinos with full-time RGIC representatives. Casinos and RECs without an assigned RGIC representative are served on an outreach basis to provide support and ensure consistency of programming.

RGIC Program Manager, Anne Mohl, explains the role of the RGIC is to build positive, trusting relationships with casino patrons and staff to create opportunities to make the most of teachable moments as they arise, and to be recognized as a knowledgeable support when someone is in trouble. “We keep the responsible gambling message front and centre, making the most of every encounter to address gambling myths and remind players that gambling isn’t their only entertainment option,” says Anne. “We support patrons who may be experiencing difficulties with their gambling behaviours; support that ranges from suggesting treatment options available through other agencies, to assisting with our Voluntary Self Exclusion program.”

Each RGIC is staffed by an AGLC employee who uses a variety of responsible gambling tools to educate patrons and staff about the real cost of gambling. These include, among others, a cost of play calculator, and tutorials about slot gaming to explain gambling concepts such as house advantage, randomness and payout percentage. RGIC representatives share numerous tips with patrons on how to play responsibly and keep gambling fun. Patrons may also self-test their own gambling behaviour by using the Player Awareness Terminals with interactive screens.

“By being right there on the gaming floor, we directly support AGLC’s efforts to create healthy gambling environments and minimize gambling related harms,” says Anne. “Gambling is a choice. We want to make sure Albertans are making an informed choice when it comes to gambling.” Casino employees work with RGIC representatives to help identify patrons with possible problem gambling behaviours, provide support and resources, and assisting with Voluntary Self Exclusion signups.

## RGIC Locations

**EDMONTON** Century Casino, Casino Edmonton, Palace Casino, River Cree Resort and Casino, Yellowhead Casino

**CALGARY** Deerfoot Inn and Casino, Cash Casino, Elbow River Casino, Grey Eagle Casino, Cowboys Casino, Casino Calgary

**RED DEER** Cash Casino, Jackpot Casino

**CAMROSE** Camrose Resort Casino

**GRANDE PRAIRIE** Great Northern Casino

**COLD LAKE** Casino Dene

**FORT MCMURRAY** Boomtown Casino

**LETHBRIDGE** Casino Lethbridge



SECTION 4

# Gaming

## Gaming is a core business of the AGLC. We provide Albertans with a wide variety of entertaining gaming products and the tools required to participate in gambling activities in a healthy manner.

We conduct and manage provincial lotteries including video lottery terminals (vlts), slot machines in casinos and Racing Entertainment Centres (RECs), ticket lotteries, and electronic bingo in licensed bingo facilities. These activities are provided by independent retailers, private operators and bingo associations under retailer agreements with the AGLC. We supply and maintain electronic gaming equipment for ticket lotteries, slot machines, vlts and electronic bingo, while the retailers and operators provide space, customer service and other amenities to consumers.

We ensure the security and integrity of all electronic gaming equipment, and conduct regular audits to maintain the financial integrity of the gaming industry.

We also regulate thousands of charitable gaming activities including bingos, casino table games, raffles and pull-ticket sales. Charitable and religious groups licensed by the AGLC conduct and manage these gaming activities. The groups keep the proceeds they earn from paper bingo, raffles and pull-ticket sales after their operating expenses are deducted. Charities also receive a commission from slot machines, electronic bingo and Keno during their casino and bingo events. Groups that hold casino events receive proceeds from table games and pay a service fee to the casino facility operator.

To help Albertans gamble in a balanced way, a number of tools are available. For example, the responsible gambling features of vlts are designed to assist players to manage their time and money. These features may include:

- Responsible gambling message with the toll-free Alberta Health Services – Addiction Help-Line at 1-866-332-2322.
- A pop-up reminder message indicating amount of time spent and asking the player about continuing or ending play. Players are forced to cash out after they reach their second time limit.
- Credits and the equivalent dollar amount displayed on the screen to help players keep track of how much money they have wagered.
- Maximum \$100 bill insertion limit.
- A 24-hour clock on the screen helps players better manage their time spent playing vlts.



## Goals

Business Plan Goal 4

Uphold the integrity of Alberta's gaming activities

Business Plan Goal 5

Encourage the development of healthy, sustainable gaming environments that minimize gambling related harm

Business Plan Goal 6

Sustain revenues from gaming operations by responding to player expectations and changes in the environment

# Highlights and Key Facts

## Alberta Lottery Fund

The Alberta Lottery Fund supports programs, projects and foundations administered by various government ministries to benefit Alberta's communities. Proceeds from provincial lotteries (vlts, slot machines, electronic bingo and ticket lotteries) are deposited in the Alberta Lottery Fund. The details of how these funds were used by Government of Alberta ministries are outlined in the respective ministries' annual reports. Expenditures from the Alberta Lottery Fund are authorized annually by the Provincial Legislature. Additional information about the Alberta Lottery Fund is provided at [albertalotteryfund.ca](http://albertalotteryfund.ca).

## Charitable Gaming Summary

Licensed charitable and religious groups earned almost \$330 million from charitable gaming events in 2012–13. This compares to close to \$314 million in 2011–12.

	2012–13							2011–12		
	Licenses <sup>1</sup>	Total Gross (\$000)	Prizes/Winnings (\$000)	Expenses <sup>2</sup> (\$000)	Net Revenue (\$000)	Electronic Gaming Proceeds (\$000)	Keno Proceeds (\$000)	Proceeds to Charity (\$000)	Licenses <sup>1</sup>	Proceeds to Charity (\$000)
Casino	3,430	\$1,053,733	\$ 853,086	\$130,052	\$ 70,595	\$176,534	\$ 27	\$ 247,156	3,470	\$239,107
Raffles <sup>3</sup>	9,938	143,840	60,894	32,630	50,316	-	-	50,316	8,217	43,964
Pull-Ticket <sup>4</sup>	375	85,867	59,862	6,079	19,926	-	-	19,926	417	19,408
Bingo <sup>5</sup>	1,246	119,496	77,624	37,729	4,143	8,046	327	12,516	1,382	11,093
<b>Total</b>	<b>14,989</b>	<b>\$1,402,936</b>	<b>\$1,051,466</b>	<b>\$206,490</b>	<b>\$144,980</b>	<b>\$184,580</b>	<b>\$ 354</b>	<b>\$329,914</b>	<b>13,486</b>	<b>\$313,572</b>

- 1 Bingo and pull-ticket licences are generally in effect for two years. Licences for casinos and raffles are generally for a single event.
- 2 Expenses include fixed fees/event expenses (including licence fees), pool expenses, and electronic bingo net sales (sales less prizes). After program expenses are paid, electronic bingo net sales are returned to charities in the electronic gaming proceeds column and proceeds to charity columns.
- 3 Includes prior year information for raffles with gross sales over \$10,000 and current year information for raffles with gross sales under \$10,000.
- 4 Includes current year information for pull-tickets sold at licensed bingo facilities and prior year information for pull-tickets sold at all other locations.
- 5 Includes current year information for bingo events conducted at licensed bingo facilities and prior year data for bingo events conducted at community bingo facilities. Does not include community bingos with gross sales under \$2,500.

## Vlt Net Revenue 2012–13

Credits played less credits won is used to determine net revenue as it is more representative of the actual transactions taking place during each play.

Vlts are programmed to payout, on average, 92 per cent of all credits (money) wagered. Ultimately, what players walk away with in winnings (cash) depends on their behavior (how long they played or how much money they put in).

The following table depicts how credits played and won compares to cash in and out.

### Fiscal 2012–13

Credits (\$ thousands)		Cash (\$ thousands)	
Credits Played	\$ 7,190,977	Cash In	\$ 2,021,485
Credits Win (Prizes)	\$ 6,615,223	Cash Out	\$ 1,446,218
		Expired Validations	\$ 487
Net Revenue	\$ 575,754	Net Revenue	\$ 575,754
Payout Percentage:		Cashout Percentage:	
Credits Won/Credits Played	92%	Cash Out/Cash In	71%

## SMART Training - Gaming

We work with industry stakeholders to develop responsible service programs for workers in the gaming industry. Workers who are well trained and supported by their managers and supervisors make a difference. We work closely with industry partners to develop training programs for those on the front lines. These programs help provide balance in the industry; it's the right thing to do and it's good business.

There are three SMART training programs that help educate and inform people working in the gaming industry about responsible gambling. Similar to the SMART training programs for liquor industry workers, these programs are also mandatory and cover social responsibilities as well. Trained industry workers play a key role in raising awareness of problem gambling behaviours in the gaming industry.

The programs include *Deal Us In – Phase One* and *Phase Two* (for staff of casinos and Racing Entertainment Centres), *Reel Facts* (for vlt retailers) and *A Good Call* (for staff of bingo halls).

<b>SMART Program</b>	<b>Completed Training (Number of People Certified Since Program Started to March 31, 2013)</b>
Deal Us In – Phase One (casino)	6,547
Deal Us In – Phase Two (casino)	1,704
Reel Facts (vlt retail venues)	18,287
A Good Call (bingo)	1,150

## GAIN

Gaming Information for Charitable Groups (GAIN) helps charitable and religious groups understand their obligations in conducting charitable gaming activities (raffles, pull-ticket sales, bingo and casino table games). GAIN sessions are voluntary and cover gaming licensing, use of proceeds and casino event information. The program provides participants with a list of the province's social responsibility programs.

In 2012-2013, a total of 2,282 people participated in 189 GAIN sessions held in 52 communities throughout Alberta. Over the past ten years a total of 33,191 volunteers from 10,171 charities in 126 communities have attended a GAIN session.

## Setalimitalberta.ca website

Setalimitalberta.ca is a valuable source of information about responsible and problem gambling, with tips, myths and quizzes to help identify personal gambling behaviours. This site provides information on responsible gambling events, programs, and resources for individuals concerned about their own or someone else's gambling.

## **Alberta Gambling Research Institute (AGRI)**

The Alberta Gambling Research Institute (AGRI) is a consortium of the University of Alberta, University of Calgary and the University of Lethbridge. Its primary purpose is to support and promote research into gambling in the Province of Alberta. Through a funding agreement with the Government of Alberta, AGRI receives \$1.5 million annually from the Alberta Lottery Fund.

## **Responsible Gambling Awareness Week**

During Responsible Gambling Awareness Week, the AGLC, government partners, and industry stakeholders remind players that gambling is a form of entertainment with associated costs and not a way to make money. Messaging is provided in gaming facilities including vlt retail locations, bingo, casinos and Racing Entertainment Centres (RECs). Awareness is sustained by year-round supports including the Set a Limit Alberta website ([setalimitalberta.ca](http://setalimitalberta.ca)) and new player awareness terminals (PATs) located in casinos and RECs across the province.

## **Voluntary Self-Exclusion (VSE) Program**

Players who believe they need to take a break from gambling may voluntarily ban themselves from all casinos and Racing Entertainment Centres in Alberta. Those who enrol agree to be banned from these facilities for a period of time, from six months to five years. If detected in a casino or REC during this time, they may be removed from the facility; if participants persist, they may face fines and be removed from the program. Participants are required to complete a responsible and problem gambling workshop within 90 days of signing onto the VSE program.

## **Responsible Gambling Advisory Committee**

This committee informs and guides the implementation of the Alberta Responsible and Problem Gambling Strategy. This committee was formed by the AGLC, Alberta Health Services and Alberta Health in partnership with problem gambling interest groups including: Problem Gambling Resource Network, Alberta Gambling Research Institute, Alberta Charitable Casino Operators, Alberta Hotel & Lodging Association, Bingo Alberta, Primary Care Network, First Nations Development Fund, and Alberta Public Health Association.

## **Minors Awareness Campaign – Under 18**

This year-round campaign reminds retailers not to sell lottery tickets to individuals under the age of 18, and parents not to give lottery tickets to their minor children.

## **GamTalk**

GamTalk ([www.gamtalk.org](http://www.gamtalk.org)) is the first national online, moderated, peer-support service to support Canadians with issues related to gambling and provides a forum for participants to share their experiences and ideas.

## **Addiction Helpline**

People who believe they, or someone they care about, are experiencing problems with gambling may contact the Alberta Health Services 24-hour toll-free Addiction Helpline (866-332-2322) for information on treatment services in Alberta. Counselling is provided to individuals who are in crisis.

## Electronic Gaming

### Number of Slot Machines

There were 13,360 slot machines located in casinos and Racing Entertainment Centres across Alberta on March 31, 2013.

	2012-13	2011-12	2010-11	2009-10	2008-09
Casinos					
Edmonton	4,532	4,492	4,381	4,247	4,145
Calgary	4,387	4,474	4,584	4,561	4,528
Other	3,606	3,504	3,478	3,230	3,171
Racing Entertainment Centres	835	835	835	835	836
<b>Total</b>	<b>13,360</b>	<b>13,305</b>	<b>13,278</b>	<b>12,873</b>	<b>12,680</b>

### Number of vlts/Locations

There are 903 vlt locations (including Video Gaming Entertainment Rooms (VGERS)). The number of vlts is capped at 6,000 units in the vlt distributed network (bars, pubs, VGERS). There were 5,976 vlts active and operating at 903 locations on March 31, 2013. VGERS represented 79 of the 903 locations on March 31, 2013. Vlt retailers have between two and 10 vlts, while VGERS, which have higher facility standards, have up to 25 vlts.

Based on the recommendations from the 2001 Gaming Licensing Policy Review, a comprehensive review of policies that included stakeholder and public consultation, the AGLC continues to reduce accessibility to vlts by reducing the number of locations providing vlts to Albertans.

	2012-13	2011-12	2010-11	2009-10	2008-09
Number of operating vlts	5,976	5,991	5,982	5,964	5,964
vlt retail locations	903	968	1,000	1,032	1,030
VGERS (included in total number of retail locations above)	79	78	75	71	70

### Number of Lottery Ticket Centres

There were 2,641 Lottery Ticket Centres operating in Alberta on March 31, 2013.

	2012-13	2011-12	2010-11	2009-10	2008-09
<b>Number of Lottery Ticket Centres</b>	<b>2,641</b>	<b>2,611</b>	<b>2,562</b>	<b>2,466</b>	<b>2,392</b>

### Keno Facilities

Albertans were able to play Keno at 13 bingo halls, 18 casinos and 52 Video Gaming Entertainment Rooms (VGERS) in 2012-13.

	2012-13	2011-12	2010-11	2009-10	2008-09
Bingo Halls offering Keno	13	17	18	18	21
Casinos and RECs offering Keno	18	18	18	13	13
VGERS offering Keno	52	53	52	49	48
<b>Total</b>	<b>83</b>	<b>88</b>	<b>88</b>	<b>80</b>	<b>82</b>

# Measuring Up

## Performance Measures – Gaming

### Being Accountable

We evaluate how effective our programs and services are through performance measurement. The results tell us what is working well and where we can improve. We are committed to be open and accountable to Albertans. We set goals in our business plan and provide the results to the public through our annual report.

Our performance is measured based on the goals set out in the AGLC business plan. Measuring performance helps set priorities and ensures the province's gaming industry is managed in a way that reflects the views and values of Albertans.

### GOAL #4 Uphold the integrity of Alberta's gaming activities

#### Performance Measures

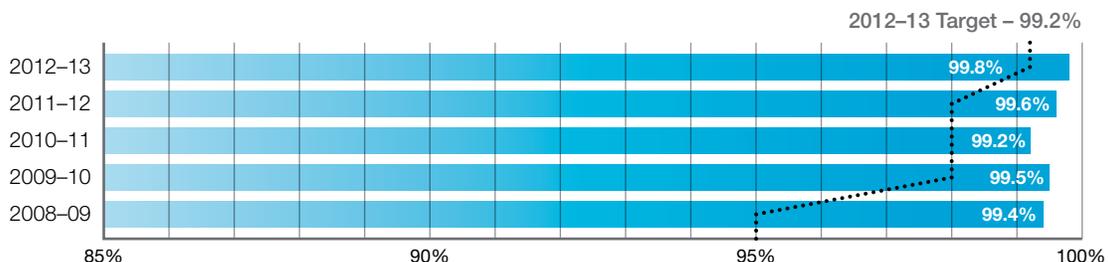
##### 4.a. Percentage of charitable gaming activities conducted in accordance with legislation, regulation and policy

The AGLC licenses gaming facilities and charitable gaming activities (casino table games, pull-ticket sales, raffles, and bingo events) which are governed by the *Criminal Code* (Canada), Alberta's *Gaming and Liquor Act*, and Gaming and Liquor Regulation. The AGLC conducts regular inspections of licensed gaming facilities and events to ensure that gaming activities comply with legislation, regulation and policy. While most charitable gaming activities are conducted in compliance, there are occasional occurrences of non-compliance, such as charitable groups conducting raffles or pull-ticket sales in contravention of licence terms or charitable groups using gaming proceeds for unapproved purposes.

Almost all (99.8 per cent) charitable gaming activities were conducted in compliance with legislation, regulation and policy in 2012–13. This result is consistent with the results achieved in previous years and exceeds the target of 99.2 per cent.

There were 5,052 charitable gaming inspections conducted in 2012–13, resulting in only 10 incidents of non-compliance.

#### Percentage of charitable gaming activities conducted in accordance with legislation, regulation and policy



Source: Stakeholder Database. Report generated using the AGLC Regulatory Integrity Compliance and Education (RICE) system.

- Target was 95.0 per cent in 2008-09, 98 per cent in 2009-10, 2010-11 and 2011-12, and 99.2 per cent in 2012-13.

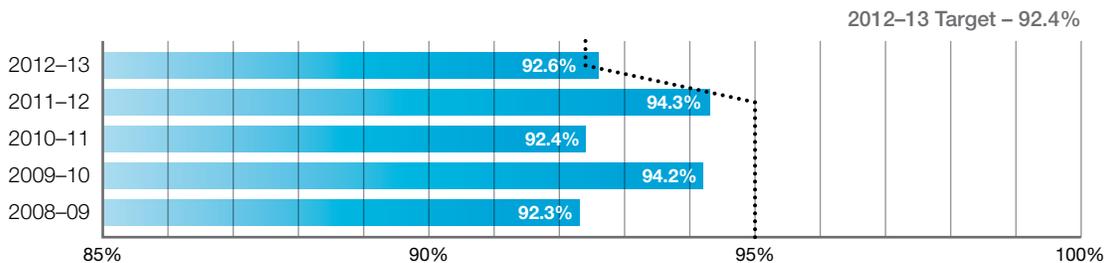
#### 4.b. Percentage of Albertans satisfied that the gaming activity they participated in was provided fairly and in a responsible manner

The AGLC oversees the conduct of legal gaming in Alberta. Albertans expect that gaming activities are carried out fairly and responsibly. We place significant emphasis on working with our stakeholders, licensees and partners to ensure that Albertans' gaming experiences are consistent with these expectations.

Each year, we survey Albertans about their gaming experiences. Among those Albertans that played bingos, pull-tickets, video lottery terminals (vlt), slot machines, table games or participated in raffles or ticket lotteries, 92.6 per cent expressed satisfaction that the gaming activity they participated in was provided fairly and responsibly. This result meets the target of 92.4 per cent and is consistent with the results achieved in previous years.

If you would like detailed information on the Survey of Albertans, please refer to page 61.

#### Percentage of Albertans satisfied that the gaming activity they participated in was provided fairly and in a responsible manner



Source: 2012-13 Survey of Albertans – Leger Marketing.

- There is a 95 per cent certainty that the results are accurate to +/- 3.1 per cent.
- The results for 2011-12 and prior were based on results for the following gaming activities: bingos; raffles, including small raffles or larger raffles benefiting things like hospitals; pull-tickets, break-opens or Nevada tickets; video lottery terminal or vlt games in bars or lounges or casinos; slot machine games in casinos or racetracks; table games, for example blackjack and roulette at casinos; and lottery tickets, for example Lotto 6/49, LottoMax, scratch and instant win tickets, or Sport Select.
- In 2012-13, the activities were refined to include poker at casinos and lottery tickets were categorized as: scratch n' win, Sport Select, or other games (like Lotto 6/49 and LottoMax).

#### 4.c. Percentage of gaming integrity issues resolved within established timeframes

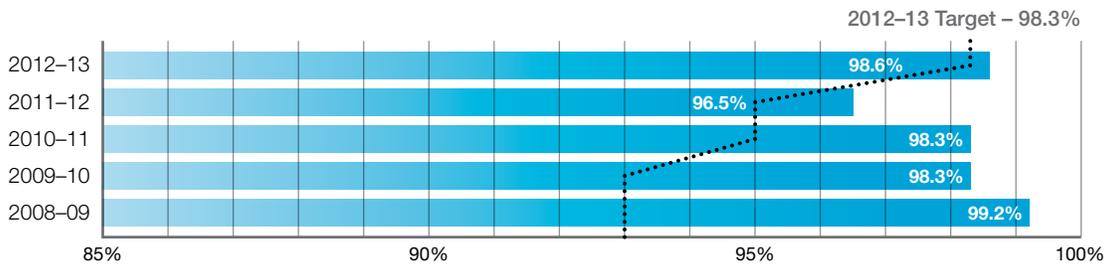
The AGLC is proud of the service provided to customers, partners and stakeholders. We aim to be responsive to consumer expectations and are committed to providing a high level of service to Albertans. If a player contacts the AGLC about a gaming integrity issue, we commit to resolve it as quickly as possible. In the past, player concerns about gaming integrity have included:

- disputes about the operation of an electronic gaming device;
- credit disputes involving players or retailers; and
- possible illegal or unethical behaviour by gaming retailers or players.

Most issues identified are resolved quickly by AGLC Inspectors. Issues that require additional examination are forwarded to the AGLC's Response Team. Using a fair and impartial review process, the Response Team's goal is to resolve gaming integrity issues within 30 days from receiving a complete file.

In 2012–13, the Response Team reviewed 144 issues, compared to 115 issues in the previous year. 98.6 per cent were resolved within 30 days, meeting the target of 98.3 per cent. This result is consistent with the results achieved in previous years.

#### Percentage of gaming integrity issues resolved within established timeframes



Source: AGLC Lottery and Gaming Services Database.

- Target was 93 per cent in 2008–09 and 2009–10, 95 per cent in 2010–11 and 2011–12 and 98.3 per cent in 2012–13.

## GOAL #5 Encourage the development of healthy, sustainable gaming environments that minimize gambling related harm

### Performance Measures

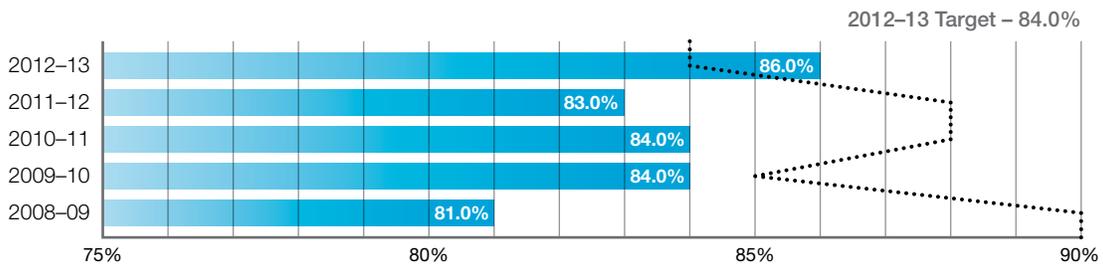
#### 5.a. Percentage of Albertans aware of prevention and treatment programs for problem gambling

Through collaboration with the gaming industry, Alberta Health Services and other stakeholders, we work to promote responsible gambling in Alberta by developing, implementing, and evaluating initiatives that encourage responsible gambling. We ensure that educational materials are readily available to Albertans to enable them to make informed decisions about gambling. We also ensure that Albertans are informed about available treatment options. We communicate this information to Albertans by distributing brochures and self-help cards in gaming venues and through television, radio, and print advertising.

Each year we survey Albertans to ask if they have come into contact with this type of information. 86.0 per cent of Albertans indicated they had heard, seen, or read material related to prevention and treatment programs for problem gambling in 2012–13. This result is three per cent higher than last year's results and exceeds the target of 84.0 per cent.

If you would like detailed information on the Survey of Albertans, please refer to page 62.

#### Percentage of Albertans aware of prevention and treatment programs for problem gambling



Source: 2012–13 Survey of Albertans – Leger Marketing.

- Target was 84 per cent in 2012–13, 88 per cent in 2010–11 and 2011–12, 85 per cent in 2009–10 and 90 per cent in 2008–09.
- There is a 95 per cent certainty that the results are accurate to +/- 3.1 per cent.

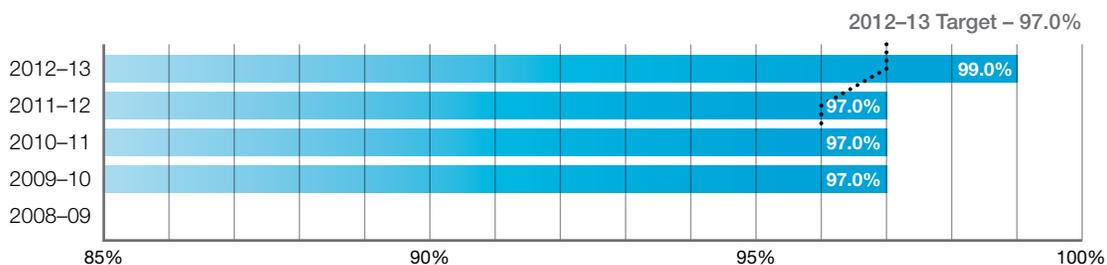
### 5.b. Percentage of Albertans that gamble responsibly

We engage in a number of activities that encourage healthy, sustainable gambling environments that minimize gambling-related harms. Each year, we survey Albertans about their gambling behaviours. Survey questions and result indices are based on the internationally recognized Problem Gambling Severity Index (PGSI).

In 2012–13, 99.0 per cent of Albertans self-reported that they gamble responsibly. This result is two per cent higher than the result achieved last year and this year's target of 97.0 per cent.

If you would like detailed information on the Survey of Albertans – Social Responsibility, please refer to page 64.

#### Percentage of Albertans that gamble responsibly



Source: 2012–13 Survey of Albertans – Social Responsibility – Leger Marketing

- This was a new performance measure in 2011–12. The target for 2011–12 was 96.0 per cent and 2012–13 was 97.0 per cent. Targets for prior years do not exist.
- There is a 95 per cent certainty that the results are accurate to +/- 3.1 per cent.

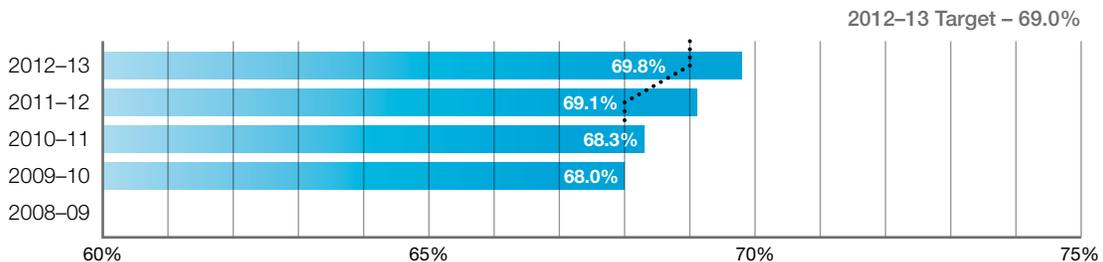
### 5.c. Percentage of Albertans satisfied that licensed gaming venues in Alberta are safe and responsible environments in which to gamble

In conjunction with our stakeholders, we work hard to ensure licensed gaming facilities in Alberta are safe and responsible environments. Each year, we survey Albertans to ask how satisfied they are that licensed gaming venues are safe and responsible environments in which to gamble.

In 2012–13, 69.8 per cent of Albertans were satisfied that licensed gaming venues were safe and responsible environments in which to gamble. This result meets the target of 69.0 per cent and is consistent with the results achieved in previous years.

If you would like detailed information on the Survey of Albertans, please refer to page 62.

#### Percentage of Albertans satisfied that licensed gaming venues in Alberta are safe and responsible environments in which to gamble



Source: 2012–13 Survey of Albertans – Leger Marketing

- This was a new performance measure in 2011–12. The target for 2011–12 was 68.0 per cent and for 2012–13 was 69.0 per cent. Targets for prior years do not exist.
- There is a 95 per cent certainty that the results are accurate to +/- 3.1 per cent.
- The results for 2009–10 and 2010–11 are based on one survey question: “How satisfied are you that (Location) are a safe and responsible environment in which to gamble?” Locations were: licensed bingo facilities, casinos, bars and lounges, and Racing Entertainment Centres (RECs).
- In 2011–12, the survey methodology was refined and the 2011–12 and 2012–13 results are based on an index of two questions: “How satisfied are you that (Location) are a safe environment in which to gamble?” and “How satisfied are you that (Location) are a responsible environment in which to gamble.” Locations were: licensed bingo facilities, casino, bars and lounges, and Racing Entertainment Centres (RECs).

## GOAL #6 Sustain revenues from gaming operations by responding to player expectations and changes in the environment

### Performance Measures

#### 6.a. Gaming Net Operating Results (thousands of dollars)

Under the *Criminal Code* (Canada), we are responsible for conducting and managing ticket lotteries (through the Western Canada Lottery Corporation (WCLC)) and all electronic gaming devices (slot machines, video lottery terminals or vlts, and electronic bingo) in Alberta. Through retailer agreements, these activities are provided by independent retailers, private operators, and bingo associations. The AGLC supplies and maintains the electronic equipment used for vlts, slot machines and electronic bingo and maintains WCLC ticket lottery equipment.

In 2012–13, net revenue from video lottery terminals (vlts), slot machines, electronic bingo, and ticket lotteries was \$2.23 billion, compared to \$2.19 billion in the previous year. Of this amount, the AGLC paid \$536.4 million in commissions to operators and charities and payments to the federal government. The AGLC's gaming-related operating costs were \$206.1 million. Net operating results of almost \$1.5 billion were transferred to the Alberta Lottery Fund to support thousands of volunteer, public and community-based initiatives in ways that enhance the quality of life for all Albertans.

#### Gaming Net Operating Results

(\$ thousands)					2012–13	2011–12
	Slot Machines	vlts	Ticket Lotteries	Electronic Bingo	Total	Total
Revenues <sup>a</sup>	\$15,934,036	\$7,190,977	\$815,400	\$37,992	\$23,978,405	\$23,828,313
Prizes <sup>b</sup>	(14,689,535)	(6,615,223)	(420,191)	(25,748)	(21,750,697)	(21,637,612)
Net Revenue	1,244,501	575,754	395,209	12,244	2,227,708	2,190,701
Commissions/Federal Payments	(370,666)	(91,303)	(70,523)	(3,926)	(536,418)	(525,818)
Expenses	873,835	484,451	324,686	8,318	1,691,290	1,664,883
<b>Net Operating Results – Transferred to the Alberta Lottery Fund</b>					<b>\$ 1,485,205</b>	<b>\$ 1,471,014</b>

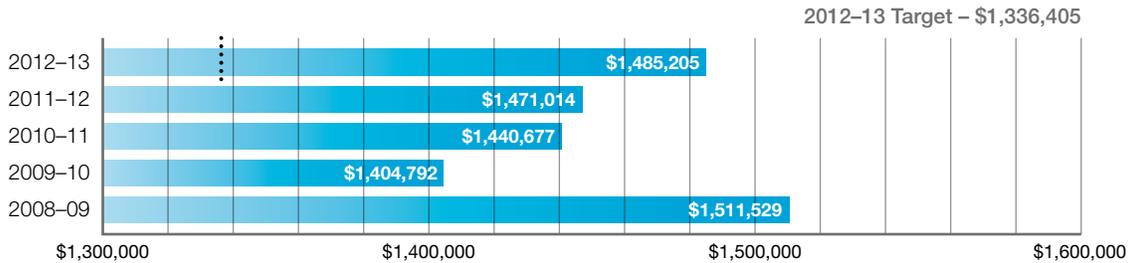
Source: AGLC Audited Financial Statements: Note 12 & 16

a Revenues are either credits played (slot machines and vlts) or cash spent (ticket lotteries and electronic bingo)

b Prizes are either credits won (slot machines and vlts) or cash received or prizes won (ticket lotteries and electronic bingo)

Gaming net operating results for 2012–13 were slightly higher than the previous year and exceeded our target by \$148.8 million.

### Gaming net operating results (thousands of dollars)



Source: Audited AGLC Financial Statements: Notes 12 and 16.

- Gaming net operating results is gaming revenue less prizes, less commissions and federal payments, and less gaming-related operating expenses.
- This was a new performance measure in 2012-13; therefore, targets for prior years do not exist.

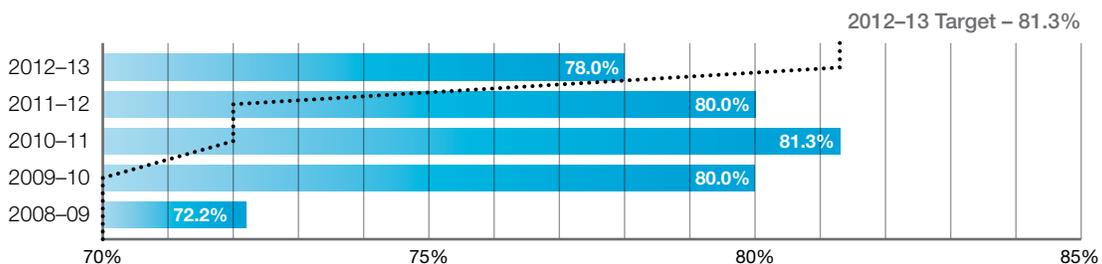
### 6.b. Percentage of Albertans satisfied with the availability of gaming products and activities

To ensure gaming sustainability while providing and protecting Albertans' choices, we continuously strive to strike a balance between social responsibility and economic benefit. Monitoring Albertans' satisfaction with the availability of gaming products and activities is one of the ways that the AGLC ensures that balance.

In 2012-13, 78 per cent of Albertans were satisfied with the availability of gaming products and activities. This result is consistent with the results obtained in the past three years but does not quite meet the target of 81.3 per cent.

If you would like detailed information on the Survey of Albertans, please refer to page 62.

### Percentage of Albertans satisfied with the availability of gaming products and activities



Source: 2012-13 Survey of Albertans – Leger Marketing.

- The target was 70 per cent in 2008-09 and 2009-10, 72 per cent in 2010-11 and 2011-12, and 81.3 per cent in 2012-13.
- There is a 95 per cent certainty that the results are accurate to +/- 3.1 per cent.

Each year, we contract an independent professional survey company to conduct **public opinion and client satisfaction** surveys on our behalf.



# Survey

# Performance Measures Methodology for Survey-Based Questions

Each year, we contract an independent professional survey company to conduct public opinion and client satisfaction surveys on our behalf. This section provides details on each survey and its corresponding performance measures.

## Survey of Albertans

To measure public satisfaction, we conduct an annual survey of a representative sample of Albertans. In 2012–13, Leger Marketing conducted the survey on behalf of the AGLC. A random and representative sample of Albertans was established based on Statistics Canada census data made available in 2012. For each of six geographic regions in the province, the number of interviews in each age-gender segment was proportionate to the 2012 population estimates. The sample size was 1,000 adult Albertans, providing a margin of error no greater than  $\pm 3.1$  per cent at the 95 per cent confidence level.

To decrease the length of the survey, beginning in 2011–12, the response options were modified slightly, from a scale of seven to a scale of five. The Survey of Albertans gathers results for the following performance measures:

### **1.b. Percentage of Albertans satisfied that liquor is provided in a responsible manner**

The results for this performance measure were calculated by using a weighted average for the following:

- respondents' level of satisfaction with the service of alcohol in a responsible manner
- respondents' level of satisfaction with the sale of liquor in a responsible manner

Respondents were considered satisfied if they responded 'very satisfied' or 'somewhat satisfied' to the above questions.

### **2.a. Percentage of Albertans aware of prevention and treatment programs for alcohol abuse**

The results for this performance measure were calculated by obtaining responses to the following question: "Have you ever heard, seen or read anything about prevention and treatment programs for alcohol abuse?"

Respondents were considered aware if they responded 'yes'. Alternate responses were 'no' or 'don't know'.

### **2.c. Percentage of Albertans satisfied with the safety and security in and around licensed premises**

The results for this performance measure were calculated by obtaining responses to the following question: *"How satisfied are you with your safety and security in and around licensed premises?"*

Respondents were considered satisfied if they responded 'very satisfied' or 'somewhat satisfied' to the above question. This survey question was directed at those individuals who purchased alcohol at a restaurant, lounge or bar. A licensed premises is considered to be a restaurant, lounge, or bar.

### **3.b. Percentage of Albertans satisfied with the selection of products at liquor stores**

The results for this performance measure were calculated by obtaining responses to the following question: *"How satisfied are you with the selection of products in liquor stores?"*

Respondents were considered satisfied if they responded 'very satisfied' or 'somewhat satisfied' to the above question. This survey question was directed at those individuals who had purchased liquor products in a liquor store.

### **4.b. Percentage of Albertans satisfied that the gaming activity they participated in was provided fairly and in a responsible manner**

The results for this performance measure were calculated by determining who had participated in the following gaming activities:

- a Bingos
- b Raffles, including small raffles or larger raffles benefiting things like hospitals
- c Pull-tickets, break-opens or Nevada tickets
- d video lottery terminal or vlt games in bars or lounges or casinos
- e Slot machine games in casinos or racetracks
- f Table games, for example blackjack and roulette at casinos
- g Poker at casinos
- h Scratch 'n win tickets
- i Sports Select
- j Other Lottery Tickets, for example, Lotto 6/49 or LottoMax

If they had purchased or participated in one of those gaming activities, respondents were asked: *"How satisfied are you that the [gaming activity (a to j) above] was provided fairly and in a responsible manner?"*

Respondents were considered satisfied if they responded 'very satisfied' or 'somewhat satisfied' to the above question. Responses were weighted by participation.

### **5.a. Percentage of Albertans aware of prevention and treatment programs for problem gambling**

The results for this performance measure were calculated by obtaining responses to the following question: *"Have you ever heard, seen or read anything about prevention and treatment programs for problem gambling?"*

Respondents were considered aware if they responded 'yes'. Alternate responses were 'no' or 'don't know'.

### **5.c. Percentage of Albertans satisfied that licensed gaming venues in Alberta are safe and responsible environments in which to gamble**

The results for this performance measure were calculated using an index of two questions: *"How satisfied are you that (Location) are a safe environment in which to gamble?"* and *"How satisfied are you that (Location) are a responsible environment in which to gamble?"* Locations were: licensed bingo facilities, casinos, bars and lounges, and Racing Entertainment Centres (RECs).

Respondents were considered satisfied if they responded 'very satisfied' or 'somewhat satisfied'.

### **6.b – Percentage of Albertans satisfied with the availability of gaming products and activities**

The results for this performance measure were calculated by obtaining responses to the following question: *"Thinking about legal gaming entertainment options in Alberta, overall, how satisfied are you with the availability of gaming entertainment products and activities provided to Albertans?"*

Respondents were considered satisfied if they responded 'very satisfied' or 'somewhat satisfied' to the above question.



# Survey of Albertans – Social Responsibility

Each year, we measure Albertans' self-reported behaviours regarding gambling and alcohol consumption. In 2012–13, this survey was conducted by Leger Marketing, an independent survey company, on our behalf. A random and representative sample of Albertans was established based on Statistics Canada census data made available in 2012. For each of six geographic regions in the province, the number of interviews in each age-gender segment was proportionate to the 2012 population estimates. The sample size was 1,000 adult Albertans, providing a margin of error in the results no greater than  $\pm 3.1$  per cent at the 95 per cent confidence level.

The Survey of Albertans – Social Responsibility supports the following performance measures:

## **2.b. Percentage of Albertans that drink alcohol in moderation**

The results for this performance measure were calculated by using the Alcohol Use and Disorders Identification Test (AUDIT) developed by the World Health Organization (WHO). Answers were coded on a scale from zero to four, where zero represents the least risk activity/response and four represents the response associated with the highest risk activity/response.

Respondents were considered to drink alcohol in moderation if they had an overall score of seven or below.

Questions in the AUDIT are:

Thinking of the last 12 months...

- How often did you drink alcoholic beverages?
- During the last 12 months, on those days when you drank, how many drinks did you usually have?
- How often in the past 12 months have you had six or more drinks on one occasion?
- How often during the last year have you found that you were not able to stop drinking once you had started?
- How often during the last year have you failed to do what was normally expected from you because of drinking?
- How often during the last year have you needed a first drink in the morning to get yourself going after a heavy drinking session?
- How often during the last year have you had a feeling of guilt or remorse after drinking?
- How often during the last year have you been unable to remember what happened the night before because you had been drinking?
- Have you or someone else been injured as a result of your drinking?
- Has a relative or friend or a doctor or another health worker been concerned about your drinking or suggested you cut down?

Note: Survey questions were modified slightly in 2012–13 to gather additional information on Albertans drinking behaviours with respect to the Low Risk Drinking Guideline while continuing to gather information for the AUDIT. As the results are indexed this is not expected to impact survey results.

## 5.b – Percentage of Albertans that gamble responsibly

The results for this performance measure were calculated by using the Problem Gambling Severity Index (PGSI) developed by Garry Smith and Harold Wynne. Answers were coded on a scale from zero to three, where zero represents the least risk/problem activity/response and three represents the response associated with the highest risk/problem activity/response. The higher the score the greater the risk that gambling is a problem.

Respondents were considered to gamble responsibly if they had an overall score of two or below.

Questions in the PGSI are:

Thinking of the last 12 months...

- Have you bet more than you could really afford to lose?
- Still thinking about the last 12 months, have you needed to gamble with larger amounts of money to get the same feeling of excitement?
- When you gambled, did you go back another day to try to win back the money you lost?
- Have you borrowed money or sold anything to get money to gamble?
- Have you felt that you might have a problem with gambling?
- Has gambling caused you any health problems, including stress or anxiety?
- Have people criticized your betting or told you that you had a gambling problem, regardless of whether or not you thought it was true?
- Has your gambling caused any financial problems for you or your household?
- Have you felt guilty about the way you gamble or what happens when you gamble?



# Financial Statements

# Alberta Gaming and Liquor Commission

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69	Statement of Operations and Comprehensive Income
70	Statement of Cash Flows
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## Independent Auditor's Report

To the Members of the Alberta Gaming and Liquor Commission

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the Alberta Gaming and Liquor Commission, which comprise the balance sheet as at March 31, 2013, and the statements of operations and comprehensive income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Gaming and Liquor Commission as at March 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 28, 2013

Edmonton, Alberta

# Balance Sheet

(thousands of dollars)

At March 31

	2013	2012
		(restated per note 3d)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (note 4)	\$ 234,225	\$ 277,007
Accounts receivable	40,612	43,982
Prepaid expenses and inventories (note 5)	11,154	11,626
	285,991	332,615
<b>Property, Plant and Equipment</b> (note 6)	211,866	156,712
<b>Computer Software</b> (note 7)	32,892	3,136
<b>Investment Property</b> (note 8)	8,005	7,892
<b>Investment in Western Canada Lottery Corporation</b> (note 16)	32,104	35,498
	\$ 570,858	\$ 535,853
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 175,619	\$ 134,411
Due to the Alberta Lottery Fund (note 9)	93,585	100,451
	269,204	234,862
<b>Due to General Revenues</b> (note 10)	269,663	270,934
<b>Provision for Loss on Leased Properties</b> (notes 17 and 18)	1,751	1,943
<b>Net Defined Benefit Pension Liability</b> (notes 3d and 11)	47,071	45,970
<b>Accumulated Other Comprehensive Income (Loss)</b> (note 11)	(16,831)	(17,856)
	\$ 570,858	\$ 535,853

The accompanying notes are part of these financial statements.

Approved by:

BOARD

MANAGEMENT

Original signed by \_\_\_\_\_  
 Marguerite J. Trussler  
 Chairperson of the Board

Original signed by \_\_\_\_\_  
 D. W. (Bill) Robinson  
 President and Chief Executive Officer

## Statement of Operations and Comprehensive Income

(thousands of dollars)

For the year ended March 31

	<u>2013</u>	<u>2012</u>
		(restated per note 3d)
Liquor Revenue	\$ 2,300,661	\$ 2,149,205
Liquor Cost of Sales	<u>(1,556,267)</u>	<u>(1,440,444)</u>
	744,394	708,761
Gaming Revenue (note 12)	<u>1,832,499</u>	<u>1,827,341</u>
	2,576,893	2,536,102
Commissions and Federal Payments (note 13)	(465,895)	(461,915)
Operating Expenses (note 14)	<u>(195,715)</u>	<u>(177,770)</u>
<b>PROFIT FROM OPERATIONS FOR THE YEAR</b>	<b>1,915,283</b>	<b>1,896,417</b>
Other Revenue (note 15)	12,357	13,262
Income from Western Canada Lottery Corporation (note 16)	<u>286,294</u>	<u>262,332</u>
<b>NET OPERATING RESULTS</b> (notes 3j, 9 and 10)	<b>\$ 2,213,934</b>	<b>\$ 2,172,011</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Net Actuarial Gains (Losses) (note 11)	1,025	(13,941)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b><u>\$ 2,214,959</u></b>	<b><u>\$ 2,158,070</u></b>

The accompanying notes are part of these financial statements.

## Statement of Cash Flows

(thousands of dollars)

For the year ended March 31

	<u>2013</u>	<u>2012</u>
		(restated per note 3d)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net operating results for the year	\$ 2,213,934	\$ 2,172,011
Decrease in provision for loss on leased properties	(192)	(246)
Amortization	42,823	42,734
Loss on disposal of property, plant and equipment	5,090	3,807
Net change in non-cash working capital balances	47,175	(20,914)
	<u>2,308,830</u>	<u>2,197,392</u>
Transfers to the Alberta Lottery Fund	(1,492,071)	(1,451,112)
Transfers to General Revenues	(730,000)	(751,000)
	<u>86,759</u>	<u>(4,720)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(103,597)	(36,943)
Purchase of computer software	(32,086)	(2,335)
Purchase of additions to investment property	(621)	-
Proceeds on disposal of property, plant and equipment	3,369	1,456
Net change in Investment in Western Canada Lottery Corporation	3,394	(6,716)
	<u>(129,541)</u>	<u>(44,538)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(42,782)</u>	<u>(49,258)</u>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>277,007</u>	<u>326,265</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 234,225</u>	<u>\$ 277,007</u>
<b>Supplemental cash flow information:</b>		
Interest received	\$ <u>3,650</u>	\$ <u>3,713</u>

The accompanying notes are part of these financial statements.

## **NOTE 1 AUTHORITY AND PURPOSE**

The Alberta Gaming and Liquor Commission (Commission) operates under the authority of the *Gaming and Liquor Act*, Chapter G-1, Revised Statutes of Alberta 2000. The registered office operates out of 50 Corriveau Avenue, St. Albert, Alberta.

The Commission is an agency of the Government of Alberta which conducts and manages provincial lotteries, carries out functions respecting gaming under the *Criminal Code* (Canada), and controls, in accordance with legislation, the manufacture, importation, sale, and purchase of liquor for the Government of Alberta. As an agent of the Government of Alberta, the Commission is not subject to federal or provincial corporate income taxes.

The Commission also administers the Alberta Lottery Fund which was established under the *Interprovincial Lottery Act*, RSA c1-8.

The financial statements for the year ended March 31, 2013 were authorized by the Board on May 28, 2013.

## **NOTE 2 BASIS OF PREPARATION**

### **Statement of Compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Standards Interpretation Committee (IFRIC).

These financial statements have been prepared on a historical cost basis and are presented in Canadian dollars. All values are rounded to the nearest thousand dollars except where indicated.

## **NOTE 3 SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES**

The preparation of the Commission's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

For long lived assets, judgment is used to estimate each component of an asset's useful life and is based on an analysis of all pertinent factors including the expected use of the asset. If the estimated useful lives were incorrect, this could result in an increase or decrease in the annual amortization expenses, and future impairment charges.

For the provision for pension liability, judgment is used to estimate the underlying assumptions for future salary increases, inflation rates, and discount rates. If these assumptions are incorrect, this could result in an adjustment to the liability and the gain or loss recorded in Other Comprehensive Income (Loss) in the Statements of Operations and Comprehensive Income.

### **NOTE 3 SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are described throughout these notes to the financial statements. The Commission based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future development, however, may change due to market changes or circumstances arising beyond the control of management. Such changes are reflected in the assumptions when they occur.

#### **(a) Financial Instruments**

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Classification depends on the nature and purpose of the financial asset or financial liability and the Commission's intentions.

Classifications are described below:

Cash and cash equivalents	Loans and receivables
Accounts receivables	Loans and receivables
Accounts payable and accrued liabilities	Financial liabilities
Due to Alberta Lottery Fund	Financial liabilities
Due to General Revenues	Financial liabilities

##### Loans and receivables

Cash and cash equivalents and accounts receivables are accounted for at cost.

##### Financial liabilities

Accounts payable and accrued liabilities, due to Alberta Lottery Fund and due to General Revenues are accounted for at cost.

##### Impairment

Financial assets and financial liabilities are assessed for indicators of impairment on an annual basis. If there is objective evidence that an impairment exists, the loss is recorded on the Statement of Operations and Comprehensive Income. The impairment loss is measured as the difference between the acquisition cost and the current fair value.

#### **(b) Inventories**

Gaming parts and supplies are valued at weighted average cost which is not in excess of net realizable value.

Liquor inventory is held on behalf of liquor suppliers or agents. As such, the value, and related duties and taxes, are not recorded in these financial statements.

### **(c) Property, Plant and Equipment, Computer Software and Investment Property**

Property, plant and equipment, computer software, and investment property are reported at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful life of the assets, reducing the original cost to estimated residual value. Where an item is comprised of major components with different useful lives, the components are accounted for as separate items. Amortization begins when the asset is put into use. Land is not amortized.

The estimated useful lives, residual value and amortization method are reviewed at the end of each fiscal year, with the effect of any changes in estimate accounted for on a prospective basis.

Investment property is defined as land, building or a combination thereof, that is held to earn rental income rather than for use in the ordinary course of business by the owner. The warehouse located in St. Albert that is leased to Connect Logistics Services Inc. is an investment property.

### **(d) Defined Benefit Pension Plans**

In June 2011, the IASB finalized the revisions to IAS 19 Employee Benefits. These revisions are effective for annual reporting periods beginning on or after January 1, 2013. Early application of the revised standard is permitted. As such, the Commission will early adopt the June 2011 amendments to IAS 19 for the reporting period ended March 31, 2013.

The Commission participates in multi-employer defined benefit pension plans sponsored by the Province of Alberta; the Public Services Pension Plan (PSPP), the Management Employees Pension Plan (MEPP), and the Supplementary Retirement Plan for Public Service Managers (SRP). The cost of providing benefits under the defined benefit plans is determined separately for each plan by independent actuaries based on several assumptions. An expense and a liability for benefits earned are recognized in the period that employee service has been rendered. Under defined benefit pension plan accounting, the Commission must recognize its proportionate share, determined on an actuarial basis, of plan assets, obligations, remeasurement amounts, and service cost.

For defined benefit pension plans, current benefit cost represents the actuarial present value of the benefits earned in the current period. Such cost is actuarially determined using the accrued benefit method prorated on service, a market interest rate, management's best estimate of projected costs, and the expected years of service until retirement. The liability is the present value of the defined benefit obligation, which is determined by discounting the estimated future cash flows using a discount rate based on market yields of high quality corporate bonds having terms to maturity that approximate the duration of the related benefit liability. Interest expense represents the amount required in each year to build up the liability over the projected period to its future value. Remeasurement changes in benefit liabilities, composed of actuarial changes in assumptions and experience gains and losses, are recognized in other comprehensive income.

#### (d) Defined Benefit Pension Plans (Cont'd)

The early adoption of the amendments to IAS 19 resulted in a restatement of the 2012 financial statements, specifically related to the following:

	<u>2012</u> (restated)	<u>2012</u>	<u>Change</u>
<b>Balance Sheet</b>			
Due to General Revenues	\$ 270,934	\$ 258,306	\$ 12,628
Net Defined Benefit Liability	\$ 45,970	\$ 40,742	\$ 5,228
Accumulated Other Comprehensive Income (Loss)	\$ (17,856)	\$ -	\$ (17,856)
<b>Statement of Operations and Comprehensive Income</b>			
Operating Expenses	\$ (177,770)	\$ (177,488)	\$ (282)
Profit from Operations for the Year	\$ 1,896,699	\$ 1,896,417	\$ 282
Net Operating Results	\$ 2,172,011	\$ 2,172,293	\$ (282)
Net Actuarial Losses	\$ (13,941)	\$ (14,161)	\$ 220
Total Comprehensive Income	\$ 2,158,070	\$ 2,158,132	\$ 62
<b>Statement of Cash Flows</b>			
Net Operating Results for the Year	\$ 2,172,011	\$ 2,172,293	\$ (282)
Net Change in Non-Cash Working Capital Balances	\$ (20,914)	\$ (21,196)	\$ 282

The Net Defined Benefit Pension Liability, including the underlying assumptions for future salary increases, inflation rates and discount rates, is reviewed annually.

#### (e) Investment in an Associate – Western Canada Lottery Corporation

The Commission's investment in its associate is accounted for using the equity method of consolidation. The associate is the Western Canada Lottery Corporation (WCLC) in which the Commission has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associate but is not control or joint control over those policies.

WCLC is a non-profit organization authorized to manage, conduct and operate ticket lottery activities for its members, the governments of Alberta, Saskatchewan, and Manitoba. The Yukon Territory, the Northwest Territories, and Nunavut participate as associate members.

Under the equity method, the investment in WCLC is carried in the balance sheet at cost plus post acquisition changes in the Commission's share of net assets of WCLC.

The Statement of Operations and Comprehensive Income reflects the share of the results of operations of WCLC. Where there has been a change recognized directly in the equity of WCLC, the Commission recognizes its share of any changes and discloses this, when applicable, in Due to General Revenues. Unrealized gains and losses resulting from transactions between the Commission and WCLC are eliminated to the extent of the interest in WCLC.

The share of income from WCLC is shown on the face of the Statement of Operations and Comprehensive Income.

#### **(e) Investment in an Associate – Western Canada Lottery Corporation (Cont'd)**

The financial statements of WCLC are prepared under IFRS for the same reporting period as the Commission. Where necessary, adjustments are made to bring the accounting policies into conformity with those of the Commission.

After application of the equity method, the Commission determines whether it is necessary to recognize an additional impairment loss on the Commission's investment in WCLC. The Commission determines at each reporting date whether there is any objective evidence that the investment in WCLC is impaired. If this is the case, the Commission calculates the amount of impairment as the difference between the recoverable amount of WCLC and its carrying value and recognizes the amount in the income from WCLC in the Statement of Operations and Comprehensive Income.

Upon any loss of significant influence over WCLC, the Commission would measure and recognize any remaining investment at its fair value. Any difference between the carrying amount of WCLC upon loss of significant influence and the fair value of the investment and proceeds from disposal is recognized in the Statement of Operations and Comprehensive Income.

#### **(f) Revenue and Expense Recognition**

Revenue from gaming terminals, video lottery terminals and personal play electronic bingo is based on each bet and is recognized at the time that play has been completed and all machine credits have been played or converted to cash. Revenue from play along electronic bingo is recognized at the time of purchase of the cards. Prizes, commissions and federal payments related to gaming terminals, video lottery terminals, and all forms of electronic bingo, are recognized on the same basis as related revenues.

Revenue from the sale of liquor is recognized when goods are shipped and title has passed to the customer. Revenue received in advance of shipment is deferred and recognized when goods are shipped and title has passed to the customer. Cost of product sold related to liquor is recognized on the same basis as the related revenue.

#### **(g) Impairment of Non-Financial Assets**

Property, plant and equipment, computer software and investment property are subject to impairment review annually. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units).

Impairment losses are recognized in the Statement of Operations and Comprehensive Income.

For previously impaired non-financial assets, an assessment is made annually as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Commission estimates the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the non-financial asset's recoverable amount since the last impairment loss was recognized. An impairment loss is reversed only to the extent that the non-financial asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the non-financial asset in prior years.

### **(g) Impairment of Non-Financial Assets (Cont'd)**

Such reversal is recognized in the Statement of Operations and Comprehensive Income in a manner consistent with the originally recognized impairment loss.

### **(h) Federal Taxes**

Under the Excise Tax Act and Games of Chance (GST/HST) Regulations, the Commission is required to pay GST and Federal Tax on gaming operations. However, the Commission as a Crown agent of the Government of Alberta has a tax-exempt status for its liquor and regulatory operations.

### **(i) Operating Expenses**

Operating expenses are allocated against Provincial Lotteries Revenue or Liquor and Other Revenue, based on the nature of the expense.

### **(j) Allocation of Net Operating Results**

The *Gaming and Liquor Act* requires the Commission to transfer net operating results to the Alberta Lottery Fund and the General Revenue Fund.

Net operating results arising from the conduct of authorized gaming terminal, video lottery, lottery ticket, and electronic bingo in Alberta is transferred to the Alberta Lottery Fund. Note 9 discloses further information on amounts due to the Alberta Lottery Fund.

Net operating results of liquor operations and other income is transferred to General Revenues. Note 10 disclose further information on amounts due to General Revenues.

### **(k) Contingent Liabilities and Provisions**

Contingent liabilities are possible obligations that may result in the future sacrifice of economic benefits arising from existing conditions or situations involving uncertainty.

Provisions are recognized when the Commission has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Statement of Operations and Comprehensive Income net of any reimbursement.

All legal claims are assessed by the Commission's legal counsel to determine the possible liability. Disclosure is made if the assessment of possible liability meets specific criteria and the likelihood is greater than 10%. Additionally, a provision is recognized if the assessment of possible liability meets specific criteria and the likelihood is greater than 50%.

### **(l) Future Accounting Changes**

Future accounting changes are based on standards issued but not yet effective up to the date of the issuance of the financial statements. This listing is of standards and interpretations issued, which management reasonably expects to be applicable at the future date. The Commission is assessing the impact of these new standards on its financial statements.

## **(I) Future Accounting Changes (Cont'd)**

IFRS 11 *Joint Arrangements* – Effective for annual periods commencing on or after January 1, 2013 with early adoption permitted. Under IFRS 11 joint arrangements accounted for using the proportionate consolidation method will have to change to the equity method. The Commission is accounting for the WCLC investment using the equity method as an investment in which it holds significant influence. This pronouncement is not expected to have any effect on the financial statements.

IFRS 12 *Disclosure of Interests in Other Entities* – Effective for annual periods commencing on or after January 1, 2013 with early adoption permitted. IFRS 12 provides additional guidance for disclosures of an entity with subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interest in other entities. The Commission is reviewing the requirements of the standard at this time; the adoption of this standard will affect disclosures but will not have an impact on financial results.

IFRS 13 *Fair Value Measurement* – Effective for annual periods commencing on or after January 1, 2013 with early adoption permitted. IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. IFRS 13 defines fair value and establishes disclosures about fair value measurement. The adoption of this standard will affect disclosures but will not have an impact on financial results.

IAS 28 *Investments in Associates and Joint Ventures* – Effective for annual periods commencing on or after January 1, 2013 with early adoption permitted. As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed and describes the application of the equity method to investments in joint ventures in addition to associates. The Commission currently applies the equity method to the Investment in WCLC and does not expect this standard to have any effect on the financial statements.

IAS 1 *Presentation of Financial Statements* – The amendment is effective for annual periods commencing on or after July 1, 2012 with early adoption permitted. The amendment revises how certain items are presented in other comprehensive income (OCI). Items within OCI that may be reclassified to net operating results will be separated from items that will not. The adoption of this amendment will affect presentation only and will not have an impact on the financial results.

IFRS 9 *Financial Instruments* – Effective for annual periods commencing on or after January 1, 2015 with early adoption permitted. Under IFRS 9 there are new requirements for classifying and measuring financial assets measured at amortised cost and hedge accounting. The Commission is not expecting any impact on the financial statements from the new standard.

## **NOTE 4 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. Additionally, cash and cash equivalents include the proceeds from table games which the Commission holds on behalf of charities; further details are provided in Note 19.

The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term and mid-term fixed income securities with a maximum term to maturity of three years. For the year ended March 31, 2013, securities held by the Fund had a time-weighted yield of 1.25% per annum (March 31, 2012: 1.29% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

**NOTE 5 PREPAID EXPENSES AND INVENTORIES**

(in thousands)

	<u>2013</u>	<u>2012</u>
Prepaid Expenses	\$ 1,441	\$ 3,067
Gaming Parts	8,937	7,730
Supplies	776	829
	<u>\$ 11,154</u>	<u>\$ 11,626</u>

**NOTE 6 PROPERTY, PLANT AND EQUIPMENT**

(in thousands)

	<u>Land</u>	<u>Buildings &amp; Leasehold Improvements</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Gaming Equipment &amp; Terminals</u>	<u>Total</u>
Cost, March 31, 2011	\$ 2,057	\$ 32,610	\$ 3,294	\$ 29,271	\$ 399,666	\$ 466,898
Additions	-	900	764	1,471	34,079	37,214
Disposals	-	-	(692)	(338)	(27,537)	(28,567)
Cost, March 31, 2012	<u>2,057</u>	<u>33,510</u>	<u>3,366</u>	<u>30,404</u>	<u>406,208</u>	<u>475,545</u>
Accumulated Amortization, March 31, 2011	-	(18,140)	(2,857)	(27,928)	(251,347)	(300,272)
Additions	-	(793)	(510)	(989)	(42,271)	(44,563)
Disposals	-	-	671	337	24,994	26,002
Accumulated Amortization, March 31, 2012	-	<u>(18,933)</u>	<u>(2,696)</u>	<u>(28,580)</u>	<u>(268,624)</u>	<u>(318,833)</u>
Net Book Value, March 31, 2012	<u>\$ 2,057</u>	<u>\$ 14,577</u>	<u>\$ 670</u>	<u>\$ 1,824</u>	<u>\$ 137,584</u>	<u>\$ 156,712</u>
Cost, March 31, 2012	\$ 2,057	\$ 33,510	\$ 3,366	\$ 30,404	\$ 406,208	\$ 475,545
Additions	-	1,449	632	2,168	99,348	103,597
Disposals	-	-	(328)	(369)	(71,477)	(72,174)
Cost, March 31, 2013	<u>2,057</u>	<u>34,959</u>	<u>3,670</u>	<u>32,203</u>	<u>434,079</u>	<u>506,968</u>
Accumulated Amortization, March 31, 2012	-	(18,933)	(2,696)	(28,580)	(268,624)	(318,833)
Additions	-	(847)	(470)	(1,718)	(36,946)	(39,981)
Disposals	-	-	327	579	62,806	63,712
Accumulated Amortization, March 31, 2013	-	<u>(19,780)</u>	<u>(2,839)</u>	<u>(29,719)</u>	<u>(242,764)</u>	<u>(295,102)</u>
Net Book Value, March 31, 2013	<u>\$ 2,057</u>	<u>\$ 15,179</u>	<u>\$ 831</u>	<u>\$ 2,484</u>	<u>\$ 191,315</u>	<u>\$ 211,866</u>

The estimated useful life over which property, plant, and equipment are amortized is as follows:

Buildings	Up to 40 years
Leasehold improvements	Lease term
Vehicles	3 years
Equipment	3 years
Gaming Equipment and Terminals	Up to 10 years

## NOTE 7 COMPUTER SOFTWARE

(in thousands)

	Computer Software	Software Under Development	VLT Software	Total
Cost, March 31, 2011	\$ 13,635	\$ 729	\$ -	\$ 14,364
Additions	772	1,563	-	2,335
Disposals	-	-	-	-
Cost, March 31, 2012	<u>14,407</u>	<u>2,292</u>	<u>-</u>	<u>16,699</u>
Accumulated Amortization, March 31, 2011	(12,932)	-	-	(12,932)
Additions	(631)	-	-	(631)
Disposals	-	-	-	-
Accumulated Amortization, March 31, 2012	<u>(13,563)</u>	<u>-</u>	<u>-</u>	<u>(13,563)</u>
Net Book Value, March 31, 2012	<u>\$ 844</u>	<u>\$ 2,292</u>	<u>\$ -</u>	<u>\$ 3,136</u>
Cost, March 31, 2012	\$ 14,407	\$ 2,292	\$ -	\$ 16,699
Additions	270	5,555	26,261	32,086
Disposals	-	-	-	-
Cost, March 31, 2013	<u>14,677</u>	<u>7,847</u>	<u>26,261</u>	<u>48,785</u>
Accumulated Amortization, March 31, 2012	(13,563)	-	-	(13,563)
Additions	(596)	-	(1,734)	(2,330)
Disposals	-	-	-	-
Accumulated Amortization, March 31, 2013	<u>(14,159)</u>	<u>-</u>	<u>(1,734)</u>	<u>(15,893)</u>
Net Book Value, March 31, 2013	<u>\$ 518</u>	<u>\$ 7,847</u>	<u>\$ 24,527</u>	<u>\$ 32,892</u>

The estimated useful life over which computer software is amortized is as follows:

Gaming system related	5 – 7 years
Other computer software	3 years



(c) Fair Value of Investment Property (Cont'd)

The fair value at March 31, 2013 is based on a valuation performed by Bourgeois & Company Ltd., an accredited independent valuer. Bourgeois & Company Ltd. have appropriate qualifications and recent experience in the valuation of similar properties. Two market based techniques (income and direct comparison approaches) were applied to estimate fair value.

The fair value at March 31, 2012 is based on property tax assessments.

**NOTE 9 DUE TO THE ALBERTA LOTTERY FUND**

(in thousands)

The *Gaming and Liquor Act* requires the Commission to transfer net operating results from provincial lotteries to the Alberta Lottery Fund. This amount represents the portion of net operating results from provincial lottery operations, which has not been transferred to the Alberta Lottery Fund.

	<u>2013</u>	<u>2012</u>
Due to the Alberta Lottery Fund, beginning of year	\$ 100,451	\$ 80,549
Net operating results, Provincial Lotteries (note 12)	1,485,205	1,471,014
Transfers to the Alberta Lottery Fund	(1,492,071)	(1,451,112)
Due to the Alberta Lottery Fund, end of year	<u>\$ 93,585</u>	<u>\$ 100,451</u>

Amounts due to the Alberta Lottery Fund are unsecured, non-interest bearing and have no specific terms of repayment. The amounts due to the Alberta Lottery Fund are as a result of year end invoicing cycles and timing of transfers to the Alberta Lottery Fund.

**NOTE 10 DUE TO GENERAL REVENUES**

(in thousands)

The *Gaming and Liquor Act* requires the Commission to transfer net operating results from the sale of liquor to the General Revenue Fund. Due to General Revenues reflects the outstanding balance due to General Revenues from liquor operations and other income, as follows:

	<u>2013</u>	<u>2012</u>
		(restated)
Due to General Revenues, beginning of year	\$ 270,934	\$ 320,937
Net operating results, Liquor and Other (note 12)	728,729	700,997
Transfers to General Revenues	(730,000)	(751,000)
Due to the General Revenues, end of year	<u>\$ 269,663</u>	<u>\$ 270,934</u>

Amounts due to General Revenues are unsecured, non-interest bearing and have no specific terms of repayment. The Commission does not expect to pay the total amount owing to General Revenues during the next fiscal year as the Commission retains funds to maintain sufficient level of liquidity to support its business operations.

## NOTE 11 EMPLOYEE BENEFIT PLANS

(in thousands)

The principal assumptions used in determining pension obligations for the Commission are shown below:

	2013			2012		
	PSPP	MEPP	SRP	PSPP	MEPP	SRP
Discount rate:	3.80%	3.80%	3.80%	4.50%	4.50%	4.50%
Inflation rate:	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Average wage increases:	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Commission's share of plan payroll:	1.73%	1.47%	1.92%	1.73%	1.47%	1.92%
Date of the most recent actuarial valuation from which results are extrapolated:	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2009
Commission's Actual Contributions:						
All plans		\$ 7,871			\$ 6,709	
Commission's Expected Contributions For The Next Period:						
All plans		\$ 8,186			\$ 6,977	

Additional assumptions are described in the valuation reports for each of the respective plans.

### The Commission's Proportionate Share of Defined Benefit Pension Plan Liabilities

(in thousands)

	2013				2012			
	PSPP	MEPP	SRP	Total	PSPP	MEPP	SRP	Total
<b>Change in Fair Value of Plan Assets</b>								
Opening fair value of plan assets	\$ 56,500	\$ 23,600	\$ 1,148	\$ 81,248	\$ 54,000	\$ 22,929	\$ 1,112	\$ 78,041
Employer contributions	4,120	1,508	63	5,691	4,000	1,457	61	5,518
Benefit payments	(3,147)	(1,395)	(42)	(4,584)	(3,055)	(1,347)	(40)	(4,442)
Interest income on assets	2,564	1,065	52	3,681	2,996	1,264	62	4,322
Actuarial (loss) gain	3,463	2,974	434	6,871	(1,441)	(703)	(47)	(2,191)
Acquisitions, settlements, & curtailments	-	-	-	-	-	-	-	-
Closing Fair Value of Plan Assets	\$ 63,500	\$ 27,752	\$ 1,655	\$ 92,907	\$ 56,500	\$ 23,600	\$ 1,148	\$ 81,248
<b>Change in Defined Benefit Obligation</b>								
Opening defined benefit obligation	\$ 90,000	\$ 35,626	\$ 1,592	\$ 127,218	\$ 77,500	\$ 31,050	\$ 1,238	\$ 109,788
Current service cost (employer)	4,134	1,319	171	5,624	2,881	960	145	3,986
Benefit paid	(3,147)	(1,395)	(42)	(4,584)	(3,055)	(1,347)	(40)	(4,442)
Interest expense	4,165	1,631	78	5,874	4,337	1,724	75	6,136
Actuarial losses (gains)	3,848	1,942	56	5,846	8,337	3,239	174	11,750
Acquisitions, settlements, & curtailments	-	-	-	-	-	-	-	-
Closing Defined Benefit Obligation	\$ 99,000	\$ 39,123	\$ 1,855	\$ 139,978	\$ 90,000	\$ 35,626	\$ 1,592	\$ 127,218
<b>Net Defined Benefit Liability</b>	\$ 35,500	\$ 11,371	\$ 200	\$ 47,071	\$ 33,500	\$ 12,026	\$ 444	\$ 45,970

## NOTE 11 EMPLOYEE BENEFIT PLANS (Cont'd)

(in thousands)

The Commission records a provision for only the employer portion of the surplus (deficit) attributable to the Commission. The employer portions are 50% for PSPP, 63% for MEPP, and 80% for SRP.

### Accumulated Other Comprehensive Income

	2013				2012			
	PSPP	MEPP	SRP	Total	PSPP	MEPP	SRP	Total
Actuarial loss(gain) on plan assets	\$ (3,463)	\$ (2,974)	\$ (434)	\$ (6,871)	\$ 1,441	\$ 703	\$ 47	\$ 2,191
Experience loss on plan liabilities	3,848	1,942	56	5,846	8,337	3,239	174	11,750
Amount recognized in OCI	385	(1,032)	(378)	(1,025)	9,778	3,942	221	13,941
Beginning balance, AOCI	11,262	6,212	382	17,856	1,484	2,270	161	3,915
Ending balance, AOCI	\$ 11,647	\$ 5,180	\$ 4	\$ 16,831	\$ 11,262	\$ 6,212	\$ 382	\$ 17,856

### Net Defined Benefit Pension Expense

	2013				2012			
	PSPP	MEPP	SRP	Total	PSPP	MEPP	SRP	Total
Current service cost (including provision for expenses)	\$ 14	\$ (189)	\$ 108	\$ (67)	\$ (1,119)	\$ (497)	\$ 84	\$ (1,532)
Net interest on employee benefits	1,601	566	26	2,193	1,341	460	13	1,814
<b>Net pension-benefit expense recognized</b>	<b>\$ 1,615</b>	<b>\$ 377</b>	<b>\$ 134</b>	<b>\$ 2,126</b>	<b>\$ 222</b>	<b>(37)</b>	<b>\$ 97</b>	<b>\$ 282</b>

### Risks arising from defined benefit plans

#### Economic risks

Defined benefit plans are directly exposed to economic risks from plan assets invested in capital markets, and indirectly with respect to measurement risk from assumptions based on economic factors, such as discount rates affected by volatile bond markets.

#### Demographic risks

Demographic factors affect current and future benefit costs with respect to the amount and time horizon of expected payments due to such factors as workforce average age and earnings levels, attrition and retirement rates, mortality and morbidity rates, etc.

#### Multi-employer plan funding risk

In addition to economic and demographic risk factors, the Commission is exposed to funding risk in the multi-employer plans arising from:

- Legislative changes affecting eligibility for and amount of pension and related benefits; and
- Performance of plan assets affected by investment policies set by the government.

Because these plans are governed by legislation rather than contract, there is little flexibility for participants with respect to withdrawal from the plan, plan wind-up or amendments, and mandatory funding requirements.

**NOTE 11 EMPLOYEE BENEFIT PLANS (Cont'd)**  
 (in thousands)

**Sensitivity Analysis:**

	2013		
	PSPP	MEPP	SRP
Estimated sensitivity of liabilities to a 1% change in the discount rate:	13.20%	13.04%	23.98%
Estimated sensitivity of liabilities to a 1% change in the inflation rate, corresponding ultimate general salary increase rate at validation date:	9.50%	7.30%	23.29%

**NOTE 12 GAMING AND LIQUOR OPERATING RESULTS**  
 (in thousands)

Management monitors the operating results of the various revenue sectors for the purpose of making decisions about resource allocation and performance assessment. Operating expenses are not allocated to the individual revenue sectors but are allocated between Provincial Lotteries Revenue and Liquor and Other Revenue as authorized by the *Gaming and Liquor Act*.

	2013				Liquor and Other	Total
	Provincial Lotteries					
	Casino Gaming Terminals	Video Lottery Terminals	Electronic Bingo (a)	Subtotal		
Credits Played	\$ 15,934,036	7,190,977	37,992	23,163,005	-	\$ 23,163,005
Liquor Revenue	-	-	-	-	2,300,661	2,300,661
	<u>15,934,036</u>	<u>7,190,977</u>	<u>37,992</u>	<u>23,163,005</u>	<u>2,300,661</u>	<u>25,463,666</u>
Credits Won	(14,689,535)	(6,615,223)	(25,748)	(21,330,506)	-	(21,330,506)
Cost of Liquor Product	-	-	-	-	(1,556,267)	(1,556,267)
	<u>(14,689,535)</u>	<u>(6,615,223)</u>	<u>(25,748)</u>	<u>(21,330,506)</u>	<u>(1,556,267)</u>	<u>(22,886,773)</u>
	1,244,501	575,754	12,244	1,832,499	744,394	2,576,893
Commissions & Federal Payments	(370,666)	(91,303)	(3,926)	(465,895)	-	(465,895)
	<u>\$ 873,835</u>	<u>484,451</u>	<u>8,318</u>	<u>1,366,604</u>	<u>744,394</u>	<u>2,110,998</u>
Operating Expenses				(167,693)	(28,022)	(195,715)
Profit from Operations for the Year				1,198,911	716,372	1,915,283
Other Revenue				-	12,357	12,357
Income from Western Canada Lottery Corporation				286,294	-	286,294
Net Operating Results				<u>\$ 1,485,205</u>	<u>\$ 728,729</u>	<u>\$ 2,213,934</u>
Other Comprehensive Income (Expense)				-	1,025	1,025
Total Comprehensive Income				<u>\$ 1,485,205</u>	<u>\$ 729,754</u>	<u>\$ 2,214,959</u>

\*(a) includes Keno Charity Commissions

**NOTE 12 GAMING AND LIQUOR OPERATING RESULTS (Cont'd)**  
 (in thousands)

	2012 (restated)				Liquor and Other	Total
	Provincial Lotteries					
	Casino Gaming Terminals	Video Lottery Terminals	Electronic Bingo (a)	Subtotal		
Credits Played	\$ 15,615,948	\$ 7,428,194	\$ 39,953	\$ 23,084,095	\$ -	\$ 23,084,095
Liquor Revenue	-	-	-	-	2,149,205	2,149,205
	<u>15,615,948</u>	<u>7,428,194</u>	<u>39,953</u>	<u>23,084,095</u>	<u>2,149,205</u>	<u>25,233,300</u>
Credits Won	(14,394,802)	(6,834,399)	(27,553)	(21,256,754)	-	(21,256,754)
Cost of Liquor Product	-	-	-	-	(1,440,444)	(1,440,444)
	<u>(14,394,802)</u>	<u>(6,834,399)</u>	<u>(27,553)</u>	<u>(21,256,754)</u>	<u>(1,440,444)</u>	<u>(22,697,198)</u>
	1,221,146	593,795	12,400	1,827,341	708,761	2,536,102
Commissions & Federal Payments	(363,718)	(94,222)	(3,975)	(461,915)	-	(461,915)
	<u>\$ 857,428</u>	<u>\$ 499,573</u>	<u>\$ 8,425</u>	1,365,426	708,761	2,074,187
Operating Expenses				(156,744)	(21,026)	(177,770)
Profit from Operations for the Year				1,208,682	687,735	1,896,417
Other Revenue				-	13,262	13,262
Income from Western Canada Lottery Corporation				262,332	-	262,332
Net Operating Results				<u>\$ 1,471,014</u>	<u>\$ 700,997</u>	<u>\$ 2,172,011</u>
Other Comprehensive Income (Expense)				-	(13,941)	(13,941)
Total Comprehensive Income				<u>\$ 1,471,014</u>	<u>\$ 687,056</u>	<u>\$ 2,158,070</u>

## NOTE 13 COMMISSIONS AND FEDERAL PAYMENTS

(in thousands)

	2013			
	Casino Gaming Terminals	Video Lottery Terminals	Electronic Bingo (a)	Total
Commissions				
Operators	\$ 183,032	\$ 86,288	\$ 1,837	\$ 271,157
Charities	176,439	-	1,908	178,347
Federal Tax Expense (b)	11,195	5,015	181	16,391
	<u>\$ 370,666</u>	<u>\$ 91,303</u>	<u>\$ 3,926</u>	<u>\$ 465,895</u>

	2012			
	Casino Gaming Terminals	Video Lottery Terminals	Electronic Bingo (a)	Total
Commissions				
Operators	\$ 179,755	\$ 89,004	\$ 1,860	\$ 270,619
Charities	173,036	-	1,936	174,972
Federal Tax Expense (b)	10,927	5,218	179	16,324
	<u>\$ 363,718</u>	<u>\$ 94,222</u>	<u>\$ 3,975</u>	<u>\$ 461,915</u>

\*(a) includes Keno Charity Commissions

\*(b) as prescribed by the Games of Chance (GST/HST) Regulations, taxes are paid to the Government of Canada in lieu of the Goods and Services Tax (GST) on gaming terminal, video lottery terminal and electronic bingo sales based on a prescribed formula. This tax is in addition to the GST paid on the purchase of goods and services for which a credit is not allowed under the formula.

## NOTE 14 OPERATING EXPENSES

(in thousands)

	2013	2012 (restated)
Salaries and benefits	\$ 80,272	\$ 69,461
Amortization	42,823	42,734
Leased gaming terminals	27,974	26,532
Equipment and vehicles	11,794	13,012
Data communications	7,346	5,464
Data processing	5,182	3,839
Fees and services	4,284	4,022
Travel and training	3,080	2,696
Property	2,631	2,625
Retailer relations	2,303	544
Net interest in net defined benefit pension liability (note 11)	2,193	1,814
Stationery and supplies	1,995	1,652
Freight and ticket product delivery	1,928	1,693
Insurance and bank charges	950	784
Miscellaneous	840	785
Liquor product expense	120	113
	<u>\$ 195,715</u>	<u>\$ 177,770</u>

## NOTE 15 OTHER REVENUE

(in thousands)

	<u>2013</u>	<u>2012</u>
Licences	\$ 6,260	\$ 6,297
Interest revenue	3,650	3,713
Premises rental revenue	2,809	2,385
Miscellaneous	1,550	1,874
Liquor levies	2,154	1,825
Retailer service fees	618	693
Fines and violations	406	282
Loss on disposal of property, plant and equipment	(5,090)	(3,807)
	<u>\$ 12,357</u>	<u>\$ 13,262</u>

## NOTE 16 INVESTMENT IN WESTERN CANADA LOTTERY CORPORATION (WCLC)

(in thousands)

The Commission's interest in the WCLC is based upon Alberta's share of lottery ticket sales.

The WCLC is a private entity that is not listed on any public exchange. The following table illustrates summarized financial information of the Commission's investment in the WCLC.

	<u>2013</u>	<u>2012</u>
<b>Balance Sheet (WCLC)</b>		
Current Assets	\$ 97,820	\$ 78,949
Capital and Intangible Assets	21,763	26,777
	<u>\$ 119,583</u>	<u>\$ 105,726</u>
Current Liabilities	\$ 90,480	\$ 61,863
Due to Provincial Governments or Appointed Organizations	45,806	55,139
Equity	(16,703)	(11,276)
	<u>\$ 119,583</u>	<u>\$ 105,726</u>
<b>Statement of Operations (Alberta Only)</b>		
Ticket Lottery Revenue (a)	\$ 815,400	\$ 744,218
Ticket Lottery Prizes (a)	(420,191)	(380,858)
Gaming Revenue	395,209	363,360
Commissions (a)	(57,990)	(51,840)
Federal Tax Expense (a)	(4,383)	(4,237)
Payment to Federal Government (b)	(8,150)	(7,826)
	324,686	299,457
Operating Expenses	(38,392)	(37,125)
Net Operating Results	<u>\$ 286,294</u>	<u>\$ 262,332</u>

**NOTE 16 INVESTMENT IN WESTERN CANADA LOTTERY CORPORATION (WCLC) (Cont'd)**  
 (in thousands)

- (a) On-line ticket lottery revenues are recognized at the date of the draw, with instant ticket revenues being recognized at the date activated for sale by the retailer. Prizes, commissions and federal payments related to ticket revenues are recognized on the same basis as related revenues.
- (b) A payment is made to the federal government which represents the Province of Alberta's share resulting from an agreement between the provincial governments and the federal government on the withdrawal of the federal government from the lottery field. The payment is made by WCLC on behalf of Alberta and is based on current population statistics and its share of ticket lottery sales.

**Statement of Change in Investment in WCLC**

	<u>2013</u>	<u>2012</u>
Investment in WCLC, beginning of year	\$ 35,498	\$ 28,782
Net Operating Results recorded in AGLC	286,294	262,332
Interest Revenue recorded in Alberta Lottery Fund	944	1,045
WCLC Net Income Allocated to Alberta	<u>287,238</u>	<u>263,377</u>
Advances received from WCLC	(290,632)	(256,661)
Investment in WCLC, end of year	<u>\$ 32,104</u>	<u>\$ 35,498</u>

**NOTE 17 COMMITMENTS**

(in thousands)

Commitments are obligations of the Commission to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	<u>2013</u>	<u>2012</u>
Obligations under operating leases and contracts		
Premise Leases and other contracts	\$ 5,631	\$ 5,660
Former Retail Liquor Stores	1,116	1,807
Video Lottery Terminal replacement initiative	91,521	162,680
	<u>\$ 98,268</u>	<u>\$ 170,147</u>

Estimated payment requirements for each of the next five years and thereafter are as follows:

2013-14	\$ 78,868
2014-15	4,614
2015-16	4,522
2016-17	4,238
2017-18	3,963
Thereafter	2,063
	<u>\$ 98,268</u>

**NOTE 17 COMMITMENTS** (Cont'd)  
 (in thousands)

The Commission has lease obligations for former retail liquor stores, most of which have been subleased to third parties. Provision for loss on leased properties of \$1.75 million (2012 – \$1.94 million) has been made where the payments to be received on the sub-leases are less than the lease payments to be made. Estimated receipts for each of the five years and thereafter are as follows:

2013-14	\$	165
2014-15		82
2015-16		82
2016-17		82
2017-18		82
Thereafter		561
	\$	<u>1,054</u>

**NOTE 18 CONTINGENT LIABILITIES AND PROVISIONS**  
 (in thousands)

The Commission is a defendant in several legal claims. Management has assessed these claims as at March 31, 2013, and determined, due to the nature of the claims, none of the claims will be provided for in our accounts or disclosed in these notes as they are remote and are not expected to have material adverse effect in the financial position or operations of the Commission.

The Commission amended a lease agreement with a tenant on March 28, 2012. Under the terms of the amended agreement, the Commission has agreed to pay for certain capital investments and would assume certain third party premise leases for the remainder of the lease term if a significant change in the terms of the tenant's appointment occurs before December 31, 2015. As of March 31, 2013, the Commission's potential liability is \$13.7 million (2012 – \$11.9 million).

Provisions are recognized as liabilities because they are present obligations and it is probable that an outflow of resources will be required to settle the obligation.

A provision for loss on leased properties has been recorded on onerous lease contracts on former retail liquor store operations that could not be terminated by the Commission at the time of liquor privatization in 1993. The provision is determined based on the difference between the aggregate estimated sublease revenue and the total lease obligations. As at March 31, 2013 there were 6 leases (2012 – 9 leases) that make up the provision.

		<u>Lease Provision</u>
As at March 31, 2012	\$	1,943
Amounts used against the Provision		<u>(192)</u>
As at March 31, 2013	\$	<u>1,751</u>
Expected Outflow of Resources		
Within one year	\$	171
After one year but not more than five years		206
After five years		<u>1,374</u>
	\$	<u>1,751</u>

## NOTE 19 FUNDS UNDER ADMINISTRATION

(in thousands)

The Commission manages the collection, investment and distribution of the charities' share of proceeds/losses from table games at licensed charitable casino events.

The share of proceeds/losses from these table games allocated to charities is established in policy and by agreement between the participating charity and the relevant casino operator. These allocations are collected by the Commission and pooled by casino or region over a three month period. The pooled funds earn interest and the Commission deducts administrative fees from the pools. The net proceeds in each pool at the end of the pooling period are distributed equally to each charity holding a licensed charitable casino event in the casino/region during the pooling period.

	<u>2013</u>	<u>2012</u>
Charitable Proceeds	\$ 15,183	\$ 14,575
Held Charitable Proceeds	107	159
Returned Funds	35	35
	<u>\$ 15,325</u>	<u>\$ 14,769</u>

## NOTE 20 SALARIES AND BENEFITS

(in thousands)

*The Commission is an agent of the Government of Alberta and as such, is required to disclose certain information in accordance with the Treasury Board Directive 12/98 as amended.*

	<u>2013</u>			<u>2012</u>	
	<u>Base Salary note a</u>	<u>Other Cash Benefits note b</u>	<u>Other Non-cash Benefits note c</u>	<u>Total</u>	<u>Total</u>
<b>Board</b>					
Chairperson	\$ 109	\$ -	\$ -	\$ 109	\$ 89
Board Members	272	-	-	272	246
<b>Chief Executive</b>					
President and Chief Executive Officer	<i>note d</i> 163	55	39	257	343
<b>Executive Management</b>	<i>note e</i>				
Chief Financial Officer and Vice President, Corporate Services	199	17	58	274	242
Vice President, Social Responsibility and Licensing/Compliance	<i>note f</i> 209	27	23	259	188
Vice President, Lottery and Gaming Services	<i>note f</i> 196	2	57	255	258
Vice President, Strategy, Transformation and Ethics	<i>note f</i> 189	4	56	249	225
Chief Information Officer and Vice President, Technologies	187	5	53	245	247
Vice President, Human Resources & Learning and Development	157	4	42	203	195

- (a) Base salary includes regular base pay and acting pay.
- (b) Other cash benefits include vacation payouts and lump sum payouts. There were no bonuses paid in fiscal 2012-2013.
- (c) Other non-cash benefits include the Commission's share of all employee benefits and contributions or payments made on behalf of employees including pension and supplementary retirement plans, health care, dental coverage, group life insurance, and short and long term disability plans.

**NOTE 20 SALARIES AND BENEFITS (Cont'd)**  
(in thousands)

(d) The position was occupied by two individuals during the year and was also vacant for four months. Two members of executive management acted in this position while it was vacant.

Automobile provided to incumbents; taxable benefit amount of \$2 (2012 - \$7) is not included in other non-cash benefits.

(e) A corporate restructuring that took effect November 26, 2012 resulted in a realignment of some Vice Presidents and responsibilities between divisions.

(f) The position was occupied by two individuals during the year.

**NOTE 21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The carrying values of the Commission's financial instruments approximate their fair values unless otherwise noted.

The Commission is exposed to various risks related to its financial assets and liabilities. These risk exposures are managed on an ongoing basis.

Credit risk represents the loss that would be recognized if parties holding financial assets of the Commission fail to honour their obligations. Credit risk is minimized as the Commission does not have significant exposure to any individual retail entity.

Liquidity risk is the risk the Commission will not be able to meet its financial obligations as they fall due. The majority of the Commission's operational activities involve cash sales and short term accounts receivables. The Commission relies on funds generated from its operations to meet operating requirements and to finance capital investment.

**NOTE 22 RELATED PARTY TRANSACTIONS**  
(in thousands)

The Commission is a wholly-owned entity of the Government of Alberta. The Government significantly influences the Commission.

The Commission reports to the President of Treasury Board and Minister of Finance. Any ministry, department or entity the Minister is responsible for is a deemed related party to the Commission. These include:

- Department of Treasury Board and Finance, including Risk Management and Insurance
- Alberta Lottery Fund
- General Revenue Fund

The Commission made payments totalling \$363 (2012 – \$321) to Risk Management and Insurance. Transactions with the Alberta Lottery Fund are disclosed in Note 9 and transactions with the General Revenue Fund are disclosed in Note 10.

## NOTE 22 RELATED PARTY TRANSACTIONS (Cont'd)

(in thousands)

The Western Canada Lottery Corporation (WCLC), an associated entity as disclosed in Note 3, is also a deemed related party to the Commission. Details of transactions with WCLC are disclosed in Note 16. In addition, the Commission received \$618 (2012 – \$693) in retailer service fees from WCLC.

The Board members of the Commission, executive management and their close family members are deemed to be related parties to the Commission. Transactions with close family members are immaterial; compensation for Board members and executive management is disclosed in Note 20.

## NOTE 23 APPROVED BUDGET

(in thousands)

The Commission includes its annual budget, on a summarized basis, in its business plan. The summarized budget receives approval by the Minister the Commission reports to on recommendation from the Commission Board and becomes part of the fiscal plan of the Government of Alberta.

	<u>2013</u>
Liquor Revenue	\$ 2,148,707
Liquor Cost of Sales	(1,433,505)
	<u>715,202</u>
Gaming Revenue	1,731,593
	<u>2,446,795</u>
Commissions and Federal Payments (a)	(441,027)
Operating Expenses	(250,031)
<b>PROFIT FROM OPERATIONS FOR THE YEAR</b>	<u>1,755,737</u>
Other Revenue	15,811
Income from Western Canada Lottery Corporation	265,986
<b>NET OPERATING RESULTS</b>	<u>\$ 2,037,534</u>

(a) Includes Keno Charity Commissions

## NOTE 24 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

# Alberta Lottery Fund



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## Independent Auditor's Report

To the Members of the Alberta Gaming and Liquor Commission

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the Alberta Lottery Fund, which comprise the balance sheet as at March 31, 2013, and the statements of revenue, expenditure and fund equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Lottery Fund as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 28, 2013

Edmonton, Alberta

Alberta Lottery Fund

## Balance Sheet

At March 31

(thousands of dollars)	2013	2012
<b>ASSETS</b>		
Cash and cash equivalents (Note 3)	\$ 131,115	\$ 59,257
Due from Alberta Gaming and Liquor Commission (Note 5)	93,585	100,451
	<u>\$ 224,700</u>	<u>\$ 159,708</u>
<b>LIABILITIES AND FUND EQUITY</b>		
Accounts payable (Note 6)	\$ 171,925	\$ 106,933
Fund equity	52,775	52,775
	<u>\$ 224,700</u>	<u>\$ 159,708</u>

The accompanying notes are part of these financial statements.

Approved by:

BOARD

MANAGEMENT

Original signed by \_\_\_\_\_  
Marguerite J. Trussler  
Chairperson of the Board  
Alberta Gaming and Liquor Commission

Original signed by \_\_\_\_\_  
D. W. (Bill) Robinson  
President and Chief Executive Officer  
Alberta Gaming and Liquor Commission

## Statement of Revenue, Expenditure and Fund Equity

For the year ended March 31

(thousands of dollars)	Budget 2013 (Note 8)	Actual 2013	Actual 2012
<b>REVENUE</b>			
Proceeds from lottery operations (Note 7)	\$ 1,336,405	\$ 1,485,205	\$ 1,471,014
Interest	2,000	4,164	4,520
	<u>1,338,405</u>	<u>1,489,369</u>	<u>1,475,534</u>
<b>EXPENDITURE</b>			
Lottery Fund expenditures (Note 1)	<u>1,338,405</u>	<u>1,489,369</u>	<u>1,475,534</u>
Excess of revenue over expenditure for the year	-	-	-
Fund equity, beginning of year	52,775	52,775	52,775
Fund equity, end of year	<u>\$ 52,775</u>	<u>\$ 52,775</u>	<u>\$ 52,775</u>

The accompanying notes are part of these financial statements.

## Notes to the Financial Statements

March 31, 2013

### NOTE 1 AUTHORITY AND PURPOSE

The Lottery Fund is administered by the Alberta Gaming and Liquor Commission under the *Gaming and Liquor Act*, Chapter G-1, Revised Statutes of Alberta 2000. The Lottery Fund receives the proceeds from lottery operations (see Note 7) and makes transfers there from in the public interest in order to support thousands of volunteer, public and community-based initiatives.

The *Appropriation Act*, 2012 authorized transfers from the Lottery Fund as presented in the 2012–2013 Estimates, and provided for flexibility in the amount allocated from the Lottery Fund to the General Revenue Fund so that the net balance of the Lottery Fund would be zero at the year ended March 31, 2013.

The transfer of funds to certain programs is based on gaming proceeds generated at related gaming facilities, in accordance with government policy direction. For these programs, the amount transferred may differ from the budgeted amount.

The accountability and utilization of Lottery Fund amounts transferred to entities within the Government of Alberta may be determined and confirmed by referencing the respective entity's financial statements.

### NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian public sector accounting standards.

#### Cash Flows

A statement of cash flows is not provided as disclosure in these financial statements is considered to be adequate.

#### Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable and accounts payable are estimated to approximate their carrying values because of the short term nature of these instruments.

### NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term and mid-term fixed income securities with a maximum term-to-maturity of three years. For the year ended March 31, 2013, securities held by the Fund had a time-weighted return of 1.25% per annum (March 31, 2012: 1.29% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

## Notes to the Financial Statements

March 31, 2013

### NOTE 4 RELATED PARTY TRANSACTIONS

Related parties are those consolidated or accounted for on the modified equity basis in the Province of Alberta's financial statements.

All the transactions, except for interest revenue, of the Lottery Fund are considered related party transactions.

### NOTE 5 DUE FROM THE ALBERTA GAMING AND LIQUOR COMMISSION

This amount represents the portion of the revenues from lottery operations which has not been transferred by the Alberta Gaming and Liquor Commission (AGLC) to the Alberta Lottery Fund at year end.

(thousands of dollars)	2013	2012
Due from AGLC, beginning of year	\$ 100,451	\$ 80,549
Proceeds from lottery operations	1,485,205	1,471,014
Transfers from AGLC	(1,492,071)	(1,451,112)
Due from AGLC, end of year	<u>\$ 93,585</u>	<u>\$ 100,451</u>

### NOTE 6 ACCOUNTS PAYABLE

Accounts payable consists primarily of outstanding payments to the Department of Treasury Board and Finance.

### NOTE 7 PROCEEDS FROM LOTTERY OPERATIONS

Proceeds from provincial lotteries received by the Alberta Gaming and Liquor Commission are recorded as revenue of the Lottery Fund after the deduction of related operating expenses.

(thousands of dollars)	2013	2012
Income from gaming terminals	\$ 873,835	\$ 857,428
Income from video lottery terminals	484,451	499,573
Income from ticket lottery	324,614	299,382
Income from electronic bingo	8,390	8,500
Less operating expenses	(206,085)	(193,869)
Proceeds from lottery operations	<u>\$ 1,485,205</u>	<u>\$ 1,471,014</u>

### NOTE 8 BUDGET

The 2013 budgeted expenditures were authorized in total by the *Appropriation Act, 2012* on March 21, 2012.

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