

Working Together

Alberta Gaming and Liquor Commission

2005 2006 ANNUAL REPORT



AGLC
Alberta Gaming and
Liquor Commission


ALBERTA
LOTTERY FUND

A Crown corporation, the Alberta Gaming and Liquor Commission (AGLC) is an agent of the Government of Alberta and operates under the *Gaming and Liquor Act*.

Its structure includes:

- A seven-member Board that is appointed by the government and reports, through the Chairman, to the Minister of Gaming.
 - The Board develops policy, conducts hearings, and makes licensing and registration decisions to ensure that Alberta's liquor and gaming industries are well regulated and well managed to benefit the people of the province. It also ensures the powers and duties of the commission are appropriately carried out through the Chief Executive Officer.
- An administrative arm with six divisions that manages the day-to-day operations of the organization.
 - The Chief Executive Officer of the AGLC's administration reports to the Board and also fills the role of Deputy Minister of the Department of Gaming. This structure creates clear lines of communication and fosters ministry-wide sharing of resources and ideas. It ensures that policy implementation is consistent and that operations run seamlessly and efficiently.

The AGLC's role – through its Board and operating arm – is to administer the *Gaming and Liquor Act*, Regulation and related policy. The AGLC is responsible for licensing and regulating Alberta's liquor industry and charitable gaming activities and conducting and managing provincial gaming activities.

Our Mission

The mission of the AGLC is to ensure that gaming and liquor activities in Alberta are conducted with integrity and social responsibility, and maximize long-term economic benefits for Albertans.

Our Vision

The AGLC, as an agent of the Government of Alberta, works to achieve the vision of the Ministry of Gaming. This vision is to be a province that strives to balance choice and responsibility in its gaming and liquor industries, uses revenues derived from these activities for the benefit of Albertans, and provides opportunity for competition and enhanced service in its gaming and liquor industries.

Our Guiding Principles

- The integrity of gaming and liquor activities will be ensured.
- Gaming and liquor policies will reflect a commitment to social responsibility.
- Gaming and liquor policies will be supported by sound research and consultation with the public and stakeholders.
- The collection and use of gaming and liquor revenue will be open and accountable.
- Gaming activities will meet standards of quality to protect the integrity of gaming activities, provide gaming entertainment value to consumers and help keep gaming dollars in Alberta.
- Alberta's liquor industry will continue to be among the most progressive and competitive in the country and will continue to lead the nation in terms of supply, distribution, pricing and customer service.
- The financial return to eligible groups from charitable gaming and from provincial lotteries is to be maximized for the benefit of Albertans.

Our Values

- Act with integrity and in a fair and impartial manner.
- Strive to balance social and economic responsibilities to the people of Alberta.
- Foster clear, open and courteous communications and consultations with stakeholders.
- Achieve excellence in customer service.
- Nurture a working environment that is characterized by teamwork, collaboration, and open communication.
- Be an innovative and adaptable organization that focuses on continuous improvement in the quality, effectiveness, and efficiency of our products, services and business processes.
- Be responsible stewards of assets entrusted to us, maintaining our accountability to the Province of Alberta.

Table of Contents

Year At A Glance	2
Message from the Chairman	6
The AGLC Board	8
Members of the Board	10
Message from the Chief Executive Officer	12
Who We Are and What We Do	13
Organization Chart	14
Our Purpose and Structure	15
The Year in Review	23
Report of the Auditor General	24
Performance Results At A Glance	25
Liquor Operations	29
2005-06 Highlights	30
Performance Results	36
Gaming	39
2005-06 Highlights	40
Charitable Gaming	44
Tickets, Slots, VLTs and Electronic Bingo	46
Performance Results	48
Financial Statements	57
Auditor's Report	58
Balance Sheet	59
Statement of Operations	60
Statement of Cash Flows	61
Notes to the Financial Statements	62

Year at a Glance

Financial Highlights (\$ millions)	2005-06	2004-05	2003-04	2002-03	2001-02
Gross sales	23,683	21,966	19,817	18,328	16,963
Net profit					
Liquor	603	570	559	535	492
VLTs	695	635	577	594	617
Slot machines	606	549	479	405	322
Electronic bingo	6	5	3	-	-
Tickets	205	183	172	175	166
Other revenue	13	13	13	14	15
Operating expenses	(142)	(129)	(121)	(99)	(83)
Net operating results	1,986	1,826	1,682	1,624	1,529

The AGLC regulates charitable gaming in the province. Except for licensing and registration fees, proceeds (revenues less expenses) go directly to the charities that conduct the events.

Charitable Gaming Proceeds (\$ millions)	2005-06	2004-05	2003-04	2002-03	2001-02
Casinos	172	147	133	122	114
Bingos	38	41	44	46	50
Raffles	35	42	39	30	26
Pull ticket sales	7	8	10	8	10
	252	238	226	206	200



The AGLC has developed standards, guidelines, programs and tools to ensure gaming and liquor activities in Alberta are conducted responsibly and with integrity. To learn more, visit the AGLC's website at www.aglc.gov.ab.ca.

Liquor	2005-06	2004-05
Liquor licenses by class		
Class A (open to the public)	5,160	5,201
Class B (facilities where people pay an entrance fee or buy a ticket)	492	498
Class C (private clubs)	783	779
Class D (retail outlets that sell liquor for off-premises consumption)	1,743	1,713
Class E (liquor manufacturers)	20	17
Private retail liquor stores (included in Class D above)	1,027	994
General merchandise liquor stores (included in Class D above)	94	92
Liquor products available	12,965	12,537
Liquor sales by volume (in hectolitres)		
Spirits	223,546	208,709
Wine	260,400	235,062
Coolers and cider	133,886	134,966
Beer	2,447,587	2,363,630
	3,065,419	2,942,367

Gaming	2005-06	2004-05
Gaming venues		
Licensed bingo facilities	47	52
Charitable casino facilities	17	16
Racing entertainment centres	3	3
Ticket lottery centres	2,280	2,173
VLT retailers and video gaming entertainment centres	1,079	1,110
Charitable gaming licences issued		
Bingo	2,262	1,371
Casino	2,904	2,893
Pull ticket	228	314
Raffle	327	294
Transfers to the Alberta Lottery Fund (\$ millions)	\$ 1,389	\$ 1,260

Highlights

MODERNIZING BOARD GOVERNANCE

The Board of the AGLC completed its second year of work on a comprehensive three-year initiative to modernize the Board's governance model. The new model will assist the Board in achieving a gold standard in Board governance and includes:

- Clearly separating the Chair and CEO functions;
- Establishing three Board committees: audit, finance, and corporate governance and stakeholders; and
- Creating an internal audit function.

BEING RESPONSIBLE

The first full year for our Social Responsibility Division saw many achievements, including:

- the establishment of Responsible Gambling Information Centres in partnership with the Alberta Alcohol and Drug Abuse Commission (AADAC) at casinos in Edmonton and Calgary;
- a new ATM policy for VLT retailers to encourage responsible play – we have been working with retailers to inform them about the policy before it comes into effect;
- assuming responsibility for the Alberta Server Intervention Program (ASIP) on October 25, 2005. The program had previously been managed by a partnership of industry associations.

INFORMATION SECURITY

An internal corporate information security project was initiated. The objective of the project was to enhance the protection of sensitive information.

NEW GAMING FACILITIES

The AGLC works closely with organizations who are planning new gaming facilities to ensure the integrity of the gaming industry. The latest addition to Alberta's major gaming locations is a new casino complex, Deerfoot Casino, in Calgary. Deerfoot Casino has a hotel and a conference centre, and is expected to attract tourists and business people from across Western Canada.

In Grande Prairie, Grande Bingo opened in March 2006. The facility is a partnership between two bingo associations – Swan City Bingo Association and Grande Prairie Bingo Association – and the first private operator in the province.

The Responsible Gambling Information Centre in the Deerfoot Inn and Casino is one of two centres that provides Albertans with information about the cost of play, house advantage and the Voluntary Self Exclusion Program.



REDESIGNED AGLC WEBSITE

At the end of March 2006, the AGLC launched its redesigned website. The website was redesigned with input from stakeholders such as charitable groups and other licensees. It is now easier to use and more engaging for the user. The ease of use and engaging design enhance communications with all stakeholder groups.

www.aglc.gov.ab.ca

NEW TECHNOLOGY

New products and services are continually being researched and monitored by the AGLC. Coin-less slot machines (called TITO – Ticket In/Ticket Out) are being tested in 100 slot machines at the Palace Casino in Edmonton. In conjunction with the new coin-less slot machines, standardized cash management practices are being integrated into casinos to enhance gaming integrity.

The TITO technology will benefit players in a number of ways. For example, players will not need buckets for their coins or have to wait for slot machines to be filled when they run out of coins. In addition, there may be added security for players as they are no longer required to carry and redeem cash.

VIOLENCE IN AND AROUND LICENSED PREMISES - A ROUNDTABLE

The Alberta Roundtable on Violence In and Around Licensed Premises was sponsored by the Minister of Gaming in partnership with the Solicitor General and Minister responsible for Public Security. The AGLC, which licenses and regulates the province's liquor industry, was one of many participants.

On November 22 and 23, 2005, roundtable delegates gathered in Edmonton to explore the issue of violence within the context of bars, nightclubs and other licensed premises and to gather input, information and advice from stakeholders. The roundtable reconvened in Calgary on March 31, 2006 to continue discussions and to identify priorities.

A report from the meetings is available at www.gaming.gov.ab.ca.

PAYMENT PROCESS SIMPLIFIED FOR LICENSEES

The AGLC continuously reviews and improves its processes to ensure its services are offered as efficiently and effectively as possible. As such, the AGLC has been working with banks to expand the direct deposit service for licensees. Licensees have to pay for their liquor shipment before the product can be delivered. Improving the availability of the direct deposit service means increased convenience for licensees.



The Ticket In, Ticket Out (TITO) Team is responsible for planning and facilitating the conversation of casinos to a cashless environment.

Message from the Chairman



With our strong economy and growing population, this year has truly demonstrated the 'Alberta Advantage'. Thousands upon thousands of people are flocking to our province to take advantage of work opportunities in all areas. Retail sales are up, including liquor sales - not to mention gaming revenues - and Alberta now has more liquor retailers and more available products than ever to respond to increased demand.

This past year was one of significant achievement for the AGLC Board. We made great strides in a major, comprehensive three-year initiative to modernize the Board's governance model with the objective of identifying and incorporating best practices for crown corporation boards to achieve a gold standard in Board governance. This initiative was launched in the previous year, but last year saw our efforts come to fruition, culminating in the production of a new board governance manual.

Some of the key highlights of the new modernized governance model involve:

- Having a clear separation of the Chair and the CEO functions;
- Establishing three board committees: audit, finance, and corporate governance and stakeholders;
- Creating an internal audit function that reports functionally to the Audit Committee;
- Hiring independent legal counsel for the Board, while AGLC administration will continue to use Ministry of Justice services;
- Establishing a Code of Conduct and Ethics for all board members;
- Developing a new orientation program for new board members; and
- Providing ongoing education and development opportunities for board members related to their governance and tribunal responsibilities.

It is also important to ensure that the Board of the AGLC consists only of unrelated members. Unrelated Board members are those members who are independent from management and free from any business relationships that would impede their ability to make decisions in the best interests of the AGLC.

Board members will set the appropriate tenor and standards for all management and employees of the AGLC. All Board members are required to sign the Code of Conduct and Ethics on an annual basis, affirming their adherence to a set of rules and conditions that govern their behaviour. Further, to ensure that the Board adheres to good corporate governance practice, all members of the Board will evaluate the Board's performance on an annual basis.

It is expected that Board members, with the assistance of the appropriate Board committee, will review and approve all budgets, annual financial statements and corporate policies. However, Board members also have the responsibility of reviewing and approving the strategic direction of the AGLC. This will be done primarily through an annual strategic planning retreat. The ensuing policy directions will be implemented in the AGLC's three-year business plan and its one year operating plan. Results of these efforts will be noted in the annual report. Good corporate governance is a priority for the Board of the AGLC.

Establishing a separate Board committee to address corporate governance and stakeholder issues underscores the Board's commitment to involving all stakeholders in policy development and implementation. We have always looked for opportunities to hear from our stakeholders and partners, but the new committee confirms that commitment. We look forward to meeting with many of our stakeholders this coming year to learn more about the concerns and issues they face and to hear their ideas and suggestions.

We also collaborated and consulted with other agencies and government departments, as well as industry groups. For example, the Board directed the CEO of the AGLC to form a committee consisting of cross-ministry representatives and the First Nations. The committee was asked to develop policies related to the eligibility and use of proceeds for First Nations casinos that address the unique needs of the First Nations people.

We look forward to working together in future years to provide innovative and socially responsible liquor and gaming activities for Albertans. Whatever we do, the Board takes its commitment to social responsibility seriously and gives it high priority. In this annual report are many examples of programs and projects we have undertaken this past year to support that commitment. In addition to fostering clear, open and courteous communications and consultations with stakeholders, we will continue to act with integrity and in a fair and impartial manner, as we strive to balance social and economic responsibilities to the benefit of all Albertans.

Finally, on behalf of the Board, I would like to thank all the staff for their excellent presentations when they have appeared before the Board.

On behalf of the Board,

Original signed by
Julian Nowicki, Chairman of the Board

The AGLC Board

Top row, from left to right:

Lynn Faulder, Al Evans,
Guy Mathieu, Sandy Dougall.

Bottom row, from left to right:

George Russill, Julian Nowicki,
Patty Whiting.

The AGLC Board



The responsibilities of the AGLC Board are set out in Section 12 of the *Gaming and Liquor Act*. These responsibilities include:

- Ensuring that the powers and duties of the AGLC are appropriately carried out;
- Establishing the policies of the AGLC; and
- Conducting hearings and making decisions respecting licences and registrations. The Board has the powers, privileges and immunities of a commissioner under the *Public Inquiries Act* when conducting a hearing.

Specifically, the Board of the AGLC has three major areas of responsibility in its governance role for the Corporation:

- Policy responsibilities;
- Regulatory responsibilities, as exercised through Administrative Tribunals; and
- Monitoring responsibilities.

Policy Responsibilities. The Board has a significant role to play in developing policy and in advising the Minister of Gaming on policy matters. The Board has become engaged earlier and more intensively in the process of policy development both through the strategic planning process and through consultation with stakeholders and partners. The Board will review input and actively seek input according to the strategy laid out in the stakeholders' consultation and implementation plan. The Board will still receive policy direction from the Minister of Gaming and, in turn, provide policy recommendations to the Minister.

Regulatory Responsibilities. The Board's regulatory responsibilities are prescribed by legislation. In its regulatory role, the Board of the AGLC functions as an Administrative Tribunal. Within the limits of its legislative jurisdiction, the Board conducts hearings, develops and applies policies and rules, and makes decisions on gaming and liquor licences and registrations.

When conducting hearings, the Board of the AGLC has the powers, privileges and immunities of a commissioner under the *Public Inquiries Act*. As a result, the Board may hold an inquiry into any matter related to the *Gaming and Liquor Act*.

On the regulatory side of its responsibilities, the Board of the AGLC only has a reporting accountability to the Minister of Gaming.

Monitoring Responsibilities. In its monitoring responsibilities, the Board of the AGLC is primarily concerned with ensuring that management performs its duties. The Board ensures that appropriate monitoring and control systems are also in place to ensure the integrity of financial reports. The primary vehicle for performing this function is the Board's Audit Committee.

In addition, the Board of the AGLC oversees and monitors the administration of the AGLC by the Chief Executive Officer (CEO). The CEO ensures that policies of the Board are implemented and advises and informs the Board on the operating affairs of the AGLC.

The Board of the AGLC has also established an office of Internal Auditor. The Internal Auditor within the AGLC functionally reports to the Audit Committee and administratively reports to the CEO.

The Internal Auditor operates under a mandate approved by the Audit Committee. The independence of the Internal Auditor is assured by the Audit Committee having the responsibility for the hiring, compensation and performance reviews of the Internal Auditor. The Audit Committee also has a direct relationship with the Auditor General for the Province of Alberta.

Members of the Board

Julian Nowicki, Chairman

Julian Nowicki was appointed as Chair of the Board of the AGLC on December 1, 2004. Julian's career with the Provincial Government spans 39 years. This is Julian's second posting with the Commission - in 1999, he served as Chairman, CEO and Deputy Minister.

Julian's government career began in 1966 in Alberta Lands and Forests, where he held a part-time position as an Aerial Photo Interpreter and Map Checker. This first job introduced Julian to Government, and when he completed his Master of Arts in Geography at the University of Alberta, Julian began to work full-time at Alberta Lands and Forests. From there he moved to Alberta Environment, Alberta Culture, Youth and Recreation, and in 1988 was appointed Deputy Minister of Alberta Recreation and Parks. From there, he went on to be Deputy Minister of Solicitor General, Alberta Community Development, and Alberta Gaming. In 1999, he was appointed as the Deputy Minister of the Executive Council of Alberta.

Alexander (Sandy) Dougall

Sandy Dougall was appointed to the Board of the AGLC in November 2002 and has served as Chair of the Board's Audit Committee since 2003.

Born and educated in Scotland, where he launched his banking career, Sandy has held a variety of senior management positions in retail and business banking. He now divides his time between working as a consultant and volunteering with community and non-profit organizations.

Sandy is a member of the Chinook Rotary Club. He has served on the Calgary Health Region Board of Directors since 1998.

Alexander (AI) Evans

AI Evans was appointed to the Board of the AGLC in November 2002. He has served on the Board's Audit Committee (since January 2003), the Western Canada Lottery Corporation (since June 2004) and the Inter-provincial Lottery Corporation (since October 2004). He is also the co-chair of the Student Financial Assistance Appeal Committee.

AI has a background in management accounting and has completed various courses in project management, corporate management and public supervision. He holds a certificate in automotive technology from the Southern Alberta Institute of Technology and is a Dale Carnegie graduate.

Before his retirement, AI spent 34 years in the petroleum industry, including 14 as a team leader and senior financial coordinator for a major oil company.

Lynn M. Faulder

Lynn Faulder was appointed to the Board of the AGLC on November 5, 2003. She has served on the Board's Audit Committee since December 2003.

Lynn chairs the Edmonton Appeal Panel for the Assured Income for the Severely Handicapped, Widows' Pension and Aids to Daily Living programs. She is a member of the roster of public members appointed to hear appeals and conduct hearings and tribunals under the *Health Professionals Act* and the *Dependent Adults Act*.

Lynn holds a nursing diploma and has worked as a surgical staff nurse. She is a former director of the Royal Alexandra Hospital Foundation and has held executive positions with the Edmonton Federation of Community Leagues.

Guy Mathieu, Q.C.

Guy Mathieu was appointed to the Board of the AGLC in May 2005. He was appointed to the Audit Committee in November 2005.

Guy is the senior partner of his law firm. He is an active member of the Mighty Peace Petroleum Association, the Chamber of Commerce, the Peace River Rotary Club and the Knights of Columbus, among others.

Over the years, Guy has held various positions with committees and charitable organizations in the Peace River Region. He has served as President of the Chamber of Commerce, Rotary Club and Sports Club.

George Russill

George Russill was appointed to the Board of the AGLC in November 2002.

George operates a cattle ranch in Cypress Hills, a community in the south-eastern corner of the province. He is a member of the Elkwater Volunteer Fire Department, and since 1989, has served as a municipal councillor for Cypress County.

George is active in community affairs and has served on various boards and committees. He recently completed a four-year term as a member of the Provincial Court Nominating Committee.

Patricia (Patty) Whiting

Patty Whiting was appointed to the Board of the AGLC in June 2001. She served on the Board of the Western Canada Lottery Corporation from January 2003 to June 2004.

Patty is the president of Whiting Enterprises, a property development and investment company. She chairs the Minister's Advisory Council on Occupational Health and Safety and is a member of the Board of the Kids' Kottage Foundation.

Patty's work experience includes positions with the Workers' Compensation Board and Alberta Public Safety Services. She has served as executive assistant to the Minister of Occupational Health and Safety and as vice-president of international business development at Amtech Chemicals Ltd.

Message from the Chief Executive Officer



Working together has allowed us to make tremendous strides over the past year - whether working with industry, other agencies, other ministries or stakeholders. For both liquor and gaming, revenues are up, providing more liquor revenue to the government's General Revenue Fund and gaming revenue to the Alberta Lottery Fund.

Gathering input and listening to industry members has helped us earn our reputation for responsiveness. For example, since licensees have to pay for their liquor shipment before the product can be delivered, we have been working with a number of banks to expand the more convenient direct deposit service.

In addition, at the request of stakeholders, the AGLC initiated a new streamlined licensing process for casinos and racing entertainment centres that result in three-year licences for those which are in compliance with licensing and due diligence requirements. Previously, the AGLC had issued licences for a single year. To ensure that integrity is maintained in the industry, an annual review process was initiated in conjunction with the three-year licences.

At the end of March 2006, the AGLC launched its redesigned website, developed with input from stakeholders such as charitable groups and other licensees. It is now easier to use and more engaging for the user.

These are only a few examples of the many initiatives that were undertaken during 2005-06 by our committed and hard-working team. The theme of this annual report - working together - celebrates our staff's success. We hear many positive comments from industry members about the energy, effort and excellent customer service displayed by AGLC staff.

We make sure we provide training and development opportunities to help our staff develop professionally and personally. For example, all AGLC staff completed training in responsible gambling awareness. Staff also take advantage of regular Lunch 'n' Learn sessions and workshops on succession planning and career planning, as well as professional development opportunities at various post secondary institutions. We have heard from employees that they appreciate their workplace environment and job opportunities.

Working with others helps us maximize resources and ultimately ensures more effective outcomes. We know that our approach has been successful because 94 per cent of our liquor and 95 per cent of our gaming industry clients have indicated their satisfaction with the level of service provided by the AGLC. We believe this is a remarkable achievement and congratulate our hard-working staff for their efforts.

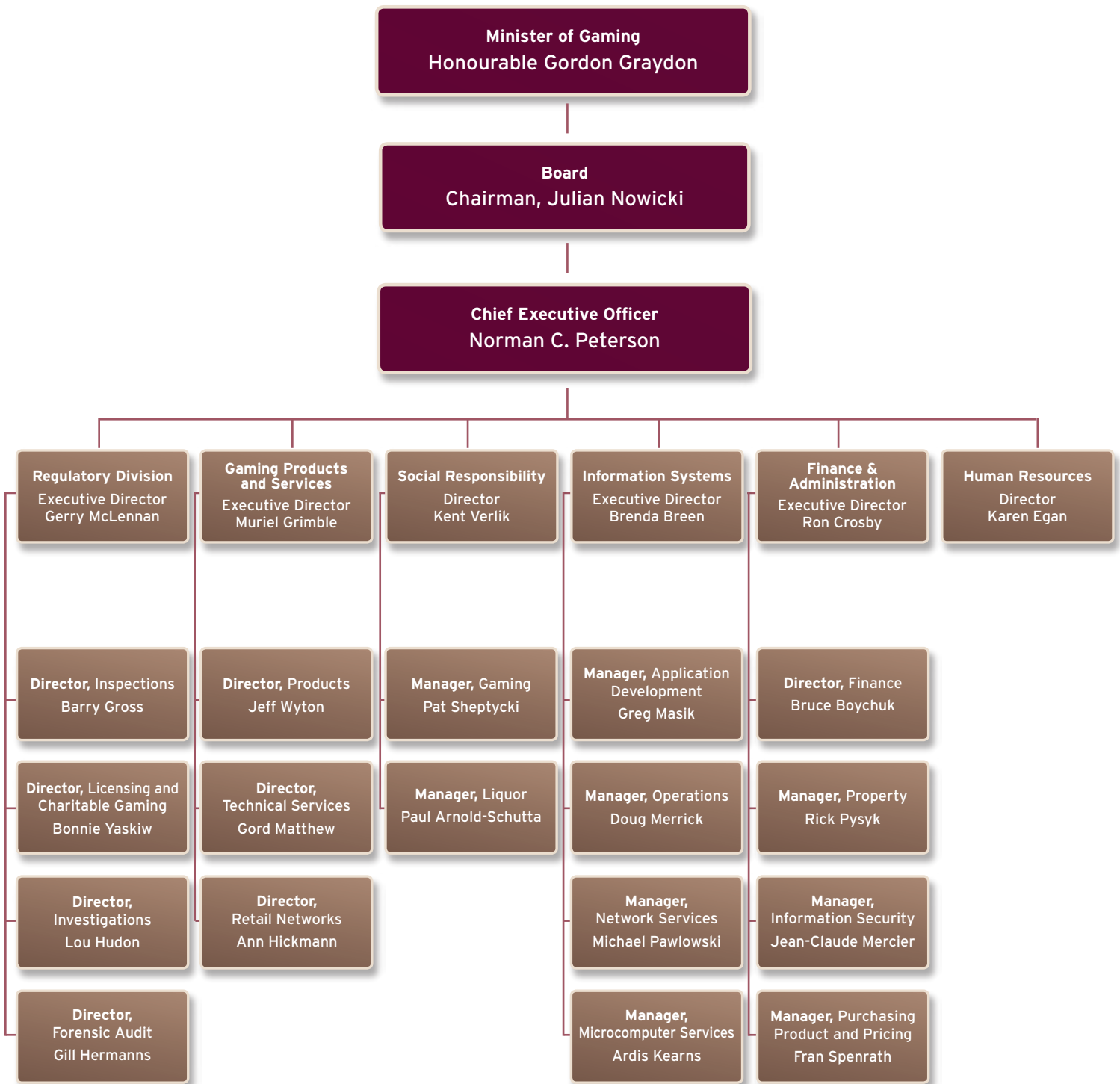
We are living in exciting times in Alberta - times that present their own unique challenges. Staffing shortages are already being felt throughout the province and will likely impact both the liquor and gaming industries, as well as our own corporation. With thousands of newcomers to Alberta each month, we will need to continue developing and implementing campaigns to ensure all Albertans understand the province's unique privatized retail liquor model and the gaming model that benefits Albertans and their communities. With Albertans' increased disposable income, messages about responsible liquor consumption and gaming will need to be emphasized more than ever. We have put in place the innovative models and committed staff to rise to these challenges and others. We look forward to the future.

Original signed by
Norman C. Peterson
Chief Executive Officer



Who We Are and What We Do

Organization Chart



Our Purpose and Structure

The AGLC is an organization within the Ministry of Gaming. The AGLC operates under the authority of the *Gaming and Liquor Act*. Its structure includes:

- A seven-member board that is appointed by the government and reports, through the Chairman, to the Minister of Gaming. The Board develops policy, conducts hearings, and makes licensing and registration decisions to ensure that Alberta's liquor and gaming industries are well regulated and well managed to benefit the people of the province. It also ensures the powers and duties of the commission are appropriately carried out through the Chief Executive Officer.
- An administrative arm with six divisions that manages the day-to-day operations of the organization. The Chief Executive Officer of the AGLC's administration reports to the Board and also fills the role of Deputy Minister of the Department of Gaming. This structure creates clear lines of communication and fosters ministry-wide sharing of resources and ideas. It ensures that policy implementation is consistent and that operations run seamlessly and efficiently.

The AGLC's role - through its board and operating arm - is to administer the *Gaming and Liquor Act*, Regulation and related policy. The AGLC is responsible for licensing and regulating Alberta's liquor industry and charitable gaming activities and conducting and managing tickets, slots, VLTs and Electronic bingo operations.

The AGLC manages and controls the growth of Alberta's gaming and liquor industries responsibly and with integrity. This means that all industry players compete on a level playing field where the rules are fair, clear and consistently applied. It means that sound policy and effective regulation work hand in hand with monitoring and enforcement. It means a commitment to working in partnership with charities and private businesses to deliver high quality services to the public. And it means a commitment to excellence, openness and accountability.

Through all its activities, the AGLC generates revenue for the province and the people of Alberta. It contributes to the growth of Alberta's economy, the prosperity of its communities, and the health, well-being and quality of life for its citizens.

But it isn't all about making money. While the AGLC works hard to maximize the long-term economic benefits of liquor and gaming, it takes its social responsibilities even more seriously. The AGLC sponsors education and awareness programs - both for the public and for industry staff. It supports research about gambling and addictions. It's a partner in the province's container recycling program. And perhaps most important - it ensures that its operations, policies and programs reflect the values of Albertans.

The AGLC respects Albertans' right to make choices and take responsibility for their own affairs. It provides Albertans with a wide range of gaming entertainment options as well as information to help people make informed decisions. It provides gaming and liquor products in secure, licensed venues. It works hard to protect minors, and it respects the rights of communities to make decisions that reflect local interests.

In all its decisions, the AGLC weighs the need for social responsibility against Albertans' right to personal choice and against the economic benefits generated by liquor and gaming.

The Administration

The administrative arm of the AGLC includes 653 employees located in St. Albert (the head office), Calgary, Grande Prairie, Lethbridge, Red Deer and Stettler. It has six divisions:

- Regulatory
- Gaming Products and Services
- Social Responsibility
- Information Systems
- Finance and Administration
- Human Resources

The AGLC also receives services and shares resources with the Department of Gaming's Communications, Strategic Services and Lottery Funded Programs Branches.

Chief Executive Officer

The Chief Executive Officer (CEO) is responsible for the overall operations of the AGLC, as set out in Section 18(2) of the *Gaming and Liquor Act*. Since the creation of the Department of Gaming in 1999, the AGLC's CEO has also served as Deputy Minister of the Department of Gaming.

"We have more than three million stakeholders to listen to so we're probably even more widely held than most of the companies on the Venture 100 List."

– **Norman C. Peterson**, CEO of AGLC in an *Alberta Venture* article dated September 2005 about the AGLC being in the VENTURE 100 List (the province's highest grossing entity)

To enhance effectiveness and efficiency - as well as to get the most value out of existing resources - the AGLC partners with a variety of other organizations, including other government ministries and commissions, police services, municipalities, post-secondary institutions, industry associations and other government-sponsored organizations such as AADAC.

Consultation with stakeholders and members of the public also helps ensure that the programs and activities of the AGLC reflect the values of Albertans. For more information, refer to the AGLC's website at www.aglc.gov.ab.ca.

Staff at the front desk in the Calgary office answer approximately 15,000 calls a year.



Regulatory Division

The Regulatory Division consists of four branches: the Licensing and Charitable Gaming Branch, the Inspections Branch, the Forensic Audit Branch, and the Investigations Branch.

The **Licensing and Charitable Gaming Branch** is directly involved in every detail of the licensing, registration and reporting processes for Alberta's liquor and gaming operations. It registers liquor suppliers, gaming workers and gaming equipment suppliers. It issues licences for the sale of liquor, for charitable gaming activities and for gaming facilities such as casinos and bingo halls. Through the Eligibility Unit, it provides information, counsels charitable organizations about their licence eligibility and helps applicants make their way through the licensing process. The Branch also ensures that charitable groups receive the gaming proceeds they are entitled to, and that they spend the proceeds in an approved manner.

The licensing and registration requirements of the *Gaming and Liquor Act* protect the public by ensuring compliance with federal, provincial and municipal legislation.

Individuals, non-profit groups or companies must be licensed by the AGLC to:

- Own or operate gaming facilities such as casinos, bingo halls, racing entertainment centres or other temporary or permanent venues where gaming is permitted
- Conduct or manage gaming events such as bingos, casino table games, raffles or pull-ticket sales
- Manufacture, sell, store or serve liquor

Individuals and companies must be registered with the AGLC to:

- Be "gaming workers" (as defined in the *Gaming and Liquor Act*)
- Make, sell, advertise or distribute gaming equipment and supplies
- Import liquor

The **Inspections Branch** conducts regular, on-site inspections to ensure that liquor licensees and gaming operations across the province comply with legislation and policy. Bingo and casino operations are inspected by staff with specialized training in the complexities of these types of gaming. If violations are observed, staff complete an incident report that documents their findings and provides the basis for disciplinary action.

The incident reports filed about non-compliant liquor establishments typically concern the following areas:

- Failing to request proof of age from patrons who appear to be under 25
- Selling liquor to minors or allowing minors in age-restricted facilities
- Serving liquor to intoxicated patrons
- Serving liquor after hours

- Failing to maintain an appropriate liquor supplier-licensee business relationship
- Selling illegal liquor

For non-compliance gaming operations, most infractions relate to:

- The use of gaming proceeds for inappropriate purposes
- Raffles or pull-ticket sales conducted in contravention of licence terms

The **Forensic Audit Branch** provides ongoing monitoring to maintain the financial integrity of Alberta's gaming industry. Ongoing monitoring through audits ensures that gaming proceeds are used for AGLC-approved purposes and that gaming operations and record-keeping processes comply with the requirements of legislation and policy. The ultimate goals are to prevent fraud, protect the interests of the gaming industry and its patrons, ensure that Albertans receive the full extent of their gaming proceeds entitlement and keep the criminal element out of the province's gaming industry. The Branch's Due Diligence Unit investigates financial records as part of the background checks conducted on new and existing gaming facility applicants, suppliers of gaming equipment and gaming workers, including casino advisors and raffle ticket managers.

In 2005-06, the Forensic Audit Branch worked on 479 files, including 125 carried over from the previous year. \$11.7 million of charitable gaming dollars were recovered to licensees' gaming accounts.

In 2005-06, the Investigations Branch handled 285 criminal investigations into matters of gaming-related theft, fraud, forgery and cheating at play. As a result, 50 individuals were charged under Canada's Criminal Code. The GIT conducted 84 criminal investigations, 21 of which are ongoing. Twenty-three individuals were charged under the Criminal Code.

The **Investigations Branch** works with police services and other government ministries to investigate Criminal Code offences related to gaming in the province. The Branch's Gaming Investigation Team (GIT) takes a cross-jurisdictional approach to deterring crime in the gaming industry. The team includes staff seconded from Alberta Justice and Attorney General and major Alberta police services. It deals with theft, fraud, cheating at play, afterhours poker clubs, illegal gaming machines, money laundering, loan sharking, bookmaking and other crimes that affect both licensed and unlicensed gaming activities. The Branch also investigates liquor and tobacco-related offences.

A memorandum of understanding with Alberta Finance gives the AGLC authority to investigate fraudulent claims under the *Tobacco Tax Act* and the *Fuel Tax Act*, both of which are administered by Alberta Finance.

In 2005-06, the Branch's tobacco investigation units conducted 220 tobacco smuggling - and tobacco diversion - related investigations. Forty-eight charges were laid under the *Tobacco Tax Act*. The tobacco units visited 1,463 premises where tobacco products were sold. Four retailers were found to be in violation of provincial tobacco legislation.

Gaming Products and Services

Under Canada's Criminal Code, only provincial governments can conduct provincial lotteries and electronic gaming. The Gaming Products and Services Division manages the province's gaming and retail networks and the gaming product mix. It is also responsible for procuring, managing and maintaining thoroughly tested, properly functioning, state-of-the-art equipment for Alberta's gaming industry.

The AGLC owns or leases all the equipment used in the province's gaming venues - including slot machines, VLTs, ticket lottery terminals and electronic bingo units. This equipment is housed by authorized retailers who are paid a commission for their services. Retailers' obligations are outlined in retailer agreements between the AGLC and the retailer.

Responsibility for procuring and maintaining gaming equipment - and managing the retail network within which it operates - rests with the Gaming Products and Services Division.

The Division provides the posters, product information and signage that retailers need for their operations. It tests all gaming equipment before it is sent into the field. It manages installations and provides product and equipment-related training to gaming industry staff. It provides on-site technical support to ensure the province's electronic gaming equipment is kept in good repair. It operates the AGLC's hotline, which is a Stettler-based call centre where gaming retailers can phone for information or get help if they have trouble with their equipment.

New product development, analysis and testing are other functions of the Gaming Products and Services Division. Staff keep abreast of changes in the marketplace and regularly change the mix of games and introduce new games in response to player demand.

The hotline staff located in Stettler provide dispatch and technical support to approximately 2,000 retailers province-wide.



Social Responsibility

The AGLC ensures the delivery of gaming and liquor products is consistent with public expectations and provides benefits for Albertans. Programs and projects related to responsible gaming and the responsible use of alcohol are an important part of the AGLC's operations. The Social Responsibility Division helps the AGLC coordinate its efforts in this regard.

The Social Responsibility Division develops and manages programs and projects that support responsible gaming and the responsible use of alcohol. It coordinates the AGLC's social responsibility initiatives, both within and with outside partners. Through a focused, coordinated policy approach, it ensures the social responsibility requirements set out in legislation and policy are met by the AGLC's staff, by retailers and licensees, and by the public.

The Division works with colleagues across the AGLC to continue to build social responsibility into all operations. It partners with industry stakeholders and with agencies like the Alberta Alcohol and Drug Abuse Commission (AADAC) to create and deliver programs that foster responsible gaming, promote consumer protection, provide education and increase public awareness. It helps develop prevention programs for alcohol abuse and problem gambling.

The Division works with post-secondary institutions and other stakeholders to identify gaming research priorities. It conducts research on topics that range from liquor policy developments in other jurisdictions to Fetal Alcohol Spectrum Disorder, the effectiveness of warning labels on liquor containers, violence in bars, binge drinking, youth drinking and more. Its work provides valuable background for the development of social responsibility initiatives across the province.

The Social Responsibility Division also ensures the AGLC's own staff understand the signs and consequences of gambling addiction and are aware of what the AGLC and its partners do to promote responsible gambling and help prevent problem gambling. By May 2006, 100 per cent of AGLC staff attended awareness training sessions developed by AADAC and the AGLC.

Information Systems

Cutting edge information and communications technology underlies all the operations of the AGLC. It's the competitive advantage that lets the AGLC do its work faster, better and more effectively.

The four Branches of the Information Systems Division provide the technology that supports the AGLC's liquor and gaming operations and its corporate business.

The **Application Development and Support Branch** develops and maintains specialized computer applications that keep the AGLC's day-to-day business on track. For example, stages in the approval of gaming and liquor licences and registrations are monitored and tracked in computerized management systems. Liquor imports are tracked in a specialized customs and excise system. Still another system collects daily inventory and sales information from the province's liquor warehouses. Since all these data collection processes are computerized, AGLC staff have ready access to up-to-date business information.



The Microcomputer Services Branch is kept very busy managing 150 servers and over 1,000 workstations, laptops and printers at gaming facilities, liquor warehouses, and offices throughout the province.

The **Operations Branch** almost never sleeps; its data centre in St. Albert runs 24 hours a day, seven days a week, for 364 days a year (every day except Christmas). The data centre is the heartbeat of the AGLC's operations. It monitors and provides disaster recovery services for the specialized electronic gaming systems that track the minute-by-minute operations of video lottery terminals, slot machines and electronic bingo devices.

The **Network Services Branch** manages a "wide area" telecommunications network that securely connects the AGLC's data centre with more than 1,100 gaming facilities across Alberta. The Branch provides hardware, software and telecommunications services for the AGLC's hotline for gaming retailers.

The **Microcomputer Services Branch** manages a secure network of computers, printers and servers at liquor warehouses and gaming facilities, and in all of the AGLC's corporate offices.

Finance and Administration

Sound financial management and effective business practices provide the foundation for a successful organization. The Finance and Administration Division "manages the money". It ensures the province collects its due share of liquor and gaming proceeds, and administers the flow of funds from the AGLC's safekeeping to the provincial General Revenue Fund and the Alberta Lottery Fund. It analyzes market factors and studies the liquor pricing system to establish the provincial mark-up and the wholesale price for liquor. It provides quality control for liquor warehouse administration.

The Finance and Administration Division also manages the AGLC's purchasing and contract system, payroll and payment processes, property management, and information security.



Maintenance staff takes care of over ¾ of a million square feet of property.

The mailroom staff in St. Albert deals with an average of 350 lbs of incoming and outgoing mail on a daily basis.



Human Resources

The Human Resources Division plans, develops and delivers all human resource programs, policies and practices for the Department of Gaming and the AGLC and promotes the alignment of strategic human resource initiatives with business goals.

The Division manages the delivery of human resource services in the areas of staffing, job evaluation, employee relations, workplace health, performance management, employee recognition, and attraction.

The Division works with the AGLC to implement succession planning and staff retention strategies, and provides staff with opportunities for continuous learning and leadership development.

The AGLC's team takes pride in its work. Year after year, knowledgeable and accomplished employees deliver exceptional service to clients and members of the public. Their commitment to excellence is reflected in the high satisfaction ratings they receive from liquor and gaming industry clients.

Continually Learning...

Here are some examples of the personal and professional learning programs attended by AGLC staff in 2005-06:

- 18 Healthy Choice Lunch and Learn sessions on topics ranging from Eldercare to Winter Driving to Investments.
- Development programs for managers and senior executives at the University of Alberta School of Business.
- Flu immunization and first aid training.

Staff in the Human Resources Division provide support and services to over 700 AGLC and Gaming staff throughout the province.





The Year in Review

Report of the Auditor General on the Results of Applying Specified Auditing Procedures to Performance Measures

To the Members of the Alberta Gaming and Liquor Commission



Management is responsible for the integrity and objectivity of the performance results included in the Alberta Gaming and Liquor Commission's 2005-2006 Annual Report. My responsibility is to carry out the following specified auditing procedures on performance measures in the annual report. I verified:

Completeness

1. Performance measures and targets matched those included in Alberta Gaming and Liquor Commission Business Plan 2005-08. Actual results are presented for all performance measures.

Reliability

2. Information in reports that originated in the Commission matched information used to calculate the actual results. In addition, I tested the processes used to compile the results.

Comparability and Understandability

3. Actual results are presented clearly and consistently with the stated methodology and are presented on the same basis as targets and prior years' information.

I found no exceptions when I performed these procedures.

As my examination was limited to these procedures, I do not express an opinion on whether the set of measures is relevant and sufficient to assess the performance of the Commission in achieving its goals.

Edmonton, Alberta
October 3, 2006

Original signed by Fred J. Dunn, FCA
Auditor General

Performance Results at a Glance

The AGLC's performance measures assess the efficiency, client/public satisfaction and compliance relating to its three core businesses:

1. **License and regulate liquor activities**
2. **License and regulate charitable gaming activities**
3. **Conduct and manage provincial gaming activities**

The performance measures provide quantifiable information expressed as a percentage to:

- Assess and report on progress and achievement;
- Identify what is working well; and
- Identify areas where performance needs improvement.

Following is a summary of the performance results for 2005-06, compared to the previous four years, where data is available. The AGLC met or exceeded its 2005-06 performance targets for seven of the 10 measures. Where the targets were not met, the performance result is within one to two percentage points. These targets are challenging - as they should be. We believe we are doing a good job overall, and will continue to strive to meet all of the targets.

Last year, hotline staff processed over 16,000 calls from retailers.



Performance Results at a Glance

Core Business One: License and regulate liquor activities

Goal One – Liquor licensing activities are effective and efficient

	2005-06	2004-05	2003-04	2002-03	2001-02
Percentage of liquor licences and registrations completed within established timeframes.	100%	99.5%	99.4%	98.8%	99.8%
Percentage of liquor industry clients who are satisfied with the level of service provided by the AGLC.	94.0%	95.0%	94.0%	92.0%	95.0%

Goal Two – Liquor activities are conducted with integrity and in a socially responsible manner

Liquor licensees comply with legislation, regulations and policy.	93.8%*	93.3%*†	Comparative not available		
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* A new methodology was introduced in 2005-06.

† Results for 2004-05 have been restated to reflect the new methodology.

AGLC staff test new liquor products to ensure they adhere to provincial and federal regulations.

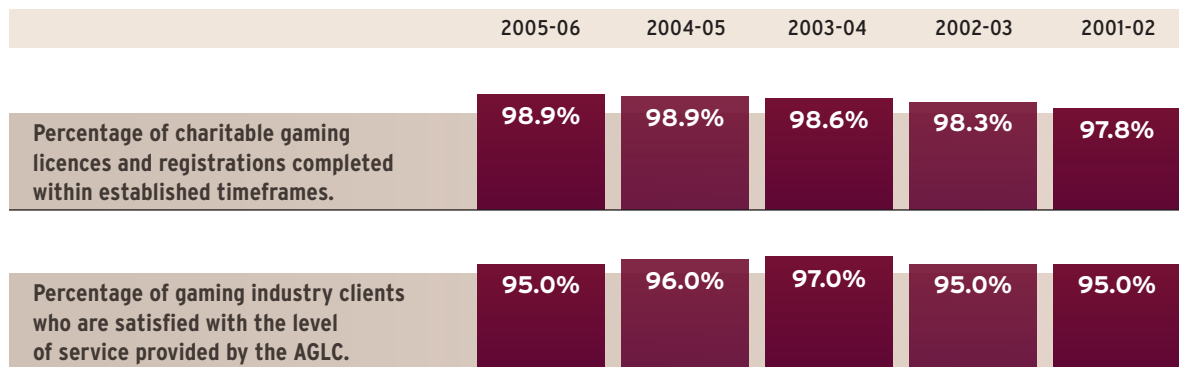


Performance Results at a Glance

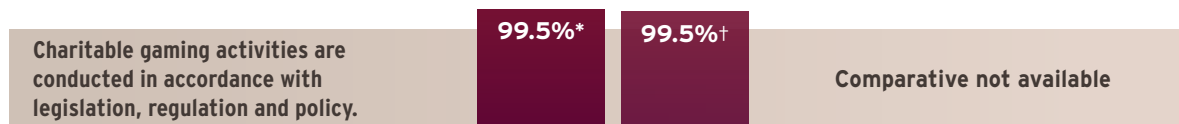


Core Business Two: License and regulate charitable gaming activities

Goal Three – Charitable gaming licensing activities are effective and efficient

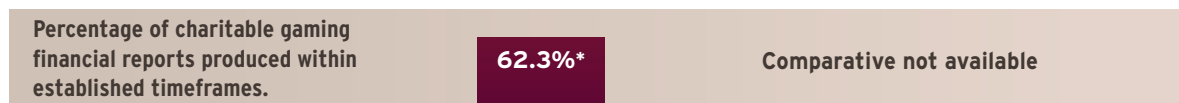


Goal Four – Charitable gaming activities are conducted with integrity and in a socially responsible manner



* In 2005-06, the methodology was changed to include incident reports with penalties from different years.

† The results for 2004-05 have been restated to reflect the new methodology.



* A new methodology was introduced in 2005-06. As such, there is no comparative data available.

Performance Results at a Glance

Core Business Three: Conduct and manage provincial gaming activities

Goal Five – The availability and delivery of gaming products and activities are balanced with consumer demand, social responsibility, and economic benefit to Albertans

	2005-06	2004-05	2003-04	2002-03	2001-02
Percentage of Albertans satisfied with the availability of gaming products and activities.	70.0%	72.0%	Not measured		

*This measure was established in 2004-05.

Goal Six – Gaming operations are effective and efficient

Retailer satisfaction with AGLC services related to VLTs, slot machines and ticket lotteries.	99.0%	97.0%	98.0%	98.0%	98.0%
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Goal Seven – Provincial gaming activities are conducted with integrity and in a socially responsible manner.

Percentage of gaming integrity issues resolved within established timeframes.	90.0%	95.4%	96.2%	97.6%	82.2%
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The lottery ticket kiosk in Calgary's South Centre Mall is one of 2,280 lottery ticket kiosks located throughout the province.





Liquor Operations

Liquor Operations

Gross profit from liquor sales in 2005-06 was \$603 million, compared to \$570 million the previous year. On March 31, 2006 there were 12,965 different liquor products available, compared to 12,537 the previous year. Albertans continue to have more and more choices.

2005-06 Highlights

Sales and Revenues

As of March 31, 2006, there were 12,965 liquor products available to Alberta's 1,027 liquor stores and other liquor licensees. In 2005-06, Albertans purchased approximately 3.1 million hectoliters of liquor. The retail value of these liquor sales totalled \$1.66 billion. \$1.05 billion was distributed to suppliers and other organizations. The AGLC's liquor-related operating and regulatory costs were \$19 million, leaving \$584 million which, along with \$13 million, collected for licences, permits, levies, fines and other charges provided almost \$597 million to the provincial General Revenue Fund.

Licences in Effect at Year-End and Sales

(\$ in thousands)

Licence Class	2005-06						2004-05	
	Licences in Effect	Spirits	Wine	Coolers & Cider	Beer	Total Sales	Licences in Effect	Total Sales
A (hotels, bars and lounges)	5,160	\$69,476	\$23,791	\$8,420	\$204,772	\$306,459	5,201	\$299,117
B (facilities where people pay an entrance fee or buy a ticket)	492	\$1,529	\$477	\$341	\$6,664	\$9,011	498	\$7,302
C (private club)	783	\$783	\$1,387	\$151	\$6,244	\$8,565	779	\$8,980
D (retail outlets that sell liquor for off-premises consumption)	1,743	\$449,589	\$270,491	\$49,657	\$556,289	\$1,326,026	1,713	\$1,229,457
E (brew pubs and liquor manufacturers)	20	-	-	-	\$2	\$2	17	-
Other (duty-free stores, diplomats, liquor agencies, etc.)	-	\$3,562	\$1,116	\$85	\$768	\$5,531	-	\$5,345
	8,198	\$524,939	\$297,262	\$58,654	\$774,739	\$1,655,594	8,208	\$1,550,201

Liquor Operations

The Pricing Structure

Warehouses receive liquor products directly from manufacturers or from suppliers. When a warehouse receives a shipment, the suppliers (or their agents) set a price that reflects the cost of the product. The supplier's price includes the actual cost of the product (that is, the manufacturer's cost) plus the cost of insurance, marketing and promotion, transportation to the warehouse, warehousing charges and a profit margin.

The AGLC calculates a wholesale price that factors in the supplier's price, federal customs and excise taxes and duties, a recycling fee and the provincial mark-up. Mark-up rates depend on product type. They are assigned according to an approved rate schedule that is established by policy and reviewed regularly.

Liquor Mark-Up Rates in Alberta as of June 1, 2006

Spirits, Refreshment Beverages and Wines	\$ Per Litre
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
Wine and Sake (greater than 16% alcohol content)	6.10
Wine and Sake (less than or equal to 16% alcohol content)	3.45
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
Beer *	\$ Per Litre
Beer (less than or equal to 10,000 hectolitres)	0.20**
Beer (greater than 10,000 hectolitres and less than or equal to 200,000 hectolitres)	0.40**
Beer (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
Beer (greater than 400,000 hectolitres)	0.98

* 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 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.

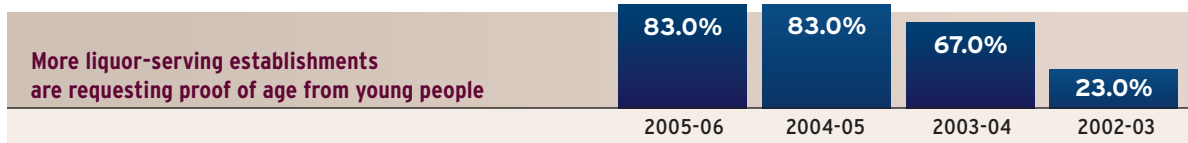
3. A registered agency that has a product produced at only one qualified manufacturer, that qualified Manufacturer having annual world-wide production of all products less than 10,000 hectolitres is eligible for the small brewer rate.

*** Only those beer manufacturers and suppliers that currently, or subsequent to, qualify for the mark-up rate of \$0.40 per litre will qualify for this transition mark-up rate.

Liquor Operations

Awareness Programs

A winner of the 2005 Gold Premier's Award of Excellence, the Under 25 Policy program requires liquor licensees to ask for proof of age from anyone who appears to be under age 25. An awareness campaign has helped improve compliance with the program since it was first established in 2002-03. This program is one of many that demonstrate the AGLC's commitment to ensuring responsible liquor consumption and gaming activities.



Server Training

The Alberta Server Intervention Program (ASIP) was established to provide a mandatory provincially-recognized training program to ensure consistent training among Alberta's liquor licensees and, at the same time, raise awareness about the responsible service of alcohol. ASIP was developed by the liquor industry with the support of the AGLC following considerable consultation with Albertans.

The AGLC works together with licensees to train servers in licensed liquor establishments. Servers are 'front-line' workers who play an important role in promoting responsible liquor consumption. Under ASIP, servers and others involved in the sale of liquor to the public must participate in a training program to help them handle situations including patrons who have had 'one too many'. The training program is available in a number of different delivery methods, including online, public seminars, in-house seminars and self-directed programs.

The AGLC took over responsibility for the program on October 25, 2005. The program had been managed previously by a partnership of industry associations. However industry was convinced that the AGLC was better suited to develop a long-term program strategy as well as a more cost-effective delivery mechanism, and asked the AGLC to take over the program. A stakeholder advisory committee has been formed to give advice on the delivery and content of ASIP programs. The advisory committee consists of members from the Alberta Hotel and Lodging Association, the Alberta Liquor Store Association, the Alberta Restaurant and Foodservices Association, and the Canadian Restaurant and Foodservices Association. Also during the year, work began on a training module for security staff. This module is expected to be launched in 2007.



The ASIP team coordinates the training program for servers and others involved with the serving of liquor to the public. 4,289 participants completed the ASIP program in 2005-06.

Liquor Operations

Don't Drink and Drive - New Version!

The AGLC sponsors a number of awareness campaigns to promote socially responsible drinking. For example, through its membership in the Canadian Association of Liquor Jurisdictions (CALJ), the AGLC developed an advertising campaign to remind Albertans not to drink when using recreational vehicles such as ski-doo's and sea-doo's. Other posters promote the #TAXI service to reduce incidents of drinking and driving. Entering #TAXI on a cell phone finds a local taxi to take a patron home.

Stakeholders' Views on Liquor-Related Violence

How to deal with violent behaviour in and around bars and other licensed establishments was the theme of a consultation sponsored by the Minister of Gaming in partnership with the Solicitor General and Minister responsible for Public Security. The objective of the *Alberta Roundtable on Violence In and Around Licensed Premises* was to gather input, information and advice from about 70 stakeholders – people who work in, own, manage, regulate and protect Alberta's licensed premises. The AGLC was one of many participants. The first roundtable session was held on November 22-23, 2005 and a second session was held on March 31, 2006. The top priorities that emerged during the discussion were:

- Improved education and training
- Potentially higher licensing standards
- More research, especially in areas such as minimum drink prices and happy hour practices

The participants also supported a joint task force approach, including police, fire marshalls, AGLC inspectors, health inspectors and municipal bylaw enforcement officers to spearhead the initiative.



A summary report is available at www.gaming.gov.ab.ca.

Liquor Operations

Wine Not?

We may not be able to grow grapes in our climate, but that doesn't stop Albertan entrepreneurs from looking at opportunities to participate in the liquor industry. Regulations were amended in February 2005 to allow the development of local, homegrown winery operations. In addition to new fruit wine operations established during 2004-05, a new fruit winery opened in Two Hills during 2005-06.

A new microbrewery opened in Edmonton in 2005-06.

The new wineries and microbrewery create more choices for consumers and help diversify the economy.



Since liquor was privatized in 1993, the number of listed liquor products available has increased over 300%. As availability of liquor products has increased, the satisfaction of Albertans with the liquor business remains high – a survey of 1,000 Albertans indicates that 78% are satisfied with the conduct of the liquor business.

Product Search

Through our agent who warehouses and distributes liquor products, Connect Logistics Services (CLS), consumers can now easily find out what liquor products are available in Alberta and where they can be bought. As the warehouse and distributor of wines, liqueurs, coolers, spirits, and imported beer in Alberta, CLS maintains a comprehensive directory of liquor products available in Alberta - the Alberta Liquor Guide (www.albertaliquorguide.com). Check it out!

Liquor Operations

Easier Payments for Licensees

We have been working with a number of banks to expand the direct deposit service for licensees. Licensees have to pay for their liquor shipment before the product can be delivered. There are a number of ways they can pay, including certified cheque, bank draft, money order, cheque supported by bank guarantee letter, and direct deposit. More banks providing direct deposit service will be a convenience for licensees.

Recycling Up

The AGLC is an active participant in the Beverage Container Management Board that regulates the recycling of beverage containers in Alberta. Almost 89 per cent of liquor containers were recycled in 2005-06. For liquor container recycling statistics, consult the board's website at www.bcmb.ab.ca.

Other Consultations

A consultative review of the policy on live entertainment on patios resulted in the AGLC Board approving a change to the policy. As a result of the change, live entertainment is allowed on patios provided there is municipal approval. Other consultative reviews addressed liquor service and consumption in taxis and limousines, and brew pub sales to other licensed premises. By including stakeholders in these discussions, the AGLC can create the most effective means to address issues or concerns.



Going the Extra Mile

AGLC staff are always looking for ways to be helpful. Here is an example of one happy Calgarian who appreciates the effort.

Dave Taylor and his manager Sylvia Hayes in the Customs and Excise Department were helping the wine lover import his own personal collection of wine. With Alberta's innovative, leading-edge approach to the liquor industry, Albertans can import liquor from other countries for personal consumption. There is no cost for the import permit - and it's an easy, single-step process to obtain one. Importers only pay the provincial mark-up and get the benefit of a no-hassle approach.

The customer was so impressed with the service he received, that he wrote a note to Dave:

"All has been sorted out, precious cargo now safely in my cellar. Thanks for the excellent service. I make a point of telling all my out-of-province wine-loving friends that Alberta is the centre of enlightenment when it comes to exercising personal choice, and you and Sylvia exemplify the AGLC's consumer service oriented approach. Alberta puts Ontario and B.C. to shame! In wine, as well as hockey!"

Dave is quick to claim that he did nothing special. "We try to be responsive," he says. "So that means quick replies and quick turnarounds. We try not to bog the process down."

"In Alberta, there is a more open environment," he adds. "We have more latitude - more flexibility - in serving customers. We try to make the process simple, friendly and transparent."

And apparently doing a good job of it, according to this Calgarian.

Performance Results - Liquor

Goal One: Liquor licensing activities are effective and efficient

Performance Measure: Percentage of liquor licences and registrations completed within established timeframes.

The AGLC licenses or registers all individuals or companies that manufacture, import, buy, sell, store or serve liquor. As a result, the number of licences in effect varies from month to month. As of March 31, 2006, there were 8,198 licences in effect.

The timeframe for processing liquor licences and registrations is measured in days calculated from the date a complete application is received by the AGLC to the date the required licence or registration is issued. Different types of applications require different levels of approval, and some applications may take longer than others to process, therefore different target response times apply. The AGLC's performance with regard to application processing is expressed as the percentage of applications processed within established timeframes.

The following tables show that 100 per cent of a total of 2,270 liquor licences and registrations were completed within the target timeframes. This success rate was made possible through a cross-training initiative to train staff to process various kinds of licences and applications. The cross-training allowed staff to be redirected to busier streams, when needed, thus improving organizational efficiency.

The AGLC Meets Targeted Response Times 100 Per Cent of the Time in 2005-06

	2005-06		2004-05		2003-04	2002-03	2001-02
	Target	Result	Target	Result	Result	Result	Result
Percentage of liquor licences and registrations completed within established timeframes	98.0%	100%	98.0%	99.5%	99.4%	98.8%	99.8%

Source: License Management System

Liquor Licences and Registrations Processing Information

Category	Target Response Time	Totals Processed		Processed Within Target Time Frame	
		2005-06	2004-05	2005-06	2004-05
New Licences	21 days	1,215	1,262	100%	100%
Special Event Licences	14 days	1,012	1,049	100%	99.0%
Liquor Agency Registrations	7 days	43	35	100%	100%
Totals		2,270	2,346	100%	99.5%

Performance Results - Liquor

Performance Measure: Percentage of liquor industry clients who are satisfied with the level of service provided by the AGLC.

Client satisfaction was measured through an independently administered telephone survey of a random sample of 379 of 6,359 liquor licensees and 157 of 265 registered liquor agencies. The results were weighted to reflect the relative size of these two subgroups within the liquor industry. There is a 95 per cent certainty that the results are accurate within ± 4.9 per cent.

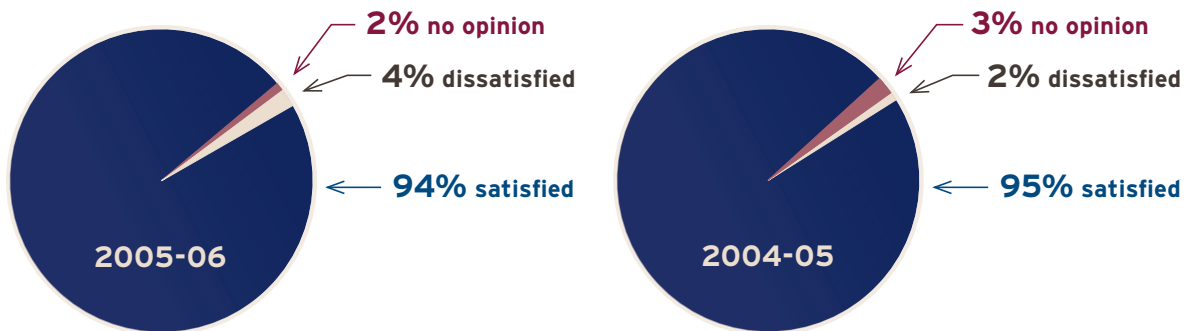
Respondents were asked to rate their satisfaction with AGLC services received in the previous 12 months. Service was rated in five categories: response time, employee knowledge, employee courtesy, ease of access to the service, and staff doing everything they can to assist with the client's needs.

The survey found that 94 per cent of respondents were 'very satisfied', 'satisfied' or 'somewhat satisfied' with the overall services provided, a single percentage point lower than the previous year, but not statistically significant. The AGLC continues to score 'high marks' for customer service, with its emphasis on responsiveness.

AGLC Clients Continue to Have High Satisfaction Rates

	2005-06		2004-05		2003-04	2002-03	2001-02
	Target	Result	Target	Result	Result	Result	Result
Percentage of liquor industry clients who are satisfied with the level of service provided by the AGLC	95.0%	94.0%	95.0%	95.0%	94.0%	92.0%	95.0%

Clients Continue to Rate AGLC Services Highly



Performance Results - Liquor

Goal Two:

Liquor activities are conducted with integrity and in a socially responsible manner

Performance Measure: Liquor licensees comply with legislation, regulations and policy.

Licensee Compliance Calculation

This measure is calculated by dividing the average number of licensees without penalties by the average number of all licensees during the period.

The AGLC is responsible for a range of regulatory activities such as inspections and audits to ensure compliance with provincial laws. In 2005-06, there were over 25,060 inspections conducted, resulting in 419 liquor licensees being issued a penalty, compared to 445 the previous year. Incident reports filed about non-compliant liquor establishments typically document alleged violations and are used to determine disciplinary action, ranging from warnings to monetary penalties or ultimately suspension or cancellation of liquor licences. In 2005-06, the AGLC Board held 37 liquor-related hearings, compared to 48 the previous year. Based on the average number of licences during the year, the vast majority of licensees – 93.8 per cent – met the requirements for compliance.

COMMON NONCOMPLIANCE ISSUES

- failing to request proof of age from patrons who appear to be under 25
- selling liquor to minors or allowing minors in age-restricted facilities
- serving liquor to intoxicated persons
- serving liquor after hours
- failing to maintain an appropriate liquor supplier-licensee business relationship
- selling illegal liquor

Information on licensee penalties is available online at www.aglc.gov.ab.ca.

Liquor Licensee Compliance Reaches 93.8%

	2005-06		2004-05		2003-04	2002-03	2001-02
	Target	Result	Target	Result	Result	Result	Result
Liquor licensees comply with legislation, regulations and policy.	95.0%	93.8%*	95.0%	93.3%*†	Comparative not available		

* The results for 2005-06 and 2004-05 were calculated based on a new methodology which includes licensees issued penalties during the fiscal year for incidents that occurred outside the period.

† Results for 2004-05 have been restated to reflect the new methodology.

Notes: • Licensees consist of five different classes of liquor licensees, as well as registrants and permits.

• In 2005-06, 72% of all licensees were inspected. In 2004-05, 73% of licensees were inspected.

• Cautions (verbal warnings) are not included in the results.

Source: AGLC Disciplinary Action Database

Number of Licensees Rises – Penalties Decline

	2005-06	2004-05
Average number of licensees	6,742	6,678
Number of licensees who received penalties	419	445



Gaming

Gaming

2005-06 Highlights

The AGLC's gaming responsibilities include both charitable gaming and provincial gaming activities. The AGLC is accountable for gaming activities and works with stakeholders and partners to create policies, regulations and educational programs, to ensure safe, responsible gaming.

"The hands-on training and documentation are exactly what I needed. It showed how to do the things we need to know on a daily basis."

– Retailer in training program

Responsible Gambling Information Centres

Discouraging problem gambling is a role the AGLC takes seriously. We launched a pilot project to give casino patrons easier access to responsible gambling information. In partnership with AADAC, we opened a Responsible Gambling Information Centre in Edmonton's Palace Casino in February 2006, with a second centre subsequently opened at Calgary's Deerfoot Casino.

The centres are an on-site source of information and assistance to gamblers. For example, they provide information about the financial cost of play, house advantage and the Voluntary Self-Exclusion Program. The centres are staffed by AADAC-trained counsellors Tuesday to Saturday, from noon to 8:00 pm. Centre staff are also providing awareness and prevention training for casino employees.

Another Way to Encourage Responsible Gambling

Work began during 2005-06 on a new policy to make ATM machines less accessible to VLT players. The policy, implemented in July 2006, requires ATMs to be a minimum of 15 feet from a VLT installation. Research has shown that problem players access ATMs twice as often as recreational players while gaming. So having an ATM further away may encourage responsible play. The AGLC has been working with VLT retailers to educate them about the new policy, why it was enacted and how they can comply.

Under 18? All Bets Are Off! You Bet, We'll Check

According to research by AADAC, over 40 per cent of young people take part in some form of gambling – most commonly scratch and win tickets. In 2005-06, staff began working on an awareness campaign reminding retailers not to sell lottery tickets to minors. The campaign started in April 2006. Materials used in the campaign include newspaper ads, retailer bulletins, articles in Luck magazine and Lotto Line, as well as posters and merchandiser strips.



Gaming

Gaming Training

The AGLC's commitment to social responsibility involves developing and facilitating a number of training programs for gaming staff and VLT retailers. As needs are identified, new programs are developed.

Gaming Training Activities 2005-06

Training Program	Audience	Purpose	# Trained	What's New
Deal Us In	Casino/Racing Entertainment Centre staff	Phase 1 - mandatory awareness training Phase 2 - mandatory training for management and security staff	90 sessions with 1,529 participants	Enhancements to Phase 2 are under development
VLT Responsible Gambling Training	VLT retailer staff	Video on responsible gaming to create awareness of gamblers' myths and how not to promote these myths	2,947	An evaluation will be conducted during 2006-07
Bingo Training and First Nations social responsibility training	Facility operators and staff	To provide awareness of problem gambling and where to find assistance		Under development
VLT/ticket lotteries/slots/bingo	Retailers and facility operators	Training in use of electronic terminals	2,013 (includes slot machines, VLT, ticket, and special projects within these networks)	Training on new products as they are rolled-out, such as Ticket In/Ticket Out (TITO)
Responsible gambling training	All AGLC staff	To ensure staff have an understanding of problem gambling and AGLC's role in educating people on responsible gambling	646	Now offered twice a year to new hires

Ninety-seven per cent of VLT retailer staff who viewed the "Winning Moments" video on problem and responsible gambling stated they found the video realistic and 100 per cent stated they knew how to provide a customer displaying signs of problem play with information.

– VLT Responsible Gambling Retailer Training Program

Comments Made About the Responsible Gambling Awareness Sessions:

- "I actually used the information the very next day. Plus the phrases that were used in the video were very helpful in the way I present information to the public."
- "The interaction with employees from other areas in the company is always beneficial. Gave me an insight into problem gambling."
- "I thought that giving real life examples of people with a gambling addiction really reinforced that this is something to stand up and take notice of. These people are just like you and me; they are our friends and neighbours. Responsible gambling information must be communicated to everyone and we are responsible for getting the information out there."
- "The session was very informative. I gained an understanding of the impact that gambling has on a small percentage of the population. I also gained knowledge regarding the programs that AADAC and AGLC have in place for these people."
- "Learning about the AGLC's involvement in the problems individuals have in gambling. Hearing about the different avenues that are available for the gamblers who are addicted."
- "I found the wide range and detailed information to be most interesting. It brought to light the good and bad parts of gambling and it's good to know that there is help out there for people who need it."

Gaming

A New Tourist Destination

The latest addition to Alberta's casino locations is a new casino complex, Deerfoot Casino, in Calgary. The total number of casinos in Alberta is now 17. This new casino is part of a growing trend toward 'destination gaming', where casinos are typically part of a larger complex including a hotel and a variety of other entertainment options. Deerfoot Casino has a hotel and a conference centre, and is expected to attract tourists and business people from across Western Canada.

Nine other proposed casinos are in the final stages of the rigorous eight-step casino facility licensing process. Seven of these applications are for First Nations casinos. The AGLC works closely with organizations that are planning new facilities to ensure the integrity of the gaming industry. The licensing process ensures that growth is carefully managed and controlled. Applicants must have a detailed business and marketing plan and must also demonstrate that they have considered community impacts. The status of current applications can be found at www.aglc.gov.ab.ca/casinofacilities/newfacilities.asp.

The Deerfoot Inn and Casino, located in southeast Calgary, opened for business on November 21, 2005.



The interior of the Deerfoot Inn and Casino



The River Cree Resort and Casino being built on the Enoch Cree First Nation Reserve, just west of Edmonton.

Gaming

Bingo Facilities

To improve efficiency and enhance net revenues, a number of bingo associations have been amalgamating. This past year, there were three such amalgamations in Edmonton and one in Grande Prairie. The new Grande Prairie facility, called Grande Bingo, which opened in March 2006, is an amalgamation of Swan City Bingo Association and Grande Prairie Bingo Association. They have taken an innovative approach by partnering with a private operator. The new charitable-corporate operating model is expected to:

- Reduce the need for bingo volunteers;
- Stabilize long-term revenues for charities; and
- Provide bingo volunteers and patrons with a modern facility.

The Latest Trends

Players always want new and better games. During 2005-06, we responded to the growing popularity of poker games by approving new games and more poker tournaments at casinos, and poker games at summer fairs. Previously only available at bingo halls, Keno, a lottery game, was introduced at Video Gaming Entertainment Rooms (VGERs) and casinos in 2005.

No More Buckets

That bucket of coins at slot machines will soon be obsolete. The latest technology in coin-less slot machines is being tested in 100 slot machines at the Palace Casino in Edmonton. The coin-less slot machines, commonly known as Ticket In/Ticket Out (TITO), use a printed voucher as payment. This voucher can be used at other slot machines in the same casino or cashed out. TITO reduces hardware malfunctions due to coin jams, decreases machine downtime and increases player satisfaction. Full network implementation is expected to start in August 2006 and be completed in approximately 18 months. In conjunction with the new coin-less slot machines, standardized cash management practices are being integrated into casinos to enhance gaming integrity.

“Service from technicians is excellent. I also appreciate the patience that the Hotline extends to our new waitresses.”

– VLT retailer



The AGLC has over 120 technicians throughout the province. These technicians install, service and maintain electronic gaming devices and related equipment in Alberta.

Gaming

2005-06 Highlights (Charitable Gaming)

In Alberta we have a unique, innovative model that provides opportunities for charitable and religious groups to benefit from gaming activities. Non-profit groups across the province earn millions of dollars to support their programs and activities by conducting bingos and casinos, selling pull-tickets, and holding raffles. The funds from charitable gaming stay in the community - indeed, they help local communities stay vibrant and attractive for residents and newcomers alike.

The AGLC acts quickly to shut down illegal gaming operations to protect the integrity of the gaming industry and the proceeds to charities. For example, in March 2006, the AGLC's Gaming Investigation Team, with assistance from police services, shut down illegal gaming houses in Edmonton and Medicine Hat. In July 2005, following an undercover investigation, bookmaking operations in Edmonton were also shut down.

Web-Based Raffle Licences

In October 2005, the AGLC launched a web-based system for issuing raffle licences under \$10,000. This replaced the previous manual process and is used by registry agents when they issue a raffle licence to a charity. The process helps the agents determine eligibility quickly and keeps information up-to-date.

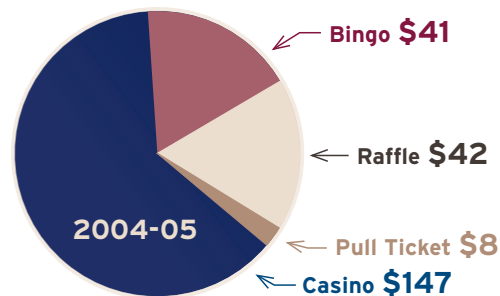
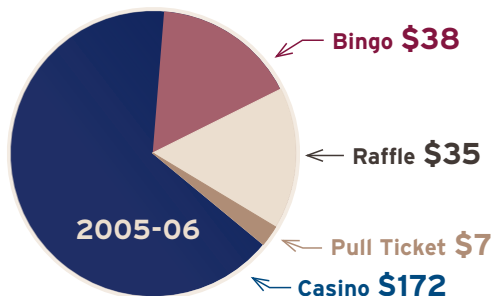
This was the first web-based application launched by the AGLC. Currently under development, Phase Two will allow charities to enter their raffle financial information directly on the AGLC website.

Charitable Gaming Sales and Proceeds

Charitable and religious groups conducting a casino event keep the proceeds from the table games, less a service fee for the facility operator. In a similar fashion, charities keep all the proceeds they earn from bingos, raffles and pull-ticket sales except for operating expenses. Charities also receive a portion of the revenues from slot machines, electronic bingo and Keno. During 2005-06, charities received a total of \$252 million, compared to over \$237 million the previous year.

Gaming Licences Issued and Associated Revenues 2005-06

	Licences	Total Gross (\$000)	Prizes/Winnings (\$000)	Expenses (\$000)	Electronic (\$000)	Keno (\$000)	2005-06 Proceeds to Charity (\$000)	2004-05 Proceeds to Charity (\$000)
Casinos	2,968	752,432	607,858	93,175	120,609	13	172,021	147,142
Bingos	2,329	237,206	151,380	51,740	3,882	429	38,397	40,637
Pull-Tickets	640	35,075	25,689	2,172	-	-	7,214	8,285
Raffles	306	98,469	41,569	22,382	-	-	34,518	41,885
	6,243	1,123,182	826,496	169,469	124,491	442	252,150	237,949



Gaming

Gaming Information for Charitable Groups (GAIN)

Since November 2003, we have been conducting free information sessions throughout Alberta to educate charitable groups about the responsibilities and requirements of holding a gaming licence.

A winner of a Bronze Premier's Award of Excellence in October 2005, the GAIN program offers a general awareness session as well as specialized sessions on request. In response to feedback from participants, a new Use of Proceeds component was developed in 2005-06. This session provides information about:



- how to get approval to spend gaming proceeds;
- how proceeds can be spent; and
- the time limits for spending proceeds.

The AGLC delivered 236 GAIN sessions in 71 communities throughout Alberta during 2005-06. Over 4,500 participants, representing 2,345 charitable groups, attended the sessions. To date, over 13,700 volunteers, representing 7,400 groups, have participated in the program.

"The session actually surpassed my expectations and I am now better aware of my obligations/and support system available. Thank you sincerely."

– Turner Valley Use of Proceeds participant

A GAIN session being conducted in St. Albert. GAIN sessions provide participants with plenty of opportunity to ask questions about charitable gaming policies.



Gaming

2005-06 Highlights (Tickets, Slots, VLTs and Electronic Bingo)

The AGLC conducts and manages ticket lotteries and all electronic gaming devices (slot machines, VLTs and electronic bingo). These activities are delivered by independent retailers, private operators and bingo associations under retailer agreements. The AGLC supplies and maintains the electronic equipment used for tickets, slots, VLTs and E-Bingo.

The AGLC also administers the Alberta Lottery Fund, including the collection and disbursement of revenues. Revenues come from gaming activities such as VLTs, slot machines, electronic bingo and ticket lotteries. The Alberta Lottery Fund supports programs, projects and foundations administered by 14 ministries/offices including the Department of Gaming. The Department of Gaming administers various lottery-funded programs that benefit communities, including the Community Facility Enhancement Program (CFEP) and the Community Initiatives Program (CIP).

Sales and Proceeds

In 2005-06, gross profit from tickets, slots, VLTs and E-Bingo totalled \$1.95 billion, compared to \$1.77 billion the previous year. Of this amount, over \$1.39 billion was deposited in the Alberta Lottery Fund to support volunteer, public and community-based initiatives. Costs of commissions for operators and charities and federal payments amounted to \$440 million, while the AGLC's own gaming-related operating costs were \$123 million. The following table provides a breakdown for each gaming activity.

Revenues and Cost Allocation for Tickets, Slots, VLTs and E-Bingo 2005-06

(millions of dollars)

	VLTs	Slot machines	Electronic bingo	Lottery ticket sales	Total
Revenues	\$ 10,453.9	\$ 11,036.7	\$ 28.2	\$ 508.2	\$ 22,027.0
Prizes	\$ 9,625.7	\$ 10,172.7	\$ 18.6	\$ 258.4	20,075.4
Gross Profit	\$ 828.2	\$ 864.0	\$ 9.6	\$ 249.8	1,951.6
Commissions/ Federal Payments	\$ 133.5	\$ 258.4	\$ 3.1	\$ 45.0	440.0
Expenses					122.5
Net Operating Results					\$ 1,389.1

\$54 Million Jackpot Winners

A group of 17 co-workers from Sedgewick, Alberta were the lucky winners of Canada's largest-ever jackpot in a Lotto 6/49 draw on October 26, 2005. Alberta's portion of the net revenues from Lotto 6/49 is deposited into the Alberta Lottery Fund.



Gaming

Ticket Lotteries

In 2005-06, Albertans could buy seven different types of lottery tickets. They could also play Keno, an electronic ticket lottery game, at 26 bingo halls, 46 Video Gaming Entertainment Rooms (VGERs), and 9 casinos.

Total revenues from ticket lotteries increased almost 12 per cent in 2005-06, compared to the previous year. An increased number of bonus jackpot offerings, the end of the NHL work stoppage, and the introduction of Keno into casinos and VGERs contributed to the revitalization of this form of gaming. In addition, the AGLC, working with the Western Canada Lottery Corporation, reviewed the payout strategy on scratch and win (instant) tickets. By increasing payouts on instant tickets, overall sales increased, which resulted in increased revenue to the Alberta Lottery Fund. The sales for scratch and win (instant) tickets were 21 per cent higher than the previous year.

Ticket Lottery Sales (\$ thousands)

Ticket Type	2005-06	2004-05
Lotto 6/49	165,725	154,268
Instant	134,212	110,932
Super 7	67,499	64,964
Extra	56,138	47,502
Sport Select	39,641	32,216
Western 6/49	30,586	25,518
Pick 3	12,029	11,249
Keno	2,365	1,603
The Plus*	–	6,297
	508,195	454,549

* Discontinued in 2005-06.

Slot Machines

Slot machines feature many different games and levels of prizes. The AGLC regularly introduces new games and changes the mix of games in response to player demand. As of March 31, 2006, there were approximately 489 game titles available.

“Service is terrific
– happy with overall
performance of
technicians”

– Casino operator

Slot Machines and Locations

	Number of slot machines	
	2005-06	2004-05
Casinos		
Edmonton	2,556	2,369
Calgary	3,306	2,179
Rural	2,047	1,843
Racing Entertainment Centres	749	624

VLT Consolidation

According to government policy, there can be no more than 6,000 VLTs in Alberta. As of March 31, 2006, there were 5,981 VLTs at 1,079 retail locations across the province. The number of VLT locations has been reduced by 15 per cent since 2001, with a focus on consolidating terminals in VGERs.

Performance Results - Gaming

Goal Three:

Charitable gaming licensing activities are effective and efficient

Performance Measure: Percentage of charitable gaming licences and registrations completed within established timeframes.

Under the *Criminal Code* and the *Gaming and Liquor Act*, charitable and religious groups must apply for and receive licences to hold casino events, bingos, raffles and pull-ticket sales. In 2005-06, the AGLC issued 4,721 licences for charitable gaming activities.

All gaming workers who are paid to help licensees in either operating a facility or conducting gaming activities must be registered by the AGLC. In 2005-06, there were 6,016 gaming worker registrations of which 3,071 were new registrations.

The timeframe for processing gaming licences and registrations is measured in days calculated from the date a complete application is received by the AGLC to the date the required licence or registration is issued. Different types of applications require different levels of approval and some applications may take longer than others to process, therefore different target response times apply. The AGLC's performance with regard to application processing is expressed as the percentage of applications processed within established timeframes.

During 2005-06, 98.9 per cent of the 10,737 applications for gaming licences and registrations were processed within the targeted timeframes. This compares to 98.9 per cent for 9,909 applications the previous year. Changes to the business process for managing these applications have helped ensure a high success rate. A new Eligibility Unit first determines if an application meets eligibility requirements, and then forwards the application to the appropriate staff, enhancing efficiency.

Gaming Licence and Worker Registration Applications Processed within Target Timeframes

	2005-06		2004-05		2003-04	2002-03	2001-02
	Target	Result	Target	Result	Result	Result	Result
Percentage of charitable gaming licences and registrations completed within established timeframes	98.0%	98.9%	98.0%	98.9%	98.6%	98.3%	97.8%

Licensing Target Response Times for Different Gaming Categories

Category	Target Response Time	Totals Processed		Processed Within Target Time Frame	
		2005-06	2004-05	2005-06	2004-05
Bingo Licences	12 weeks	1,262	1,369	99.8%	99.9%
Casino Licences	12 weeks	2,904	2,888	97.2%	97.5%
Pull-Ticket Licences	4 weeks	228	313	88.6%	89.8%
Raffle Licences	8 weeks	327	293	100%	99.7%
		4,721	4,863		
Gaming Worker Registrations	6 weeks	6,016	5,046	100%	99.9%
		10,737	9,909	98.9%	98.9%

Performance Results - Gaming

Performance Measure: Percentage of gaming industry clients who are satisfied with the level of service provided by the AGLC.

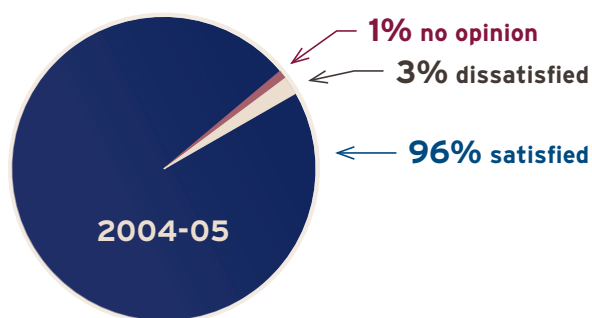
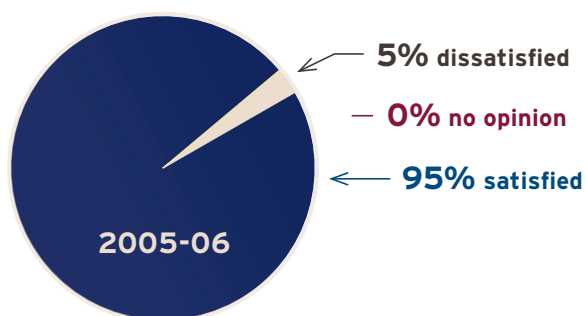
Client satisfaction was measured by an independently administered survey of a randomly selected representative sample of charitable gaming licensees. The sample included 261 of 811 bingo licensees, 325 of 2,093 casino licensees, 134 of 205 pull-ticket licensees and 148 of 240 raffle licensees. The survey method ensured that charitable groups holding more than one type of gaming licence were surveyed only once. The results were weighted to reflect the relative size of each subgroup within the overall population of charitable gaming licences. There is a 95 per cent certainty that the results are accurate within ± 2.9 per cent.

Clients were asked to rate their satisfaction with AGLC services in the previous 12 months. Service was rated in five categories: response time, employee knowledge, employee courtesy, ease of access to the service, and staff doing everything they can to assist with the client's needs. Overall, 95 per cent of respondents indicated that they were satisfied with AGLC service, meeting the target, compared to 96 per cent the previous year. This consistently high level of satisfaction demonstrates the responsiveness of the AGLC, notwithstanding the thousands of clients it serves on an ongoing basis.

Percentage of Satisfied Clients

	2005-06		2004-05		2003-04	2002-03	2001-02
	Target	Result	Target	Result	Result	Result	Result
Percentage of gaming industry clients who are satisfied with the level of service provided by the AGLC	95.0%	95.0%	95.0%	96.0%	97.0%	95.0%	95.0%

Satisfaction of Gaming Industry Clients



Performance Results - Gaming

Goal Four:

Charitable gaming activities are conducted with integrity and in a socially responsible manner

Performance Measure: Charitable gaming activities are conducted in accordance with legislation, regulation and policy.

Compliance of charitable gaming activities is measured by the number of inspections resulting in penalties generated as a result of AGLC inspections of licensed gaming facilities and events. Inspection types and frequencies differ for different kinds of charitable gaming activities and consist of operational, maintenance and site visits.

In the prior year, compliance was measured by the number of inspections resulting in penalties if the incident report and penalty were from the same year. The measure now includes all penalties arising from incident reports generated from AGLC inspections, regardless of when the incident report was generated. The prior year's result has been restated to conform to the new methodology. Incident reports issued in the current year where a penalty is handed out in the following year are now included as part of the next year's result. For example, an incident report generated in 2004-05 with a penalty handed out in 2005-06 is included as part of the 2005-06 result.

Charitable gaming inspections totaled 4,979 in 2005-06. Twenty-six inspections resulted in penalties, representing approximately 0.5 per cent of the total number of inspections. In nearly all cases, inspectors found charitable gaming activities to be in compliance with legislation and policy.

Charitable gaming activities include bingos, casinos, raffles, and pull tickets. In 2005-06, \$252 million was provided to charities through these activities. The proceeds are used by charities to help their local communities stay vibrant and attractive for residents and newcomers.



Performance Results - Gaming

Charitable gaming compliance is higher than targeted

	2005-06		2004-05		2003-04	2002-03	2001-02
	Target	Result	Target	Result	Result	Result	Result
Charitable gaming activities are conducted in accordance with legislation, regulation and policy	95.0%	99.5%*	95.0%	99.5%†	Comparative not available		

* Results for 2004-05 and 2005-06 have been calculated using a new methodology where incident reports with penalties from different years were included in the calculations. Cautions (warnings) are not included in the results.

† The results for 2004-05 have been restated to reflect the new methodology.

Source: AGLC Investigations System

Charitable Gaming Compliance Statistics

	2005-06	2004-05
Inspections Conducted	4,979	5,320
Inspections Resulting in Penalties	26 (0.5% of all licensees)	27* (0.5% of all licensees)
Compliance Rate	99.5%	99.5%*

* 2004-05 results have been restated to reflect the new methodology.

The Casino Licensing Team manages the new casino facility licensing process, the application process for Racing Entertainment Centres, and the expansion or major relocation of licensed casino facilities.



Performance Results - Gaming

Performance Measure: Percentage of charitable gaming financial reports produced within established timeframes.

Only licensed charities and religious groups are eligible for gaming event licences, and only if their gaming proceeds are used for charitable or religious objectives or purposes. Financial reporting procedures apply to the use of charitable gaming funds. Charities that have spent gaming proceeds for purposes that have not been approved are required to return these amounts to their gaming accounts.

Charitable gaming financial reports are prepared by the AGLC and provided to the charitable and religious organizations for review and verification. The timeframe for preparing charitable gaming financial reports is measured in days, calculated from the start date entered into the AGLC's financial gaming review system to the date the report is mailed to the client. The system tracks charitable gaming financial reports and automatically generates a target response time based on the type of report required. Different kinds of reports take different amounts of time. The system also tracks expected and actual report completion dates.

The performance measure below is calculated by dividing the number of financial reports mailed on time by the total number of financial reports. For 2005-06, financial reports were produced within established timeframes 62 per cent of the time.

Financial Reports Completed within Target Timeframe

	2005-06		2004-05	2003-04	2002-03	2001-02
	Target	Result	Result	Result	Result	Result
Percentage of charitable gaming financial reports produced within established timeframes.	N/A*	62.3%**		Comparative	not available	

* The 2005-06 target was stated in the business plan as "Increase over 2004-05 target" which was to establish a baseline. Since a baseline was not established in 2004-05 there is no relevant target for 2005-06.

** A new methodology was introduced in 2005-06.

Source: AGLC Performance Measure Audit Details Report

Financial Reports Response Times for Different Gaming Categories

Category	Target Response Time	Totals Processed 2005-06	Processed Within Target Time Frame 2005-06
Bingo Associations	10 weeks	2,364	66.0%
Community Bingos	10 weeks	453	11.3%
Casinos	20 weeks	2,401	90.7%
Pull Tickets	10 weeks	649	4.8%
Raffles	10 weeks	323	57.6%
Consolidated Gaming Funds financial reports	10 weeks	509	32.4%
		6,699	62.3%

Performance Results - Gaming

Goal Five:

The availability and delivery of gaming products and activities are balanced with consumer demand, social responsibility, and economic benefit to Albertans

Performance Measure: Percentage of Albertans satisfied with the availability of gaming products and activities.

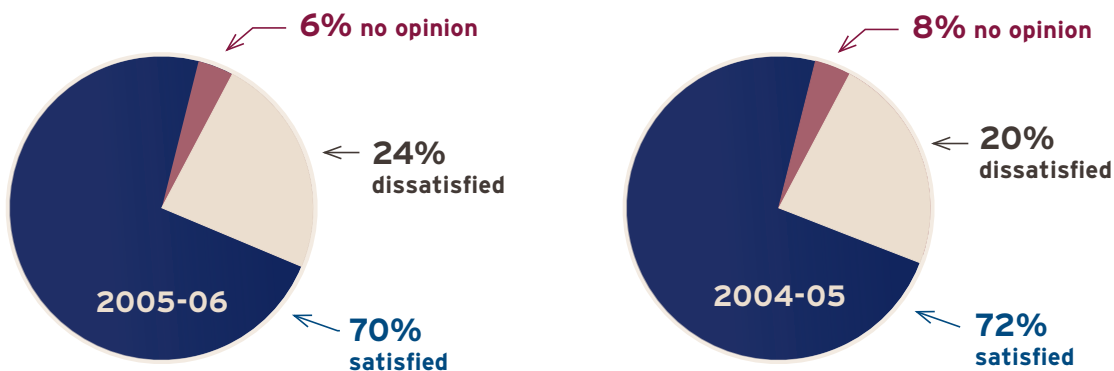
Public satisfaction was measured through an independently administered survey of a representative sample of 1,002 Albertans taken from phone book listings. Statistics Canada data for the 2001 census were used to stratify the sample by region, and by gender and age within each region. This approach ensured that the views of a representative cross-section of Albertans were reflected in the result. There is a 95 per cent certainty that the results are accurate within ± 3.1 per cent.

Seventy per cent of respondents were 'very satisfied', 'satisfied' or 'somewhat satisfied' with the available products and activities. This level is slightly down from the baseline of 72 per cent established in the previous year, but is not statistically significant.

Albertans satisfied with availability of gaming products and activities

	2005-06		2004-05		2003-04	2002-03	2001-02
	Target	Result	Target	Result	Result	Result	Result
Percentage of Albertans satisfied with the availability of gaming products and activities	Increase over 2004-05 result	70.0%	Baseline established	72.0%	Not measured	Not measured	Not measured

Albertans' satisfaction with availability of gaming products and activities



Performance Results - Gaming

Goal Six: Gaming operations are effective and efficient

Performance Measure: Retailer satisfaction with AGLC services related to VLTs, slot machines and ticket lotteries.

To determine this performance measure, the AGLC's retailers' hotline and field repair services for gaming equipment are evaluated. In 2005-06, AGLC staff fielded approximately 110,000 calls to the retailers' hotline, and over 110,000 service calls were made to casinos, racing entertainment centres, VLT premises and lottery ticket centres across the province, including electronic bingo and Keno. The technicians' work included maintaining and upgrading machines, and updating bill acceptor software to handle new currency.

"Techs doing a great job! Appreciate the cooperative efforts."

- Casino operator

Retailer satisfaction with these services was measured through an independently administered telephone survey of a sample that included 280 of 1,016 VLT operators and 331 of 2,153 lottery ticket/Keno retailers and 13 of 26 electronic bingo operators. The results were weighted to reflect the relative size of each of the subgroups within the overall population of provincial gaming retailers. There is a 95 per cent certainty that the results are accurate within ± 3.4 per cent.

Respondents were asked to rate their satisfaction with AGLC services received in the past 12 months. Almost all respondents (99 per cent) were satisfied with the overall service they received, compared to 97 per cent the previous year. Again, this continuing high level of satisfaction demonstrates the success of the AGLC's efforts to provide excellent customer service. In addition to surveying clients every year, the AGLC regularly incorporates changes to its business processes and practices, to ensure it is responsive to clients' needs.

Retailers satisfied with AGLC services

	2005-06		2004-05		2003-04	2002-03	2001-02
	Target	Result	Target	Result	Result	Result	Result
Retailer satisfaction with AGLC services related to VLTs, slot machines and ticket lotteries	95.0%	99.0%	95.0%	97.0%	98.0%	98.0%	98.0%



The AGLC invests in advanced electronic repair technology to support their retailers and customers.

Performance Results - Gaming

Goal Seven:

Provincial gaming activities are conducted with integrity and in a socially responsible manner

Performance Measure: Percentage of gaming integrity issues resolved within established timeframes.

A key mandate of the AGLC is to maintain the integrity of gaming in Alberta. Gaming issues typically involve:

- Disputes about the operation of a gaming device;
- Credit disputes involving players or retailers; and
- Perceived illegal or unethical behavior by gaming retailers or players.

AGLC inspectors resolve the majority of these gaming issues. Issues that cannot be resolved are forwarded to the AGLC Response Team. The Response Team's goal is to resolve issues through fair and impartial review within 30 days. The team reviewed 160 issues in 2005-06, compared to 217 the previous year. Most (90 per cent) were resolved within 30 days.

Gaming issues resolved within 30 days

	2005-06		2004-05		2003-04	2002-03	2001-02
	Target	Result	Target	Result	Result	Result	Result
Percentage of gaming integrity issues resolved within established time frames	90.0%	90.0%	90.0%	95.4%	96.2%	97.6%	82.2%

There were two kinds of situations where resolution took longer than thirty days. The first situation was with a type of incident that had not previously occurred and therefore required more investigation and information gathering. The second reason for longer resolution periods was the monthly schedule for response team meetings. New procedures have now been established for multiple branches of the AGLC to ensure a more timely resolution for new incidents. In addition, team meetings are now scheduled every two weeks.



Financial Statements

Auditor's Report

To the Members of the Alberta Gaming and Liquor Commission



I have audited the balance sheet of the Alberta Gaming and Liquor Commission as at March 31, 2006 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Alberta
May 12, 2006

Original signed by Fred J. Dunn, FCA
Auditor General

Alberta Gaming and Liquor Commission



Balance Sheet

(thousands of dollars)

As at March 31	2006	2005
ASSETS		
<i>Current Assets</i>		
Cash (Note 3)	\$ 138,346	\$ 101,576
Accounts receivable	29,153	23,505
Prepaid expenses and inventories (Note 4)	10,755	7,953
	178,254	133,034
Property, Plant and Equipment (Note 5)	170,388	165,770
	\$ 348,642	\$ 298,804
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable and accrued liabilities	\$ 82,512	\$ 82,232
Due to the Alberta Lottery Fund (Note 7)	61,716	40,512
	144,228	122,744
Due to General Revenues (Note 8)	200,760	172,045
Provision for Loss on Leased Properties (Note 13)	3,654	4,015
	\$ 348,642	\$ 298,804

The accompanying notes are part of these financial statements.

Approved by:

BOARD

MANAGEMENT

Original signed by
Julian J. Nowicki
Chairman of the Board

Original signed by
Norman C. Peterson, CA
Chief Executive Officer

Alberta Gaming and Liquor Commission

Statement of Operations

(thousands of dollars)

For the year ended March 31	Budget 2006 (Note 9)	Actual 2006			Actual 2005
		Provincial Lotteries	Liquor and Other	Total	
REVENUE					
Gaming terminals	\$ -	\$ 11,036,721	\$ -	\$ 11,036,721	\$ 10,351,241
Video lottery terminals		10,453,890	-	10,453,890	9,588,386
Liquor		-	1,655,594	1,655,594	1,550,201
Ticket lottery		508,195	-	508,195	454,549
Electronic bingo		28,188	-	28,188	21,862
		22,026,994	1,655,594	23,682,588	21,966,239
PRIZES AND COST OF PRODUCT					
Gaming terminals		10,172,734	-	10,172,734	9,570,545
Video lottery terminals		9,625,637	-	9,625,637	8,829,161
Liquor		-	1,052,628	1,052,628	980,086
Ticket lottery		258,414	-	258,414	230,965
Electronic bingo		18,616	-	18,616	14,678
		20,075,401	1,052,628	21,128,029	19,625,435
Gross Profit	2,342,382	1,951,593	602,966	2,554,559	2,340,804
Commissions and Federal Payments (Note 10)	(424,239)	(439,990)	-	(439,990)	(398,240)
Other Income (Note 11)	10,375	-	13,047	13,047	12,929
Operating Expenses (Note 12)	(167,024)	(122,548)	(19,298)	(141,846)	(129,110)
Net Operating Results	\$ 1,761,494	\$ 1,389,055	\$ 596,715	\$ 1,985,770	\$ 1,826,383

Alberta Gaming and Liquor Commission



Statement of Cash Flows

(thousands of dollars)

For the year ended March 31	2006	2005
CASH FROM OPERATIONS		
Net operating results for the year	\$ 1,985,770	\$ 1,826,383
Decrease in provision for loss on leased properties	(361)	(469)
Amortization	38,601	35,591
(Gain) loss on disposal of property, plant and equipment	(350)	27
Net change in non-cash working capital balances	(8,170)	(14,813)
	2,015,490	1,846,719
REMITTANCES TO THE ALBERTA LOTTERY FUND	(1,367,851)	(1,248,503)
REMITTANCES TO GENERAL REVENUES	(568,000)	(554,000)
	79,639	44,216
CASH USED FOR INVESTMENT		
Purchase of property, plant and equipment	(43,847)	(31,050)
Proceeds on disposal of property, plant and equipment	978	60
	(42,869)	(30,990)
INCREASE IN CASH	36,770	13,226
CASH, beginning of year	101,576	88,350
CASH, end of year	\$ 138,346	\$ 101,576

Alberta Gaming and Liquor Commission

Notes to the Financial Statements

MARCH 31, 2006

Note 1

Authority And Purpose

The Alberta Gaming and Liquor Commission (the Commission) operates under the authority of the *Gaming and Liquor Act*, Chapter G-1, Revised Statutes of Alberta 2000.

The Commission 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.

Amendments to the *Gaming and Liquor Act*, proclaimed June 24, 2002, allow the Commission to deduct operating expenses from the remittances to the Alberta Lottery Fund and General Revenues. The net proceeds, after the deduction of related operating expenses, arising from the conduct of authorized gaming terminal, video lottery, ticket lottery and electronic bingo in Alberta are remittable to the Alberta Lottery Fund. The net proceeds, after the deduction of related operating expenses, of liquor operations and other income are remittable to General Revenues.

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.

Alberta Gaming and Liquor Commission



Notes to the Financial Statements

MARCH 31, 2006

Note 2 Significant Accounting Policies And Reporting Practices

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles applied on a consistent basis. The preparation of financial statements for a period necessarily involves the use of estimates. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

JOINT VENTURE

Alberta's share of the operations of the Western Canada Lottery Corporation is accounted for as a joint venture using the proportionate consolidation method.

INVENTORIES

Supplies inventories are valued at weighted average cost which is not in excess of net replacement value.

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

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, accounts payable and accrued liabilities are estimated to approximate their carrying values.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated amortization. Amortization is calculated on the straight-line method at annual rates which will reduce the original cost to estimated residual value over the useful lives of the assets, as follows:

Buildings and leasehold improvements	2.5% or 10% (or lease term)
Gaming systems and equipment	10% or 33 1/3%
Video lottery and gaming terminals	14.3%
Furniture and equipment	10% or 20%
Retailer fixtures and signage	20%
Computer software	33 1/3%
Vehicles	20% or 33 1/3%

Property, plant and equipment are not amortized until the assets are put into use.

Alberta Gaming and Liquor Commission

Notes to the Financial Statements

MARCH 31, 2006

(Note 2 continued)

PENSIONS

The Commission participates in multi-employer pension plans with related government entities.

Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for service related to prior years.

REVENUE AND EXPENSE RECOGNITION

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

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 relating to ticket revenues are recognized on the same basis as the 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 revenues.

ALLOCATION OF OPERATING EXPENSES

Operating expenses are allocated against provincial lottery revenue or liquor and other revenue, based on the nature of the expense.

Note 3 Cash

Cash consists 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. As at March 31, 2006, securities held by the Fund have an average effective market yield of 3.96% per annum (March 31, 2005: 2.79% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

Note 4 Prepaid Expenses And Inventories

(thousands of dollars)

	2006	2005
Prepaid expenses	\$ 3,490	\$ 2,064
Gaming parts	6,550	5,130
Supplies	715	759
	\$ 10,755	\$ 7,953

Alberta Gaming and Liquor Commission



Notes to the Financial Statements

MARCH 31, 2006

Note 5 Property, Plant And Equipment

(thousands of dollars)

	2006			2005
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	NET BOOK VALUE
Land	\$ 4,113	\$ -	\$ 4,113	\$ 4,113
Buildings and leasehold improvements	52,363	40,650	11,713	11,789
Gaming systems and equipment	52,323	40,082	12,241	10,923
Gaming terminals	146,654	68,992	77,662	59,998
Video lottery terminals	81,073	29,362	51,711	63,345
Furniture and equipment	36,015	30,680	5,335	5,829
Retailer fixtures and signage	8,896	7,553	1,343	999
Computer software	16,162	10,395	5,767	7,979
Vehicles	2,822	2,319	503	795
	\$ 400,421	\$ 230,033	\$ 170,388	\$ 165,770

Note 6 Defined Benefit Plans

(thousands of dollars)

The Commission participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Commission also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$2,464 for the year ended March 31, 2006 (2005 - \$2,017). The Commission's portion of the Western Canada Lottery Corporation pension expense is \$270 for the year ended March 31, 2006 (2005 - \$215).

At December 31, 2005, the Management Employees Pension Plan reported a deficiency of \$165,895 (2004 - \$268,101) and the Public Service Pension Plan reported a deficiency of \$187,704 (2004 - \$450,068). At December 31, 2005, the Supplementary Retirement Plan for Public Service Managers had a surplus of \$10,018 (2004 - \$9,404). The Commission's portion of the Western Canada Lottery Corporation deficiency as at March 31, 2006 is \$1,022 (2005 - \$26).

Alberta Gaming and Liquor Commission

Notes to the Financial Statements

MARCH 31, 2006

Note 7 Due To The Alberta Lottery Fund

(thousands of dollars)

This amount represents the portion of the revenues from provincial lottery operations which has not been remitted to the Alberta Lottery Fund.

	2006	2005
Due to the Alberta Lottery Fund, beginning of year	\$ 40,512	\$ 29,323
Remittable to the Alberta Lottery Fund	1,389,055	1,259,692
Remittances to the Alberta Lottery Fund	(1,367,851)	(1,248,503)
Due to the Alberta Lottery Fund, end of year	\$ 61,716	\$ 40,512

Note 8 Due To General Revenues

(thousands of dollars)

Due to General Revenues reflects the outstanding balance due to General Revenues from liquor operations and other income, as follows:

	2006	2005
Due to General Revenues, beginning of year	\$ 172,045	\$ 159,354
Net operating results for the year	1,985,770	1,826,383
Remittable to the Alberta Lottery Fund	(1,389,055)	(1,259,692)
Remittances to General Revenues	(568,000)	(554,000)
Due to General Revenues, end of year	\$ 200,760	\$ 172,045

Amounts due to General Revenues are unsecured, non-interest bearing and have no specific terms of repayment.

Alberta Gaming and Liquor Commission



Notes to the Financial Statements

MARCH 31, 2006

Note 9 Budget

The Commission, in its annual business plan, includes its annual budget on a summarized basis. The summarized budget receives approval by the Minister of Gaming and becomes part of the estimates of the Government. The Government Estimates are approved by the Legislature.

Note 10 Commissions And Federal Payments

(thousands of dollars)

	2006	2005
Commissions		
Gaming terminals:		
– Operators	\$ 127,935	\$ 115,573
– Charities	119,997	107,965
Video lottery terminals	124,154	113,816
Ticket lottery	34,665	30,604
Electronic bingo	2,872	2,155
	409,623	370,113
Federal Tax Expenses (a)		
Gaming terminals	10,456	9,385
Video lottery terminals	9,334	8,722
Ticket lottery	3,830	3,608
Electronic bingo	244	218
	23,864	21,933
Payment to Federal Government (b)	6,503	6,194
	\$ 439,990	\$ 398,240

- (a) Taxes are paid to the Government of Canada in lieu of the Goods and Services Tax (GST) on gaming terminal, video lottery, ticket lottery 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 credit is denied under the formula.
- (b) This payment represents the Province of Alberta's share of payments to the Government of Canada as a result of 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 the Western Canada Lottery Corporation on behalf of Alberta, and is based on current population statistics and its share of ticket lottery sales.

Alberta Gaming and Liquor Commission

Notes to the Financial Statements

MARCH 31, 2006

Note 11 Other Income

(thousands of dollars)

	2006	2005
Licences and permits	\$ 5,831	\$ 5,860
Interest revenue	3,950	2,337
Premises rental revenue	764	753
Liquor levies	707	468
Miscellaneous	678	2,718
Retailer service fees	588	561
Gain (loss) on disposal of property, plant and equipment	350	(27)
Fines and violations	179	259
	\$ 13,047	\$ 12,929

Note 12 Operating Expenses

(thousands of dollars)

	2006	2005
Salaries and benefits	\$ 42,381	\$ 37,774
Amortization	38,601	35,591
Leased gaming terminals	15,706	13,334
Data communications	9,903	8,830
Ticket printing	6,819	6,454
Media and media production	6,727	7,796
Equipment and vehicles	5,553	5,821
Fees and services	3,521	2,521
Travel and training	2,552	2,101
Property	2,539	2,393
Insurance and bank charges	1,002	1,005
Data processing	1,583	1,286
Retailer relations	1,388	876
Stationery and supplies	1,308	1,282
Freight and product delivery	1,204	1,134
Miscellaneous	848	676
Presentations and publications	123	154
Product expense	94	85
Overhead and other	(6)	(3)
	\$ 141,846	\$ 129,110

Alberta Gaming and Liquor Commission



Notes to the Financial Statements

MARCH 31, 2006

Note 13 Commitments

(thousands of dollars)

The Commission has a number of lease obligations, including regional offices, gaming warehouses and former retail liquor stores that operate under lease arrangements with terms ranging from one to 26 years. Most of these former properties have been subleased to third parties. The Commission remains liable for the leases should the sublessor default on their obligations to the Commission. The Commission's future minimum lease payments, including its proportionate share of the Western Canada Lottery Corporation commitments, is summarized as follows:

Fiscal	2006-07	\$	1,972
	2007-08		1,801
	2008-09		1,274
	2009-10		1,108
	2010-11		928
	Balance to expiry		3,223
		\$	10,306

Estimated future revenues to be derived from subleases amount to \$5.9 million at March 31, 2006. Provision for loss on leased properties has been made where the payments to be received on the sub-leases are less than the lease payments to be made.

Note 14 Contingencies

For transactions to March 31, 2006 the Commission is a defendant in 8 legal claims (2005 - 11 legal claims) having specified amounts totaling \$143 million (2005 - 9 claims with specified amounts totaling \$140 million, and 2 with no specified amount). Included in the total claims are 5 claims in which the Commission has been jointly named with other entities.

The Commission has a contingent liability in respect of a claim concerning the methodology used to calculate pension benefit payments under the Public Service Pension Plan (PSPP). The claim has been filed jointly and severally against the Province of Alberta and the employers participating in the PSPP. The claim specified an amount of \$1.25 billion.

The resulting loss, if any, from these claims cannot be determined.

Alberta Gaming and Liquor Commission

Notes to the Financial Statements

MARCH 31, 2006

Note 15 Salaries And Benefits

(thousands of dollars)

	2006				2005
	Base Salary (a)	Other Cash Benefits (b)	Other Non-Cash Benefits (c)	Total	Total
Senior Officers					
Chairman (d)	\$ 223	\$ 62	\$ 9	\$ 294	\$ 134
CEO (e)	95	23	3	121	109
Board Members	101	–	–	101	82
Executives					
Executive Director, Regulatory	135	27	30	192	159
Executive Director, Gaming Products and Services	135	22	30	187	159
Executive Director, Information Systems	112	22	26	160	137
Executive Director, Finance & Administration	112	16	25	153	130

(a) Base salary includes regular base pay.

(b) Other cash benefits includes bonuses, vacation payouts, payments in place of pension participation, and lump sum payments.

(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, health care, dental coverage, group life insurance, short and long term disability, professional memberships, and tuition fees.

(d) The Chairman was appointed December 1, 2004.

(e) The Deputy Minister for Gaming also serves as the CEO of the Alberta Gaming and Liquor Commission. A portion of the Deputy Minister's salary is allocated to the Alberta Gaming and Liquor Commission, representing the proportionate amount of time the Deputy Minister spends on Commission business. Full salary and benefits are disclosed in the Department of Gaming financial statements. Previous to December 1, 2004, the CEO also served as Chairman.

Alberta Gaming and Liquor Commission



Notes to the Financial Statements

MARCH 31, 2006

Note 16 Joint Venture – Ticket Lottery Operations

(thousands of dollars)

The joint venture conducted by Western Canada Lottery Corporation is accounted for using the proportionate consolidation method. The Commission has included in its accounts the following aggregate amounts:

	2006	2005
Balance Sheet		
Current assets	\$ 34,252	\$ 24,490
Property, plant and equipment	9,024	10,440
	\$ 43,276	\$ 34,930
Current liabilities	\$ 22,012	\$ 18,332
Investment in joint venture	21,264	16,598
	\$ 43,276	\$ 34,930
Statement of Operations		
Gross profit	\$ 204,877	\$ 183,379
Operating expenses	(25,566)	(25,852)
Net operating results	\$ 179,311	\$ 157,527
Statement of Cash Flows		
Cash from operations	\$ 183,057	\$ 163,024
Cash used for investment	\$ 796	\$ 2,278

Alberta Gaming and Liquor Commission

Notes to the Financial Statements

MARCH 31, 2006

Note 17 Related Party Transactions

(thousands of dollars)

The Commission has the following transactions with Government of Alberta departments for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. The amounts are not included in the financial statements.

Division	2006 Expenses – Incurred by Others (a)				2005
	Accommodation Costs (b)	Legal Services (c)	Internal Audit (d)	Total Expenses	Total Expenses
Regulatory	\$ –	\$ 136	\$ –	\$ 136	\$ 55
Finance and Administration	1	62	61	124	17
Commission Office	–	29	–	29	26
Gaming Products and Services	–	16	–	16	21
Social Responsibility	–	5	–	5	–
	\$ 1	\$ 248	\$ 61	\$ 310	\$ 119

(a) Costs incurred by Alberta Infrastructure and Transportation, Alberta Justice and Corporate Internal Audit Services on behalf of the Alberta Gaming and Liquor Commission.

(b) Net costs for accommodation in St. Albert.

(c) Costs for legal services allocated on hours of service provided.

(d) Costs for dedicated internal audit services provided.

The Commission also had the following transactions with Government of Alberta departments recorded on the Statement of Operations at the amount of consideration agreed upon between the related parties:

Restructuring and Government Efficiency	\$ 233
Risk Management and Insurance	184
Alberta Infrastructure and Transportation	18
	\$ 435

Note 18 Comparative Figures

Certain 2005 figures have been reclassified to conform to the 2006 presentation.

Contact Information

For additional copies of this annual report or the Ministry of Gaming annual report, check the AGLC's website at www.aglc.gov.ab.ca or contact:

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ALBERTA
LOTTERY FUND