

# Annual Report

2013-2014



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

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



Limitless  
PICK UP A 2 PACK of  
**Responsibly**  
COOLERS

Responsibly Citrus  
with Citrus Flavors and the  
refreshing taste of responsible  
hydration is available.

EnjoyResponsibly.ca



Drinking before going out makes for a fun night, right?

PRE-DRINKING      DRINKING

Let's see...      Cheers!

Later...

Not if you spend more time in the bathroom than the dance floor.



Flavors of  
the Finest  
**RESPONSIBLY**  
WHISKEY



PLEASE TRY AGAIN

A SCRATCH TICKET ISN'T  
A GIFT FOR MINORS

GRAB A 3 PACK  
**Responsibly**  
BEER

Responsibly does it  
with local crafted  
ingredients made  
in a single state  
of Wisconsin.



RESPONSIBLY

Not if you end up having a few more than expected.



Drinking before going out is a good time with friends, right?

PRE-DRINKING      DRINKING

Let's see...      Cheers!

Later...

Not if you don't even get into the bar with them.

Responsibly Citrus Flavored  
Vodka has a clean, low-ribs  
taste with a moderate  
sizzle of orange.

EnjoyResponsibly.ca



Drinking before going out makes for a cheap night, right?

PRE-DRINKING      DRINKING

Let's see...      Cheers!

Later...

Not if you end up having a few more than expected.



Every day, Albertans trust us to regulate charitable gaming and liquor activities and to conduct and manage provincial lotteries in both a responsible and sustainable way.

We do so guided by **strong values.**

Integrity  
Respect  
Collaboration  
Innovation  
Excellence



**AGLC**

Alberta Gaming &  
Liquor Commission



# The AGLC



**Susan Green**

Acting Chair, ICD.D

Alberta Gaming and Liquor Commission



**Jim Hansen**



**Thorna Lawrence**



**Bill Anhorn**



**Brent Shervey**



**Bill Clark**



**Bill Robinson**

**Governance  
Board Members**



**Operations**

**Bill Robinson, President & CEO**



**Gill Hermanns**

Chief Financial Officer & Senior VP



**Shane Loxterkamp**

VP, Compliance & Social Responsibility



**Alain Maisonneuve**

VP, Liquor Services



**Niaz Nejad**

VP, Lottery & Gaming Services



**Karen Egan**

VP, Human Resources & Learning & Development



**David Oh**

Chief Information Officer & VP, Innovation  
(assumed role August 2014)



**Jody Korchinski**

Director, Strategic Communications

**Executive**



Serving **Albertans like you!**

## Message from the Chair

**“As we move ahead with our newly defined Vision, Mission and Values, we are confident that the direction the AGLC is taking and the work we are embarking on will ultimately provide better value to Albertans.”**

On behalf of the AGLC, I am pleased to present this Annual Report.

In 2013-14, the AGLC continued to deliver social and economic benefit to Albertans while focusing on revenue growth, innovation and social responsibility. We earned more than \$2.2 billion in gaming and liquor revenue in the last fiscal year. Of this total, nearly \$1.5 billion was derived from provincial gaming revenue and placed in the Alberta Lottery Fund to support thousands of volunteer, public and community-focused initiatives in the province, while \$747 million in liquor revenues was directed to the government's general revenues for important public programs and services.

These numbers are impressive, but they don't tell the whole story. A large part of our work as a Board is about creating opportunities for revenue growth while recognizing and responding to the social impacts of our products and services. It is with that in mind that we have taken a bold and balanced approach to our governance of the AGLC. We are committed to guiding the organization through an exciting time of

technological change and business opportunities by supporting a number of key business-critical initiatives, which you will read more about in this report.

The Board is also committed to fairness and protecting the interests of Albertans through effective policy development and regular hearings. Following the review of liquor manufacturing policies, we have made policy decisions that respond to our stakeholders' needs and reflect the AGLC's emphasis on innovation and growth in the liquor marketplace. As well, in the past year alone, the Board conducted 37 hearings. We now post our decisions on our hearings on our website as another way of educating our stakeholders and improving transparency.

As we move ahead with our newly defined Vision, Mission and Values, we are confident that the direction the AGLC is taking and the work we are embarking on will ultimately provide better value to Albertans. We have made significant steps toward innovation, but we know that much work lies ahead. However, we know that by continuing to listen to and work with our stakeholders, we will achieve extraordinary things.



In closing, I would like to take a moment to acknowledge the Hon. Marguerite Trussler, QC, who left the AGLC as Chairperson in May of 2014 to become Alberta's Ethics Commissioner after nearly seven years of invaluable service. On behalf of the Board and the staff of the AGLC, I would like to extend our thanks and best wishes.

Sincerely,

**Susan L. Green, ICD.D**  
Acting Chair of the Board



## Message from the President and Chief Executive Officer (CEO)



As President and CEO of what is arguably one of the largest gaming and liquor enterprises in Canada, I want to start by putting the spotlight where it belongs – on our staff. Since joining the AGLC, I have been consistently impressed with the team we have, working to bring choices to Albertans that they can trust. Our team is always eager to find new ways to help our customers and stakeholders and is willing to listen and respond. Without this kind of commitment, we would not have been able to accomplish the exciting initiatives we have implemented in the past year.

In order to position the AGLC to better meet the needs of all Albertans, we continued the organizational restructuring of the corporation that began last year and created a business model to take us into the future. One considerable achievement was the creation of the Liquor Services Division which allows us to be more responsive to Alberta's privatized liquor industry.

One of our team's key achievements was the liquor manufacturing policy review, which resulted in new policies focused on growth, innovation and efficiency.

August 2013 marked the completion of AGLC's vlt replacement program which saw all terminals replaced across the province. These new terminals are important to AGLC as they incorporate stronger responsible gambling features and allow us to update a network that had reached the end of its lifespan.

As well, the AGLC launched an online version of our popular Gaming Information for Charitable Groups (GAIN) training session, which provides improved access to training and information. These sessions provide information on gaming licensing, use of proceeds and casino information. Through the new user-friendly online version, 229 Albertans were able to access training.

**“Our team is always eager to find new ways to help our customers and stakeholders and is willing to listen and respond.”**

The AGLC values the views of our many stakeholders. In February 2014, the AGLC implemented a temporary extension of liquor service hours to allow licensees to open earlier during the men's Olympic gold medal hockey game. Entrepreneurs in our hospitality industry were free to choose how they wanted to operate, within those hours, based on market demand. The temporary amendment proved very popular and Albertans responded positively while enjoying the world-class hockey event.

Finally, I'd be remiss if I didn't mention the introduction of a new brand identity and Vision, Mission and Values for the AGLC. They are integral pieces in our efforts to become even more customer service-oriented and responsive to Albertans.

Looking to the future, we expect to announce further modernization initiatives for our gaming industry and will be conducting a review of liquor policies and regulations to further improve the business environment to the benefit of all Albertans.

Sincerely,

**D.W. (Bill) Robinson**  
President and Chief Executive Officer

# The Board and Corporate Governance

## Structure

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

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

## Responsibilities

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

## Monitoring

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

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

From left to right

- William (Bill) Clark
- William (Bill) Anhorn, Q.C.
- Bill Robinson, President and CEO (non-voting member)
- Susan Green, Acting Chair
- James (Jim) Hansen
- Brent Shervey
- Missing: Thorna Lawrence

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



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

## Regulation

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

## Policy

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

## Committees

The Board has four committees to carry out its responsibilities:

<b>Audit Committee</b>	Oversees: <ul style="list-style-type: none"> <li>external financial and performance systems and disclosure;</li> <li>internal and external audit activities; and</li> <li>enterprise risk management and internal controls.</li> </ul>
<b>Finance and IT Committee</b>	Oversees: <ul style="list-style-type: none"> <li>annual business planning and budget process;</li> <li>internal financial and performance reporting systems;</li> <li>enterprise information technology governance; and</li> <li>business continuity and disaster recovery plans.</li> </ul>
<b>Corporate Governance, Stakeholder and Strategic Planning Committee</b>	Supports the AGLC Board to: <ul style="list-style-type: none"> <li>establish, monitor and review the corporate governance processes; and</li> <li>ensure stakeholder relations are maximized.</li> </ul>
<b>Human Resources Committee</b>	Assists the Board to fulfill its obligations with respect to: <ul style="list-style-type: none"> <li>corporate human resource matters; and</li> <li>code of conduct and ethics matters.</li> </ul>

## *Public Interest Disclosure (Whistleblower Protection) Act*

The Alberta Gaming and Liquor Commission established an office responsible for monitoring and responding to reports made under the *Public Interest Disclosure (Whistleblower Protection) Act* and/or our Code of Conduct and Ethics. In 2013-14, there were no disclosures received under the *Public Interest Disclosure Act*.

# Vision, Mission and Values

## **Vision**

Driven by a bold and balanced approach, AGLC will be a leader in creating progressive gaming and liquor experiences trusted and enjoyed by Albertans.

## **Mission**

Our promise is to ensure responsible gaming and liquor choices that deliver economic and social benefit to Albertans.

## **Values**

### **INTEGRITY**

We play by the rules, do the right thing and do what we say we'll do.

### **RESPECT**

We create an environment where each individual is valued and heard, and celebrate the diversity that makes us stronger.

### **COLLABORATION**

Together we are better. Working as a team and with our partners we achieve extraordinary results.

### **INNOVATION**

We imagine the possibilities. We challenge ourselves to look beyond what is to what can be.

### **EXCELLENCE**

We are all leaders. We work with passion, pride and purpose and own our part in the success of the team.



# Strategic Directions

The AGLC's long-term strategy is separated into a number of themes, or strategic directions. Strategic directions guide our business decisions and resource allocation. The following strategic directions are meant to carry us forward for the next three to five years.

- 1 Enhance the charitable gaming model** to ensure charities and communities continue to benefit from the changing Alberta landscape.
- 2 Use our understanding of customer groups** to modernize and transform the gaming experience to broaden the player base and grow revenues in a sustainable way.
- 3 Streamline business processes and services and deliver them** to customers through the most appropriate channel (with preference given to web-based service delivery).
- 4 Invest in technology and continuously improve business practices** to enhance business value, mitigate security risks, ensure accountability and protect revenue.
- 5 Foster a culture of moderation** to prevent and reduce gambling and liquor related harm.
- 6 Leverage partnerships between the AGLC, other government ministries, jurisdictions and stakeholders** to deliver better products, programs and services.
- 7 Continue to build a culture where employees are empowered to actively identify, lead and implement change** to increase organizational efficiency and effectiveness.
- 8 Communicate effectively with Albertans using current and emerging communications channels** to maintain an active dialogue and raise awareness of AGLC programs and services.

# Corporate

The AGLC's role is to administer the *Gaming and Liquor Act*, Gaming and Liquor Regulation and related policies.

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



## 2013–14: Celebrating 20 years of liquor privatization

But the journey started 90 years ago

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**May 10 1924** **PROHIBITION ENDS**

1930's – 1950's

Airplanes flying over Alberta could not serve alcohol

**1951** 63 government-owned liquor stores

**LIQUOR** **First self-serve liquor store opens** **1969**  
Edmonton, AB

**1985** **Wine Boutiques**  
Introduced

**1993** Province privatizes liquor stores.  
**1,000 products available**

**2014** Nearly 19,000 products available

## Where the money goes

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

### **Liquor**

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

### **Provincial Gaming**

We record sales from casino gaming terminals, video lottery terminals (vlts) and electronic bingo and ensure prizes are paid and the appropriate federal taxes remitted. Commissions are paid to retailers/operators. Licensed charities and religious groups are paid a commission from casino gaming terminals in casinos, electronic bingo and Keno during their casino and bingo events. All related AGLC operating costs are deducted and the income from Western Canada Lottery Corporation (WCLC) for ticket lottery in Alberta is added. The net operating results from provincial gaming are transferred to the Alberta Lottery Fund.

### **Charitable Gaming**

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

## Our Divisions

### Corporate Services



**Gill Hermanns**  
**CHIEF FINANCIAL  
OFFICER AND SENIOR  
VICE PRESIDENT**

This division manages all financial and related reporting requirements of the AGLC. These include requirements pertaining to revenue, collections, payments, payroll, procurement and property. Corporate Services also manages the development and integration of strategic, business and results-based planning activities and processes including strategic policy. Additionally, the division is responsible for corporate records management, enterprise risk management, the business continuity plan and ensuring adherence to the Freedom of Information and Protection of Privacy Act (the FOIP Act).

### Compliance & Social Responsibility



**Shane Loxterkamp**  
**VICE PRESIDENT**

This division monitors the integrity of Alberta's gaming and liquor industries in a number of ways including: conducting industry audits, issuing gaming and liquor licences, conducting on-site monitoring and investigation of gaming related offences under the *Criminal Code* (Canada) and provincial offences related to liquor and tobacco, as well as developing and maintaining gaming and liquor policies and reporting on processes used to monitor the integrity of those businesses.

This division also works closely with partners in the liquor and gaming industries to develop and implement social responsibility programs with the aim to reduce alcohol and gambling-related harms and encourage a culture of moderation.

### Liquor Services



**Alain Maisonneuve**  
**VICE PRESIDENT**

Liquor Services oversees the liquor supply chain in Alberta and ensures progressive developments in the industry while building strong relationships with liquor stakeholders. This division monitors the distribution system in Alberta, registers liquor products sold in Alberta, ensures federal customs and excise duties and provincial mark-ups are collected and that applicable legislation is adhered to.

### Lottery & Gaming Services



**Niaz Nejad**  
**VICE PRESIDENT**

This division manages business operations related to the conduct and management of provincial lotteries. Provincial lotteries include video lottery terminals (vlt) in licensed premises, casino gaming terminals in casinos and Racing Entertainment Centres (RECs), electronic bingo in licensed bingo facilities and ticket lottery. Ticket lottery is conducted and managed in collaboration with the Western Canada Lottery Corporation (WCLC). The division ensures the provincial lottery

# Innovation

We imagine the possibilities. We challenge ourselves to look beyond *what is* to *what can be*.

network is secure, operated with integrity and efficiency, and meets revenue expectations. They also monitor consumer trends and emerging gaming technologies as part of a commitment to the long-term sustainability of gaming.

## Human Resources and Learning & Development



**Karen Egan**  
**VICE PRESIDENT**

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

## Technologies & Information Services



**David Oh**  
**CHIEF INFORMATION OFFICER AND VICE PRESIDENT**  
(assumed role August 2014)

This division provides information technology to support AGLC's mandate, strategic activities and technological requirements. They develop and manage systems to deliver key components of the gaming and liquor businesses of the AGLC efficiently and effectively. Additionally, they develop specialized applications and collect and monitor information in support of all business units of the AGLC. Technology and Information Services is also responsible for the management of all corporate priority projects.



We are constantly seeking ways to improve. By growing relationships with our vendors and industry partners, we are able to offer entertaining and innovative products to Albertans.

This past year was a time of change for us as we sought to improve on some key areas:

- **INTRODUCING THE LATEST TECHNOLOGY**

In August 2013 we installed the last terminal in the province-wide vlt replacement initiative which saw the province's terminals updated to provide the best in content and hardware.

Along with enhanced responsible gambling features, the new terminals offer functionality which allows us to keep content current and to provide new games directly from the central system. This cuts down on person hours and allows for timely updates in the field. Steve Lautischer, Director, Gaming Business, sees these changes as integral to the future success of our gaming platforms.

“This technology allows us to be better equipped to react to changing consumer demands,” says Steve. “This ensures that our players are always experiencing the best our games have to offer.”

- **OPTIMIZING PERFORMANCE** Floor optimization efforts were completed at *Northlands Park* and *Evergreen Park*. The primary goal of these efforts was to increase player engagement and satisfaction while increasing revenue. This goal was met by employing creative placement strategies and working with the operators to lay out the electronic gaming floors in a consumer-centric manner. This created areas of casino gaming terminals that shared similar attributes to suit an array of preferences.



- **BRINGING IN NEW PRODUCT** One of six gaming banks offered worldwide, and the only bank available in Canada, the Konami Titan 360 was installed at River Cree Resort & Casino on December 18, 2013. Boasting a 12 foot tall bonus wheel and large metallic rolling balls used to determine bonus prize amount, this game entertains on-lookers and engages players.

These were just a few of the changes that occurred this past year. The next year will undoubtedly see continued innovation and change as we focus on creating value and entertainment for Albertans.

# Measuring Up

We evaluate how effective our programs and services are through performance measurement each year.

We do this by setting goals in our Business Plan and providing the results to the public through this annual report. The results tell us what is working well and where we can improve. Being open and accountable in this way ensures that we keep the trust of our stakeholders and all Albertans by managing the organization in a manner that reflects their views and values.

We measure our performance each year



**Goal 1**

Maintain the **INTEGRITY** of Alberta's liquor industry

**Goal 3**

Sustain the Province's revenue from efficient **LIQUOR** operations

**Goal 5**

Encourage the **Development** of healthy gambling environments that minimize gambling-related harms

**Goal 2**

Encourage a culture of **MODERATION** to reduce alcohol-related harms

**Goal 4**

Maintain the **integrity** of Alberta's **GAMING INDUSTRY**

**Goal 6**

**MAINTAIN** revenues from **gambling** operations by responding to player expectations and changes in the environment

## Performance at a glance

In 2013–14, we met or exceeded 9 of our 15 performance measures as summarized below:

		<b>GOAL 1</b> Maintain the integrity of Alberta's liquor industry		<b>GOAL 2</b> Encourage a culture of moderation to reduce alcohol-related harms			<b>GOAL 3</b> Sustain the province's revenue from efficient liquor operations	
<b>Performance Measure</b>	<b>a</b>	Percentage of liquor licensees who comply with legislation, regulation and policy	<b>b</b>	Percentage of Albertans satisfied that liquor is provided in a responsible manner	<b>a</b>	Percentage of Albertans aware of prevention and harm reduction programs for problem drinking	<b>b</b>	Percentage of Albertans that drink alcohol in moderation
					<b>c</b>	Percentage of Albertans satisfied with the safety and security in and around licensed premises	<b>a</b>	Percentage of Albertans satisfied with the safety and security in and around licensed premises
							<b>a</b>	Liquor and other net operating results (thousands of dollars)
<b>2013–14 Target</b>		95%	91%	88%	92%	91%	\$708,415	95%
<b>2013–14 Result</b>		<b>96.4%</b>	90%	<b>94%</b>	87%	89%	<b>\$747,026</b>	93%



<b>GOAL 4</b> Maintain the integrity of Alberta's gaming industry			<b>GOAL 5</b> Encourage the development of healthy gambling environments that minimize gambling-related harms			<b>GOAL 6</b> Sustain revenues from gaming operations by responding to player expectations and changes in the environment	
<b>a</b>	<b>b</b>	<b>c</b>	<b>a</b>	<b>b</b>	<b>c</b>	<b>a</b>	<b>b</b>
Percentage of charitable gaming activities conducted in accordance with legislation, regulation and policy	Percentage of Albertans satisfied that the gaming activities they participated in were provided fairly and responsibly	Percentage of gaming integrity issues resolved within established time frames	Percentage of Albertans aware of prevention and harm reduction programs for problem gambling	Percentage of Albertans that gamble responsibly	Percentage of Albertans satisfied that licensed gaming venues are safe and responsible environments in which to gamble	Gaming net operating results (thousands of dollars)	Percentage of Albertans satisfied with the availability of gaming products and services
99%	94%	97%	83%	97%	70%	\$1,483,671	80%
<b>99.6%</b>	<b>93.2%</b>	<b>98.6%</b>	<b>85%</b>	<b>97%</b>	<b>73%</b>	<b>\$1,484,547</b>	<b>79%</b>

1 The results reported in 2a in the table above are based on a survey question which asked respondents about their awareness of *prevention and treatment programs for alcohol abuse*. Therefore results may not be directly comparable to the target. The 2014-15 survey questionnaire will be reworded to align with the Business Plan as worded above; *awareness of prevention and harm reduction programs for problem drinking*.

2 The results reported in 4b in the table above are based on a survey question which asked respondents about their satisfaction *that the gaming activity they participated in was provided fairly and in a responsible manner*. Therefore results may not be directly comparable to the target. The 2014-15 survey questionnaire will be reworded to align with the Business Plan as worded above; *percentage of Albertans satisfied that the gaming activities they participated in were provided fairly and responsibly*.

3 The results reported in 5a in the table above are based on a survey question which asked respondents about their *awareness of prevention and treatment programs for problem gambling*. Therefore results may not be directly comparable to the target. The 2014-15 survey questionnaire will be reworded to align with the Business Plan as worded above; *awareness of prevention and harm reduction programs for problem gambling*.



# Liquor

We've collaborated with our partners to ensure that Albertans have **choices**.

**18,782**  
Products



Available at over **7,068 licensed venues**



270,242  
hectolitres  
of spirits



402,732  
hectolitres  
of wine



239,205  
hectolitres  
of coolers & ciders



2,772,402  
hectolitres  
of beer

3,684,581  
hectolitres  
of liquor



2.3%  
increase  
over 2013

Sales by volume (in hectolitres as at March 31, 2014).

## VALUES SPOTLIGHT

# Collaboration

Together we are better. Working as a team and with our partners, we achieve extraordinary results.

Our first priority is ensuring Alberta's liquor and gaming industries are well-regulated and well-managed to benefit Albertans. And in order to do that well, we need to listen to them. That's why last year we embarked on a stakeholder consultation to determine what changes we should make to our Class E (manufacturing) licensing.

Up to December 2013, small brewers had to meet minimum production requirements in order to operate in Alberta. To create an environment to allow small entrepreneurs to thrive, the AGLC removed those requirements allowing companies like Tool Shed Brewing Co. to set up very small breweries right here in Alberta rather than having their products produced by other suppliers for them.

### Working with our stakeholders

We embarked on a year-long consultation process in 2012. **As a result, on December 5, 2013**, we made things a little easier for small liquor manufacturers in Alberta. The changes include:

- eliminating the minimum production capacity requirements;
- allowing off-site aging warehouses for distilleries;
- permitting manufacturers to have off-sales at the location of their choice;
- allowing cottage wineries to produce braggot (mead made with malt and honey);
- streamlining the administrative process where possible; and
- creating the industry liaison role, which assists all current and prospective Class E licensees.

The consultation process also drew attention to resources that we already have available for craft manufacturers, such as Becky Barker, Manager, Liquor Planning and Reporting, who works with liquor manufacturers to ensure their road to becoming licensed is smooth by helping them coordinate all of the different pieces it requires. She usually helps to coordinate two or three licences a year. In the last two years, she has coordinated 20 licences.

"The changes have made my job very exciting," says Becky. "The craft manufacturing industry has changed a lot in the last five years alone – it's



definitely growing, and the Class E changes provide more opportunities for small business in Alberta.”

### Coming home

It's not every day that someone is so excited about news from the AGLC that they ask to shake someone's – anyone's – hand.

When Tool Shed Brewing Co.'s Graham Sherman and Jeff Orr got into the beer brewing industry, their goal was to bring quality Albertan craft beer to Albertans. However, they were unable to brew in Alberta due to the minimum production requirements in place for manufacturers.

It's safe to say that they were excited about the Class E changes. Upon hearing the announcement, Graham tweeted the AGLC's corporate account asking if he and Jeff could come thank the AGLC in person. They drove to our St. Albert office from Calgary and picked up a hard copy of the licence application that very same day.

“Since this change happened, we were able to immediately purchase a system and start building our brewery here in Alberta,” says Graham.



“The craft manufacturing industry has changed a lot in the last five years...and the Class E changes provide more opportunities for small business in Alberta.”

- **Becky Barker**  
Manager, Liquor Planning and Reporting

## Performance measures – Liquor

### Being accountable

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

### Business Plan goals



## Highlights and key facts

### Liquor licences

The AGLC issues licences to companies and individuals for the sale and service of liquor. There were 8,488 liquor licences in effect on March 31, 2014, excluding special event licences. This compares to 8,424 licences in effect the previous year.

#### Liquor licences by Class (at March 31, 2014)

	2013-14	2012-13	2011-12	2010-11	2009-10
<b>Class A</b> (open to the public)	5,099	5,067	5,094	5,087	5,059
<b>Class B</b> (facilities where people pay an entrance fee or buy a ticket)	567	554	542	540	523
<b>Class C</b> (private clubs)	798	795	793	793	793
<b>Class D</b> (retail outlets that sell liquor for off-premises consumption)*	1,990	1,978	1,960	1,942	1,868
<b>Class E</b> (liquor manufacturers)	34	30	26	25	22
<b>Total</b>	<b>8,488</b>	<b>8,424</b>	<b>8,415</b>	<b>8,387</b>	<b>8,265</b>
<b>Private Retail Liquor Stores</b> (included in D above)	1,329	1,312	1,285	1,250	1,176
<b>General Merchandise Liquor Stores</b> (included in D above)	91	93	96	94	92

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

### Special Event Licences

Special event licences allow the holder to serve liquor at a public or private function (for example, at a wedding reception in a community hall). The licence holder may be an individual, non-profit organization, company or municipality. These licences are not required for functions held at private residences unless liquor is sold at the function. Special event licences may be obtained from retail liquor stores, general merchandise liquor stores, general off-sales rooms or the AGLC offices in St. Albert, Calgary, Grande Prairie, Red Deer and Lethbridge. The total number of public resale licences issued was 994. The total number of private resale licences issued was 288.



## Liquor products available (as at March 31, 2014)

Under the private liquor retail model in Alberta, market demand determines which products are available to consumers. Nearly 2,000 liquor retailers offer a wide choice and excellent access to liquor products province-wide. Consumers in Alberta have unparalleled choice in liquor products with nearly 19,000 spirits, wines, beers, coolers and ciders to choose from.

### Liquor Products Available

	2013-14	2012-13	2011-12	2010-11	2009-10
Spirits	3,716	3,310	3,001	2,844	2,727
Wine	12,321	12,054	11,407	11,342	11,674
Coolers/Cider	389	361	367	338	313
Beer	2,356	2,193	1,672	1,405	1,249
<b>Total</b>	<b>18,782</b>	<b>17,918</b>	<b>16,447</b>	<b>15,929</b>	<b>15,963</b>

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

	2013-14	2012-13	2011-12	2010-11	2009-10
Spirits	\$ 722,705	\$713,910	\$663,656	\$643,763	\$634,262
Wine	516,528	494,658	450,746	426,468	403,218
Coolers/Cider	108,473	89,533	75,156	66,680	70,751
Beer	1,055,008	1,002,560	959,647	896,571	946,542
<b>Total</b>	<b>\$2,402,714</b>	<b>\$ 2,300,661</b>	<b>\$ 2,149,205</b>	<b>\$ 2,033,482</b>	<b>\$ 2,054,773</b>

### Liquor Sales by Volume (in hectolitres)

	2013-14	2012-13	2011-12	2010-11	2009-10
Spirits	270,242	271,571	255,396	253,472	243,862
Wine	402,732	389,045	363,789	346,898	326,321
Coolers/Cider	239,205	198,616	167,263	144,370	146,983
Beer	2,772,402	2,742,474	2,720,865	2,610,874	2,705,264
<b>Total</b>	<b>3,684,581</b>	<b>3,601,706</b>	<b>3,507,313</b>	<b>3,355,614</b>	<b>3,422,430</b>

### Liquor and Other Net Operating Results (\$ thousands)

<i>Liquor and Other Net Operating Results (in thousands)</i>	2013-14	2012-13 <sup>a</sup>	2011-12 <sup>a1</sup>	2010-11 <sup>a1</sup>	2009-10 <sup>b</sup>
<b>Net Operating Results – transferred to General Revenue Fund</b>	<b>747,026</b>	728,729	700,997	684,534	715,805

a Accounting based on International Financial Reporting Standards

1 Restated

b Accounting based on Canadian Generally Accepted Accounting Principles



## Liquor Mark-up Rates

On behalf of the Government of Alberta, the AGLC collects mark-up on all liquor products sold in Alberta. Mark-up rates depend on product type and per cent of alcohol by volume, and are included in the wholesale price of liquor products. Mark-up rates are applied according to this mark-up schedule:

<b>As of March 31/14</b>	
<b>Spirits, Refreshment Beverages and Wine</b>	<b>\$ per Litre</b>
Spirits (greater than 60% alcohol content)	17.87
Spirits (greater than 22% and less than or equal to 60% alcohol content)	13.30
Spirits (less than or equal to 22% alcohol content)	9.90
Refreshment Beverages (greater than 8% and less than or equal to 16% alcohol content)	4.05
Refreshment Beverages (greater than 1% and less than or equal to 8% alcohol content)	1.35
Wine and Sake (greater than 16% alcohol content)	6.10
Wine and Sake (less than or equal to 16% alcohol content)	3.45
Wine and Mead (sold from cottage winery/meadery farm gates and/or farmer's markets)	0.70
<b>Beer Annual Worldwide Production*</b> (less than or equal to 11.9% Alcohol by Volume)	<b>\$ per Litre</b>
Less than or equal to 20,000 hectolitres	0.20**
Greater than 20,000 hectolitres and less than or equal to 200,000 hectolitres	0.40**
Greater than 200,000 hectolitres and less than or equal to 400,000 hectolitres	0.40 on sales in Alberta up to and including the first 200,000 hectolitres***
	0.98 on sales in Alberta for the next 200,000 hectolitres up to and including 400,000 hectolitres
Greater than 400,000 hectolitres	0.98
<b>Beer greater than 11.9% by volume</b>	<b>\$ per Litre</b>
Beer (greater than 11.9% and less than or equal to 16% alcohol content)	4.05
Beer (greater than 16% and less than or equal to 22% alcohol content)	9.90
Beer (greater than 22% and less than or equal to 60% alcohol content)	13.30

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

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

- 1 A qualified manufacturer, under the beer mark-up policy, is defined as:
  - a An Alberta licensee holding a Class E Manufacturer (Brewery) Licence issued in accordance with the *Gaming and Liquor Act*, Gaming and Liquor Regulation and related AGLC policies; or
  - b A person who owns/leases, operates and controls an establishment for making liquor outside of Alberta who meets the following requirements of a Class E Manufacturer (Brewery) in Alberta:
    - i 5,000 hectolitres minimum annual production capacity;
    - ii all beer must be manufactured on site;
    - iii fermentation, maturation and storage tanks with a minimum of 10 hectolitres capacity each;
    - iv there must be a weekly minimum of 50 hectolitres overall fermentation, maturation and storage capability and there must be space available to add additional tanks to achieve the overall annual capacity; and
    - v the person must have the continuous right to solely occupy and control the facility, whether or not the facility is owned or leased by the person.
- 2 A qualified manufacturer is eligible for the small brewer rates mark-up on products for distribution in Alberta only if it is either:
  - a the owner of the trade/brand names it manufactures; or
  - b the registered agency in Alberta of the products it manufactures.
- 3 A registered agency that has a product produced at only one qualified manufacturer, that qualified manufacturer having annual world-wide production of all products less than 20,000 hl, is eligible for the small brewer rate.

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

# Social Responsibility - Liquor

## Awareness campaigns

As part of our public education efforts related to culture of moderation, in 2013–14 we raised awareness among young adults about pre-drinking. With the message *Every Drink Counts*, our goal was to remind young adults that drinking starts with the first drink, regardless of when or where it is consumed.

## Best Bar None (BBN)

A voluntary accreditation program for licensed premises, BBN has a goal of reducing alcohol-related harms in communities. The program uses a system of accreditation, assessment and awards to engage licensed premises in responsible management and safe operations.

Best Bar None:

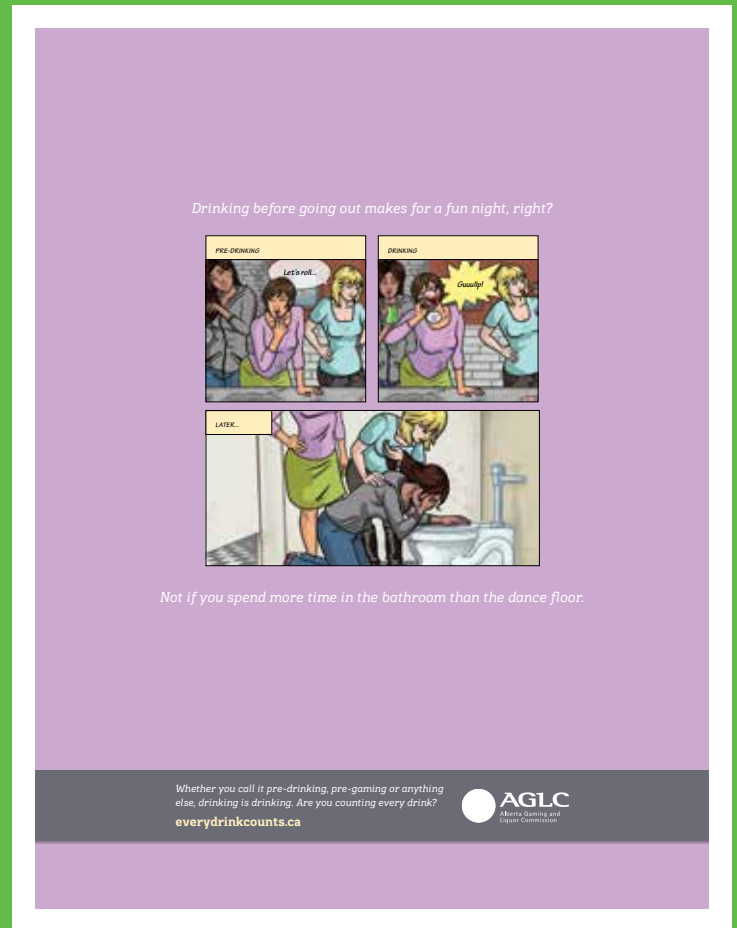
- encourages businesses to adopt best practices related to customer safety and responsible service of alcohol;
- gives businesses the tools to be better prepared for any violent incidents; and
- builds positive relationships among the industry, enforcement agencies, governments and community.

During 2013-14, 34 venues in Calgary and 57 in Edmonton were successfully accredited under Best Bar None.

## Alberta Safer Bars Council

This provincial advisory group meets quarterly to discuss and develop ways to deter and reduce violence in and around licensed premises, and to develop best practices for operators.

Members are from police agencies, municipalities, the liquor and hospitality industries and several government departments.



## SMART Training – Liquor

ProServe and ProTect SMART training ensures industry workers understand liquor laws and policies, and are well-prepared to provide responsible service to Albertans. All industry workers providing liquor or security service must complete Smart Training and certification is valid for five years.

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

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

The following chart indicates the number of people successfully completing SMART Training during the fiscal year.

SMART Training – Liquor	2013-14	2012-13	2011-12	2010-11	2009-10
ProServe Training*	37,706	35,950	35,594	37,379	43,370
ProServe Transfers from other provinces	245	428	540	524	450
ProTect Training	3,717	3,195	2,936	4,247	2,528

\* This total does not include transfers from other provinces.



# Measuring up

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

### Performance Measure

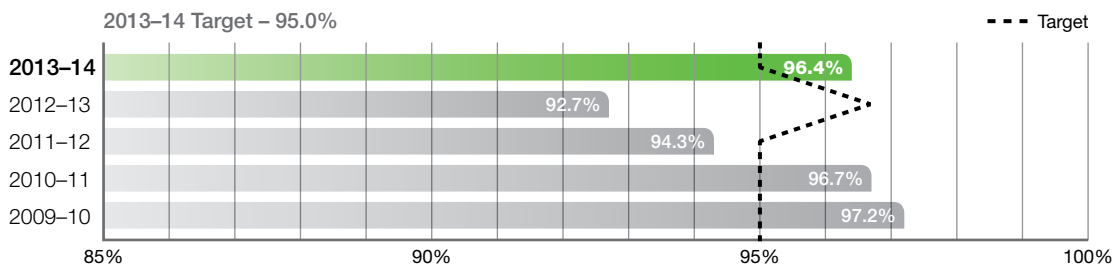
#### 1.a Percentage of liquor licensees who comply with legislation, regulation and policy

The *Gaming and Liquor Act*, Gaming and Liquor Regulation and AGLC policies describe the responsibilities of liquor licensees. The AGLC conducts regular inspections of licensed premises, as well as investigations and audits to ensure that liquor licensees meet their obligations. A liquor licensee may be issued an administrative sanction if an infraction is identified during an inspection. Infractions include but are not limited to:

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

The type of disciplinary action depends on the type and severity of the infraction, as well as prior history and can include a warning or monetary sanction or the suspension or cancellation of a licence. A licensee may request a hearing before the AGLC Board to appeal the administrative sanctions imposed. In 2013-14, the AGLC Board held 37 liquor-related hearings compared to 58 in the previous year.

In 2013-14, nearly 85 per cent of liquor licensees were inspected and 96.4 per cent complied with legislation, regulation and policy. This result exceeds the target of 95.0 per cent.

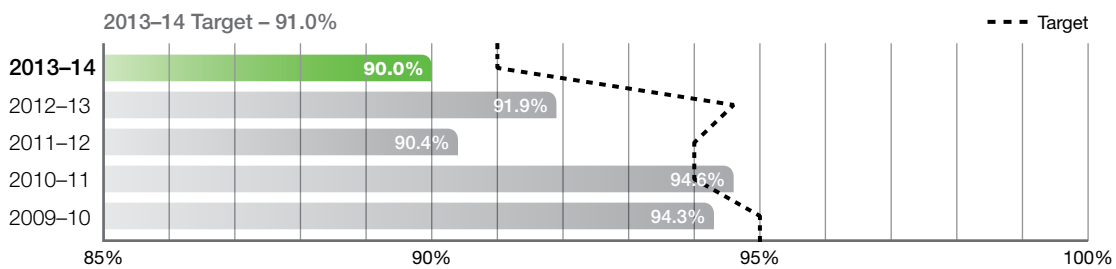


Source: Stakeholder Database. Report generated using the AGLC Regulatory Integrity Compliance and Education (RICE) system.

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

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

The AGLC places significant emphasis on working with our stakeholders, licensees and partners to encourage actions that ensure liquor is provided in a socially responsible manner. We use this performance measure to gauge progress related to this goal. In 2013-14, 90 per cent of Albertans indicated they were satisfied that liquor was provided in a responsible manner. While this result does not quite meet the target of 91 per cent, it represents a high level of satisfaction among Albertans. Detailed information on the Survey of Albertans is available on page 58.



Source: 2013-14 Survey of Albertans

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

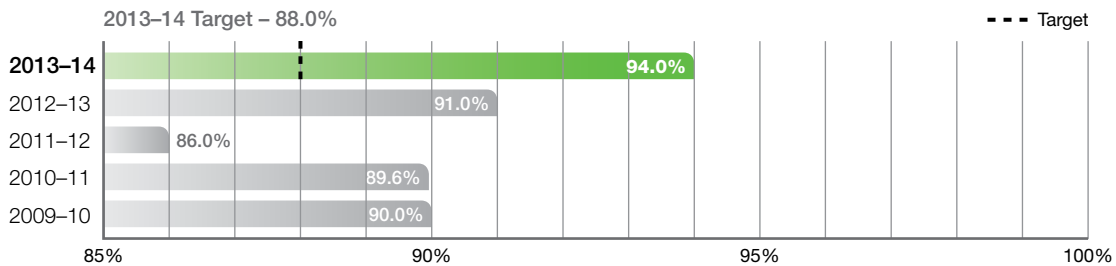


## GOAL 2 Encourage a culture of moderation to reduce alcohol-related harms

### Performance measure

#### 2.a Percentage of Albertans aware of prevention and harm reduction programs for problem drinking

In conjunction with our stakeholders, we work hard to promote the responsible sale, service and consumption of liquor in Alberta to reduce alcohol-related harms. By establishing partnerships, like the AGLC's partnership with Alberta Health Services to develop and distribute educational materials, we inform Albertans about the assistance available to those wanting help with their alcohol consumption. We asked Albertans if they have come into contact with this type of information. In 2013–14, 94 per cent of Albertans indicated they had heard, seen or read material related to prevention and treatment programs for alcohol abuse. The measure was reworded, as such the target has not been set on historical data. Detailed information on the Survey of Albertans is available on page 58.



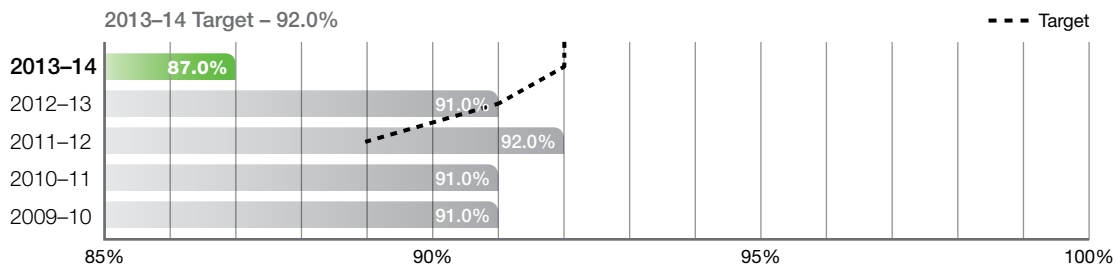
Source: 2013-14 Survey of Albertans – Leger Marketing

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

**NOTE** The results reported in the table above are based on a survey question which asked respondents about their *awareness of prevention and treatment programs for alcohol abuse*. Therefore results may not be directly comparable to the target. The 2014-15 Annual Report will show results for the question as worded above; *awareness of prevention and harm reduction programs for problem drinking*.

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

The AGLC leads or actively participates in a number of liquor related initiatives designed to foster a culture of moderation in Alberta. Each year, we survey Albertans about their alcohol consumption. The survey questions and result indices are based on the internationally-recognized Alcohol Use and Disorders Identification Test (AUDIT). In 2013–14, 87 per cent of Albertans self-reported that they either abstained from alcohol or drank a moderate amount of alcohol. This result is below the target of 92 per cent and results achieved in previous years. Detailed information on the Survey of Albertans – Social Responsibility is available on page 61.

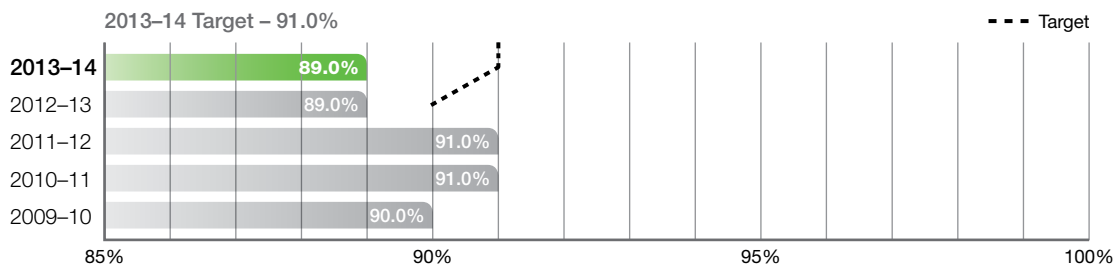


Source: 2013-14 Survey of Albertans – Social Responsibility – Leger Marketing

- This was a new performance measure in 2011-12. The target for 2011-12 was 89 per cent and for 2012-13 was 91 per cent. Targets for prior years do not exist.
- There is a 95 per cent certainty that the results are accurate to +/- 3.1 per cent.

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

The AGLC works hard to address the causes and impacts of violence in and around licensed premises and, in conjunction with the Alberta Safer Bars Council and licensees, works towards improving safety in these premises. We asked Albertans how satisfied they are with safety and security in and around licensed premises. This survey question was directed at individuals who purchased liquor at a licensed premises, which is considered to be a restaurant, lounge or bar. In 2013-14, 89 per cent of Albertans were satisfied with the safety and security in and around licensed premises. This result represents a high level of satisfaction but does not quite meet the target of 91 per cent. Detailed information on the Survey of Albertans is available on page 59.



Source: 2013-14 Survey of Albertans – Leger Marketing

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

### GOAL 3 Sustain the province’s revenue from efficient liquor operations

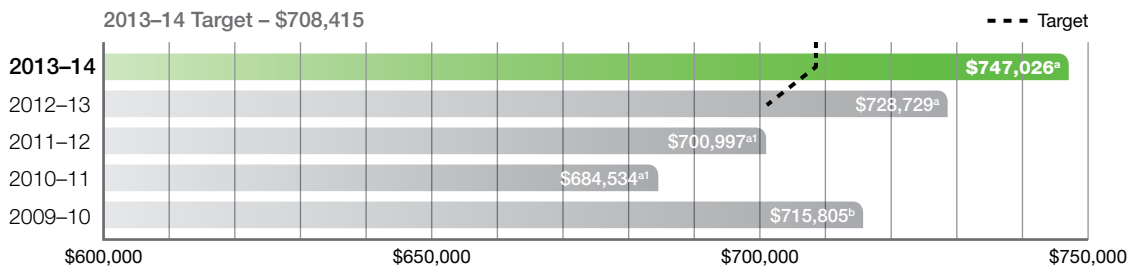
#### Performance measure

##### 3.a Liquor and other net operating results (thousands of dollars)

Under Alberta’s privatized liquor model, suppliers or their agents register liquor products with the AGLC and set a price that reflects the cost of the product. This cost includes the cost of manufacturing the product, costs associated with marketing and promotion, costs associated with transportation to the warehouse, warehousing costs and a profit margin. The AGLC then adds federal customs and excise duties (as applicable), provincial mark-up, container deposit, recycling fee and GST to the agent’s cost price. This forms the “wholesale price” at which the AGLC sells liquor to licensees. In 2013–14, the AGLC’s liquor sales were \$2.4 billion.

The AGLC’s cost of product was \$1.6 billion in 2013–14. Our liquor-related operating costs were \$30.3 million, leaving \$728 million which, along with \$19 million collected for licences, administrative sanctions and other charges, resulting in net operating results of \$747 million which was transferred to the General Revenue Fund (GRF) for use in numerous government programs throughout the province.

#### Liquor and other net operating results (thousands of dollars) transfer to GRF



Source: AGLC Audited Financial Statements: Note 12

- 2012-13 target was \$701,129 (in thousands).
- This was a new performance measure in 2012–13; therefore, targets for prior years do not exist.

a Accounting based on International Financial Reporting Standards

1 Restated

b Accounting based on Canadian Generally Accepted Accounting Principles

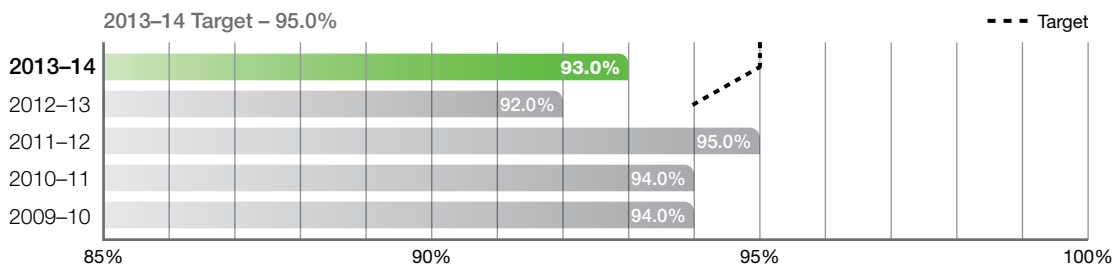


### 3.b Percentage of Albertans satisfied with the selection of products at liquor stores

Providing choices Albertans can trust is important to the AGLC. Alberta's privatized liquor model provides Albertans with access to an unparalleled variety of liquor products. On March 31, 2014, there were nearly 19,000 different liquor products available to liquor stores throughout Alberta.

In 2013-14, 93 per cent of Albertans who had purchased liquor in an Alberta liquor store were satisfied with the selection of products. This result is consistent with results achieved in previous years but does not meet the target of 95 per cent.

Detailed information on the Survey of Albertans is available on page 59



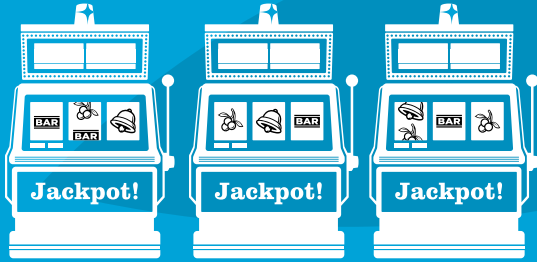
Source: 2013-14 Survey of Albertans – Leger Marketing

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





# Gaming

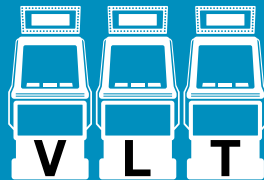


**13,483**  
casino gaming  
terminals

2,650 lottery ticket centres



**5,989**



video lottery terminals  
active in **903** locations

638 **BINGO** licences

Of those games, **99%**  
of the activities were conducted  
**in compliance**  
with legislation

Ensuring that we are providing  
**fair entertainment.**

As at March 31, 2014

VALUES SPOTLIGHT

# Integrity

## The Gaming Response Team (GRT)

is a cross-divisional team of 10 AGLC employees



who represent a broad spectrum of gaming experience and knowledge

GRT reviews evidence and investigates incidents within



**2013-14** GRT received and resolved **71** **cases**

We play by the rules, do the right thing and do what we say we'll do.

It's not often that you hear of an organization going above and beyond for any dispute, regardless if it's over \$20 or \$2 million.

And yet, that's a key part of the philosophy behind our Gaming Response Team (GRT).

The GRT is a cross-divisional team of 10 AGLC employees who represent a broad spectrum of

gaming experience and knowledge, with expertise in gaming-related fields such as technical knowledge and compliance and social responsibility. Gord Matthew, Director, Gaming Services and Chair of the GRT, says that it really boils down to being fair.

"It's about being thorough and ensuring the integrity of our games," says Gord.

### Looking at the whole picture

When a customer submits a claim or complaint, we first determine if it can be resolved immediately through our call centre or a field technician visit.

If not, the Compliance and Social Responsibility Division initiates an investigation by an inspector, which includes input from a wide range of experts from technicians who examine and photograph the machine in question to product analysts who examine the game in our lab, testing it over and over to determine whether there are any software-related faults.

If the incident still cannot be resolved, the file moves to the GRT. The team then has 30 days to review the evidence and make a decision.

“We strive to give our customers a voice,” says Gord. “Our review of the file is comprehensive and, at the core, focuses on the customer.”

In the past year, the GRT has received and resolved 71 cases. The GRT is just one way we are blazing a trail in creating gaming experiences trusted and enjoyed by Albertans.

“We strive to give our customers a voice. Our review of the file is comprehensive and, at the core, focuses on the customer.”

- **Gord Matthew**  
Director, Gaming Services and Chair, GRT

### Inspecting sites and investigating complaints

Our Compliance and Social Responsibility Division works to ensure that liquor and gaming industries are operated with integrity and comply with legislation, regulation and policies.

Inspectors:

- routinely visit gaming sites, licensed premises and tobacco retailers;
- check that advisors who are hired by charities to assist with charitable gaming activities understand and comply with policies;
- investigate complaints related to the operation of liquor licensed premises, bingo games, video lottery terminals (vlts) and casino gaming terminals; and
- educate licensees about their obligations set out in legislation, regulation and policy.

Investigators follow up on complaints or possible violations of the *Gaming and Liquor Act*, *Gaming and Liquor Regulation*, *Criminal Code (Canada)*, *Tobacco Tax Act* and *Tobacco Reduction Act*. Complaints range from those related to licensed gaming facilities or charitable gaming events to lottery ticket retailers or the illegal use of gaming proceeds.

These efforts help to maintain consistent standards in liquor and gaming operations and raise awareness of the industry’s social responsibility and duty of care obligations.

Report gaming irregularities toll free, all information is confidential: **1-800-742-7818**

Report illegal liquor activity toll free, all information is confidential: **1-800-577-2522**

## Performance measures – Gaming

# Being accountable

We evaluate how effective our programs and services are through performance measurement. The results tell us **what is working well** and **where we can improve**.

We are committed to be **open and accountable to Albertans**. We set goals in our Business Plan and provide the results to the public through our annual report.

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

## Business Plan goals



## Highlights and key facts

We conduct and manage provincial lotteries including video lottery terminals (vlt), casino gaming terminals in casinos and Racing Entertainment Centres (RECs), ticket lotteries and electronic bingo in licensed bingo facilities. We do so by:

- supplying and maintaining electronic gaming equipment;
- ensuring the security and integrity of all electronic gaming equipment; and
- conducting regular audits to maintain the financial integrity of the gaming industry.

These activities are provided by independent retailers, private operators and bingo associations under retailer agreements with the AGLC.

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

### Charitable gaming

#### Charitable gaming summary

								2013-14	2012-13	
	Licenses <sup>1</sup>	Total Gross (\$000)	Prizes/Winnings (\$000)	Expenses <sup>2</sup> (\$000)	Net Revenue (\$000)	Electronic Gaming Proceeds (\$000)	Keno Proceeds (\$000)	Proceeds to Charity (\$000)	Licenses <sup>1</sup>	Proceeds to Charity (\$000)
Casinos	3,448	\$1,105,795	\$ 891,184	\$ 139,126	\$ 75,485	\$ 173,352	\$ 26	\$ 248,863	3,430	\$ 247,156
Raffles <sup>3</sup>	10,042	168,236	66,241	36,160	65,835	-	-	65,835	9,938	50,316
Pull-Tickets <sup>4</sup>	358	82,269	57,457	6,639	18,173	-	-	18,173	375	19,926
Bingos <sup>5</sup>	1,207	106,874	69,673	33,467	3,734	7,575	277	11,583	1,246	12,516
<b>Total</b>	<b>15,055</b>	<b>\$1,463,174</b>	<b>\$1,084,555</b>	<b>\$215,392</b>	<b>\$163,227</b>	<b>\$180,927</b>	<b>\$303</b>	<b>\$344,454</b>	<b>14,989</b>	<b>\$329,914</b>

1 Bingo and pull-ticket licences are generally in effect for two years. Licences for casinos and raffles are generally for a single event.

2 Expenses include fixed fees/event expenses (including licence fees), pool expenses and electronic bingo net sales (sales less prizes). After program expenses are paid, electronic bingo net sales are returned to charities in the electronic gaming proceeds column and proceeds to charity columns.

3 Includes prior year information for raffles with gross sales over \$10,000 and current year information for raffles with gross sales under \$10,000.

4 Includes current year information for pull-tickets sold at licensed bingo facilities and prior year information for pull-tickets sold at all other locations.

5 Includes current year information for bingo events conducted at licensed bingo facilities and prior year data for bingo events conducted at community bingo facilities. Does not include community bingos with gross sales under \$2,500.

## Electronic gaming

### Casino gaming terminals

There were 13,483 casino gaming terminals located in casinos and Racing Entertainment Centres (RECs) across Alberta as of March 31, 2014.

	2013-14	2012-13	2011-12	2010-11	2009-10
Casinos					
Edmonton	4,528	4,532	4,492	4,381	4,247
Calgary	4,502	4,387	4,474	4,584	4,561
Other	3,688	3,606	3,504	3,478	3,230
Racing Entertainment Centres	765	835	835	835	835
<b>Total</b>	<b>13,483</b>	<b>13,360</b>	<b>13,305</b>	<b>13,278</b>	<b>12,873</b>

### vlt

As of March 31, 2014 there were 903 vlt locations (including Gaming Entertainment Centres (GECs)). The number of vlt units is capped at 6,000 in the vlt distributed network (bars, pubs, GECs). There were 5,989 vlts active and operating on March 31, 2014. GECs represented 78 of the 903 locations.

	2013-14	2012-13	2011-12	2010-11	2009-10
Number of operating vlts	5,989	5,976	5,991	5,982	5,964
vlt retail locations	903	903	968	1,000	1,032
GECs (included in total number of retail locations above)	78	79	78	75	71

vlt retailers have between two and 10 vlts. In November 2013, the AGLC board approved an increase to the amount of vlts GECs could have from 25 to 30 vlts in total.

In 2013-14 the AGLC completed its vlt replacement program, the largest such program ever undertaken by the organization. Faced with technological obsolescence, the vlt network was replaced with new machines with modern technology and additional social responsibility features.

### vlt revenue 2013-14

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



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

#### Fiscal 2013-14

<b>Credits</b> (\$ thousands)		<b>Cash</b> (\$ thousands)	
Credits Played	\$7,641,522	Cash In	\$2,332,471
Credits Won (Prizes)	\$7,029,632	Cash Out	\$1,720,581
Revenue	\$611,890	Revenue	\$611,890
Payout Percentage: Credits Won/Credits Played	92%	Cashout Percentage: Cash Out/Cash In	74%

#### Ticket lottery

There were 2,650 Lottery Ticket Centres operating in Alberta on March 31, 2014.

	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
<b>Number of Lottery Ticket Centres</b>	<b>2,650</b>	2,641	2,611	2,562	2,466

#### Improving the odds

This past year saw LOTTO 6/49 offer unprecedented odds to players. Starting September 18, 2013, Canadians were offered a new \$1 million guaranteed prize that is won each and every draw, jackpots that start at \$5 million, better overall odds and new free play prizes. More information on this can be found at [www.wclc.com](http://www.wclc.com).



## Keno

Albertans were able to play Keno at 12 bingo halls, 18 casinos and 52 Gaming Entertainment Centres (GECs) in 2013-14.

	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Bingo Halls offering Keno	12	13	17	18	18
Casinos and RECs offering Keno	18	18	18	18	13
GECs offering Keno	52	52	53	52	49
<b>Total</b>	<b>82</b>	<b>83</b>	<b>88</b>	<b>88</b>	<b>80</b>

## Electronic bingo

The AGLC is committed to working with Bingo Alberta in finding new and innovative ways to sustain bingo revenues for Albertan charities, such as electronic bingo. For the past several years, electronic bingo was played through wireless hand-held DIGI 2 devices. However, after five years of service, the DIGI devices were starting to encounter a number of reliability issues. These issues prompted the AGLC to thoroughly assess other available products, which led to the recommendation of a different approach – a fixed-based unit called GECKO. This unit has a 17” colour touch screen which brings an enhanced bingo experience to players and operational efficiencies to bingo halls and the AGLC. Rollout of the new GECKO units in bingo halls throughout Alberta began in December 2013.

## Social Responsibility — Gambling

A number of tools are available to help Albertans gamble in a balanced way. For example, the responsible gambling features of our vlt's are designed to assist players to manage the amount of time and money they spend playing vlt's.

These features include:

- responsible gambling messages with the 24-hour toll-free Addiction Helpline (1-866-332-2322) operated by Alberta Health Services;
- a pop-up reminder message indicating amount of time spent and asking the player about continuing or ending play. Players are forced to cash out after they reach their second time limit;
- credits and the equivalent dollar amount displayed on the screen to help players keep track of how much money they have wagered;
- a maximum \$100 bill insertion limit; and
- a 24-hour clock on the screen to increase players' awareness of how long they have been playing.

### SMART Training — Gaming

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

Trained industry workers play a key role in raising awareness of problem gambling behaviours in the gaming industry. We offer three SMART training programs to help educate and inform people working in the gaming industry about responsible gambling. Similar to the SMART training programs for liquor industry workers, these programs are also mandatory and cover social responsibilities. These programs include Deal Us In – Phase One and Phase Two (for staff of casinos and Racing Entertainment Centres), Reel Facts (for vlt retailers) and A Good Call (for staff of bingo halls).

The following chart indicates the number of people successfully completing SMART Training during the fiscal year.

<b>SMART Training Gaming</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Deal Us In – Phase One (casino)	1,385	1,567	2,142	2,426	315
Deal Us In – Phase Two (casino)	484	460	700	498	42
Reel Facts (vlt retailers)	4,361	3,569	3,608	3,438	5,530
A Good Call (bingo)	425	425	230	232	137



## Minors awareness campaign — Under 18

This year-round campaign reminds retailers not to sell lottery tickets to individuals under the age of 18, and parents not to give lottery tickets to their minor children. Each year the campaign takes on a unique theme to connect with Albertans.

## The Alberta Gambling Research Institute (AGRI)

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

## GAIN

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

In 2013-14 program facilitators provided 180 sessions in 56 communities to over 2,100 participants in addition to 229 people who enrolled in the new GAIN online training. For more information about GAIN, visit [gain.aglc.ca](http://gain.aglc.ca).

## [setalimitalberta.ca](http://setalimitalberta.ca) website

Providing gamblers with the information they need to make responsible decisions and choices about gambling is important to maintaining a healthy, vibrant and sustainable gaming industry in Alberta.

[Setalimitalberta.ca](http://Setalimitalberta.ca) is a valuable source of information about responsible and problem gambling, with tips, myths and quizzes to help identify personal gambling behaviours. It is also a great site to access information on responsible gambling events, programs, and resources for individuals concerned about their own or someone else's gambling.

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

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

### **Addiction Helpline**

People who believe they, or someone they care about, are experiencing problems with gambling may contact the Alberta Health Services 24-hour toll-free Addiction Helpline (1-866-332-2322) for information on treatment services in Alberta. Counselling is provided to individuals who are in crisis.

### **Responsible Gambling Advisory Committee**

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

### **GamTalk**

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



# Measuring up

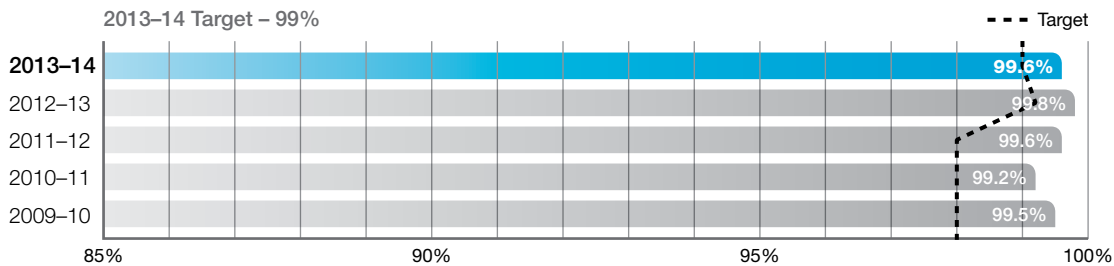
## GOAL 4 Maintain the integrity of Alberta’s gaming activities

### Performance measure

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

The AGLC licenses gaming facilities and charitable gaming activities (casino table games, pull-ticket sales, raffles and bingo events) which are governed by the *Criminal Code* (Canada), the *Alberta Gaming and Liquor Act* and *Gaming and Liquor Regulation*.

The AGLC conducts regular inspections of licensed gaming facilities and events to ensure that gaming activities comply with legislation, regulation and policy. While most charitable gaming activities are compliant, there are occasional occurrences of non-compliance. Almost all (99.6 per cent) charitable gaming activities were conducted in compliance with legislation, regulation and policy in 2013–14. There were 3,657 charitable gaming inspections conducted in 2013–14, resulting in only 14 incidents of non-compliance. This result is consistent with the results achieved in previous years and exceeds the target of 99 per cent.



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

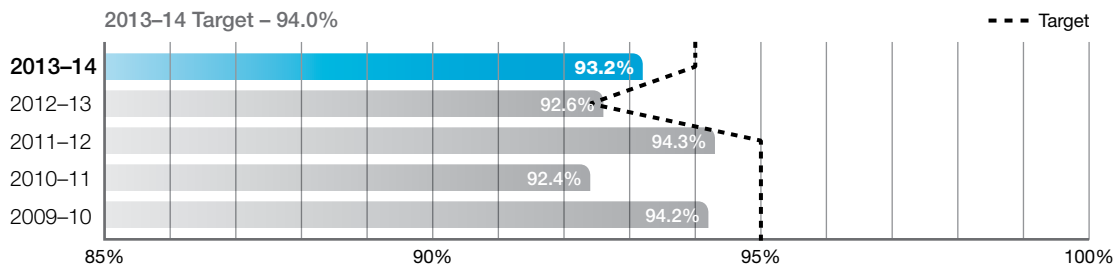
- Target was 98 per cent in 2009–10, 2010–11 and 2011–12, and 99.2 per cent in 2012–13.

#### 4.b<sup>1</sup> Percentage of Albertans satisfied that the gaming activities they participated in were provided fairly and responsibly

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

We survey Albertans about their gaming experiences each year. Among those Albertans who played bingos, pull-tickets, video lottery terminals (vlts), slot machines, table games or participated in raffles or ticket lotteries, 93 per cent expressed satisfaction that the gaming activity they participated in was provided fairly and responsibly. This result is below the target of 94 per cent.

Detailed information on the Survey of Albertans is available on page 59.



Source: 2013-14 Survey of Albertans – Leger Marketing.

- There is a 95 per cent certainty that the results are accurate to +/- 3.1 per cent.
- The results for 2011-12 and prior were based on results for the following gaming activities: bingos; raffles, including small raffles or larger raffles benefiting things like hospitals; pull-tickets, break-opens or Nevada tickets; video lottery terminal or vlt games in bars or lounges or casinos; casino gaming terminals in casinos or RECs; table games, for example blackjack and roulette at casinos; and lottery tickets, for example Lotto 6/49, LottoMax, scratch and instant win tickets or Sport Select.
- In 2012-13 and 2013-14 the activities were refined to include poker at casinos and lottery tickets were categorized as: Scratch N' Win, Sport Select or other games (like Lotto 6/49 and LottoMax).

1 The results reported in 4b in the table above are based on a survey question which asked respondents about their satisfaction that the gaming activity they participated in was provided fairly and in a responsible manner. The 2014-15 survey questionnaire will be reworded to align with the Business Plan (as worded above).

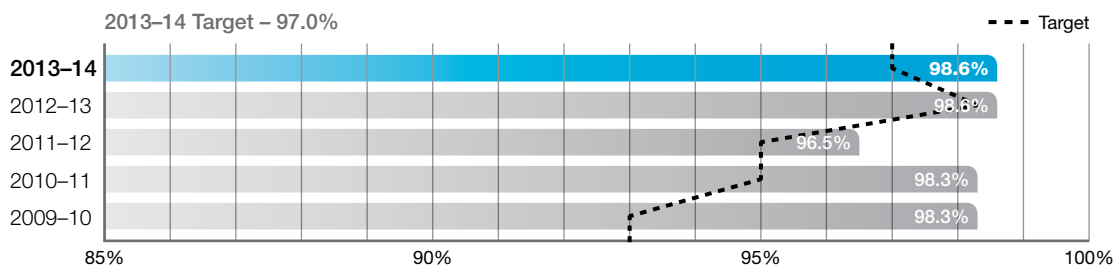
#### 4.c Percentage of gaming integrity issues resolved within established time frames

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

In the past, player concerns about gaming integrity have included:

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

Most issues identified are resolved quickly by AGLC inspectors. Issues that require additional examination are forwarded to the AGLC's Gaming Response Team (GRT). Using a fair and impartial review process, the GRT's goal is to resolve gaming integrity issues within 30 days from receiving a complete file. In 2013-14, the GRT reviewed 71 cases, compared to 144 cases in the previous year. 98.6 per cent were resolved within 30 days, exceeding the target of 97.0 per cent. This result is consistent with the results achieved in previous years.



Source: AGLC Lottery and Gaming Services Database.

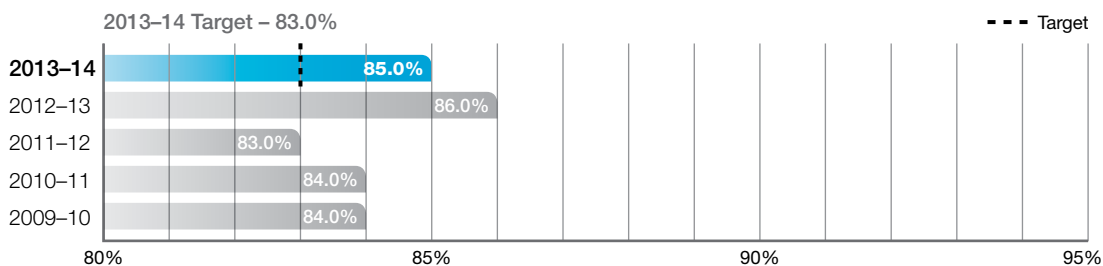
- Target was 93 per cent in 2009-10, 95 per cent in 2010-11 and 2011-12 and 98.3 per cent in 2012-13.

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

### Performance measure

#### 5.a<sup>1</sup> Percentage of Albertans aware of prevention and harm reduction programs for problem gambling

Through collaboration with the gaming industry, Alberta Health Services and other stakeholders, we work to promote responsible gambling in Alberta by developing and implementing initiatives that encourage responsible gambling. We ensure that educational materials are readily available to Albertans to help them make informed decisions about gambling. We also ensure Albertans are informed about available treatment options. We communicate this information to Albertans by distributing brochures and self-help cards in gaming venues and through television, radio and print advertising. Through our Survey of Albertans, 85 per cent of Albertans indicated they had heard, seen or read material related to prevention and treatment programs for problem gambling in 2013–14. This result exceeds our target of 83 per cent. Detailed information on the Survey of Albertans is available on page 60.



Source: 2013-14 Survey of Albertans – Leger Marketing.

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

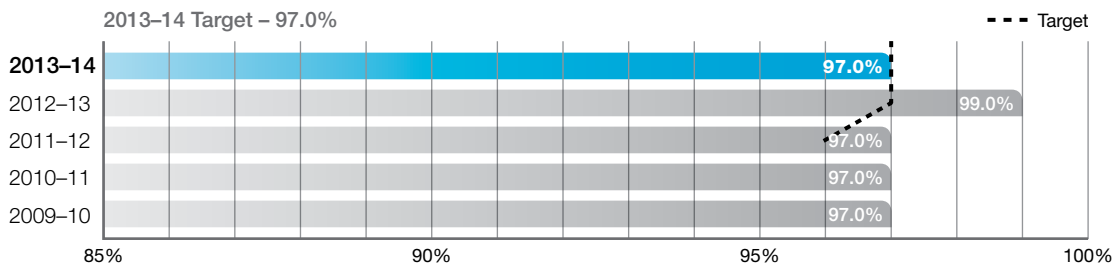
<sup>1</sup> The results reported in 5a in the table above are based on a survey question which asked respondents about their *awareness of prevention and treatment programs for problem gambling*. Therefore results may not be directly comparable to the target. The 2014-15 survey questionnaire will be reworded to align with the Business Plan as worded above; *awareness of prevention and harm reduction programs for problem gambling*.





## 5.b Percentage of Albertans that gamble responsibly

We engage in a number of activities that encourage healthy, sustainable gambling environments that minimize gambling-related harms. Each year, we survey Albertans about their gambling behaviours. Survey questions and result indices are based on the internationally recognized Problem Gambling Severity Index (PGSI). In 2013–14, 97 per cent of Albertans self-reported that they gamble responsibly. Detailed information on the Survey of Albertans is available on page 62.

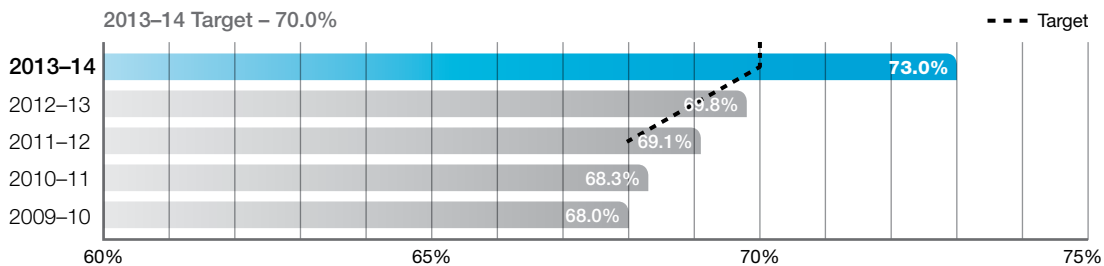


Source: 2013-14 Survey of Albertans – Social Responsibility – Leger Marketing

- This was a new performance measure in 2011–12. The target for 2012–13 was 69 per cent and 2011–12 was 68 per cent. Targets for prior years do not exist.

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

In conjunction with our stakeholders, we work hard to ensure licensed gaming facilities in Alberta are safe and responsible environments. In 2013–14, as part of our yearly Survey of Albertans, 73 per cent of Albertans said they were satisfied that licensed gaming venues were safe and responsible environments in which to gamble. This result exceeds the target of 70 per cent and improves upon results achieved in previous years. Detailed information on the Survey of Albertans is available on page 60.



Source: 2013-14 Survey of Albertans – Leger Marketing

- This was a new performance measure in 2011–12. The target for 2012–13 was 69 per cent and 2011–12 was 68 per cent. Targets for prior years do not exist.
- There is a 95 per cent certainty that the results are accurate to +/- 3.1 per cent.
- The results for 2009–10 and 2010–11 are based on one survey question: "How satisfied are you that (Location) are a safe and responsible environment in which to gamble?" Locations were: licensed bingo facilities, casinos, bars and lounges and Racing Entertainment Centres (RECs).
- In 2011–12, the survey methodology was refined and the 2011–12, 2012–13 and 2013–14 results are based on an index of two questions: "How satisfied are you that (Location) are a safe environment in which to gamble?" and "How satisfied are you that (Location) are a responsible environment in which to gamble." Locations were: licensed bingo facilities, casino, bars and lounges and Racing Entertainment Centres (RECs).

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

### Performance measure

#### 6.a Gaming net operating results (thousands of dollars)

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

In 2013–14, net revenue from video lottery terminals (vlts), casino gaming terminals and electronic bingo was \$1.84 billion, compared to \$1.83 billion in the previous year. Of this amount, the AGLC paid commissions to operators and charities along with payments to the federal government and our gaming-related operating costs. The income from WCLC for ticket lottery in Alberta was also included in the net operating result of nearly \$1.48 billion. This money was transferred to the Alberta Lottery Fund to support thousands of volunteer, public and community-based initiatives in ways that enhance the quality of life for all Albertans.

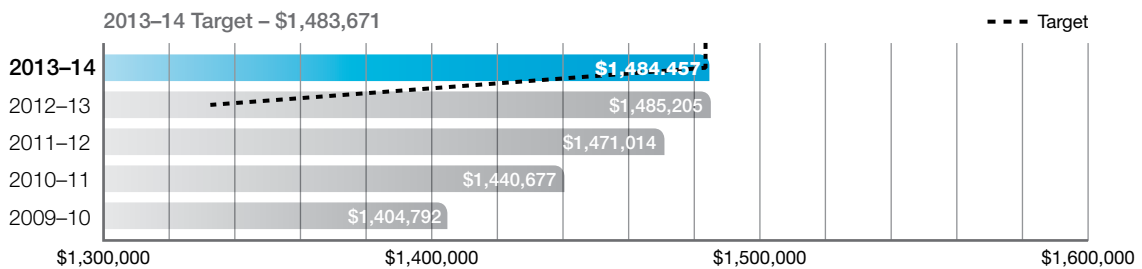
#### Gaming Net Operating Results

(\$ thousands)				2013–14	2012–13
	Casino Gaming Terminals	vlts	Electronic Bingo	Total	Total
Credits played <sup>a</sup>	\$ 15,812,590	\$ 7,641,522	\$ 34,691	\$ 23,488,803	\$ 23,163,005
Credits won <sup>b</sup>	(14,591,778)	(7,029,632)	(23,366)	(21,644,776)	(21,330,506)
Revenue	1,220,812	611,890	11,325	1,844,027	1,832,499
Commissions/Federal Payments	(363,302)	(97,280)	(3,639)	(464,221)	(465,895)
Net Revenue	857,510	514,610	7,686	1,379,806	1,366,604
Expenses				(193,475)	(167,693)
Income from Ticket Lottery				298,126	286,294
<b>Net Operating Results</b>				<b>\$ 1,484,457</b>	<b>\$ 1,485,205</b>

a Credits played are either credits played (casino gaming terminals and vlts) or cash spent (electronic bingo)

b Credits won are either credits won (casino gaming terminals and vlts) or cash received or prizes won (electronic bingo)

Gaming net operating results for 2013-14 were slightly lower than the previous year and met the stated target.

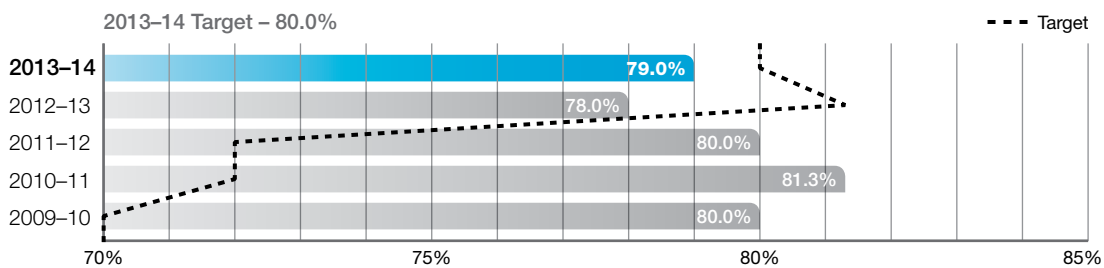


Source: AGLC Audited Financial Statements: Note 12

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

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

To ensure gaming sustainability while providing and protecting Albertans' choices, we continuously strive to strike a balance between social responsibility and economic benefit. Monitoring Albertans' satisfaction with the availability of gaming products and activities is one of the ways that the AGLC ensures that balance. In 2013-14, 79 per cent of Albertans were satisfied with the availability of gaming products and activities. This result is consistent with the results obtained in the past three years but does not quite meet the target of 80 per cent. Detailed information on the Survey of Albertans is available on page 60.



Source: 2013-14 Survey of Albertans – Leger Marketing.

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



## Performance Indicators (KPIs) for the Board of Directors

Albertans

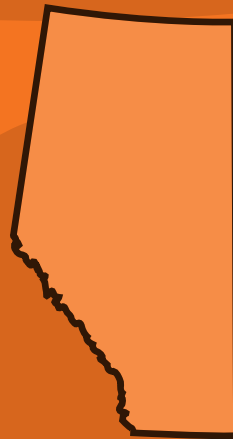
- responsible level of
- responsible for the performance
- responsible for the performance

# Survey of Albertans

To measure  
public  
satisfaction



We conduct a  
survey  
of 1,000  
Albertans



Representing  
ALL  
geographic  
regions



Representing age and gender  
proportionate  
to 2013 population statistics



Their responses help us understand liquor and gaming in Alberta

# Survey Method

## Performance measures methodology for survey-based questions

Each year, we contract an independent professional survey company to conduct public opinion and client satisfaction surveys. In 2013-14, Leger Marketing conducted the survey on behalf of the AGLC. This section provides details on each survey and its corresponding performance measures.

## Survey of Albertans

A random and representative sample of Albertans was established based on Statistics Canada census data made available in 2013. For each of six geographic regions in the province, the number of interviews in each age-gender segment was proportionate to the 2013 population estimates. The sample size was 1,000 adult Albertans, providing a margin of error no greater than  $\pm 3.1$  per cent at the 95 per cent confidence level.

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

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

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

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

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

### 2.a<sup>1</sup> Percentage of Albertans aware of prevention and harm reduction programs for problem drinking

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

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

<sup>1</sup> Survey question 2a was worded differently than the performance measure indicated in the AGLC 2013-14 Business Plan which stated *"Percentage of Albertans aware of prevention and harm reduction programs for problem drinking"* therefore results may not be directly comparable to the target. The 2014-15 survey questionnaire will be reworded to align with the Business Plan as worded above; *awareness of prevention and harm reduction programs for problem drinking*.

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

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

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

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

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

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

### **4.b<sup>1</sup> Percentage of Albertans satisfied that the gaming activities they participated in were provided fairly and responsibly**

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

- Bingos
- Raffles, including small raffles or larger raffles benefiting things like hospital foundations
- Pull-tickets, break-opens or Nevada tickets
- Video lottery terminal or vlt games in bars or lounges or casinos
- Casino gaming terminals in casinos or RECs
- Table games, for example blackjack and roulette at casinos
- Poker at casinos
- Scratch 'N Win tickets
- Sports Select
- Other Lottery Tickets, for example, Lotto 6/49 or LottoMax

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

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

<sup>1</sup> Survey question 4b was worded differently than the performance measure indicated in the AGLC 2013-14 Business Plan which stated *"Percentage of Albertans satisfied that the gaming activities they participate in were provided fairly and responsibly"*, the 2014-15 survey questionnaire will be reworded to align with the Business Plan as worded above; *Percentage of Albertans satisfied that the gaming activities they participated in were provided fairly and responsibly.*

#### **5.a<sup>1</sup> Percentage of Albertans aware of prevention and harm reduction programs for problem gambling**

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

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

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

The results for this performance measure were calculated using an index of two questions: *"How satisfied are you that (Location) are a safe environment in which to gamble?"* and *"How satisfied are you that (Location) are a responsible environment in which to gamble?"*

Locations were: licensed bingo facilities, casinos, bars and lounges and Racing Entertainment Centres (RECs). Respondents were considered satisfied if they responded 'very satisfied' or 'somewhat satisfied'.

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

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

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

<sup>1</sup> The results reported in 5a are based on a survey question which asked respondents about their awareness of prevention and treatment programs for problem gambling. Therefore results may not be directly comparable to the target. The 2014-15 survey questionnaire will be reworded to align with the Business Plan as worded above; awareness of prevention and harm reduction programs for problem gambling.



# Survey of Albertans – Social Responsibility

Each year, we measure Albertans' self-reported behaviours regarding gambling and alcohol consumption. A random and representative sample of Albertans was established based on Statistics Canada census data made available in 2013. For each of six geographic regions in the province, the number of interviews in each age-gender segment was proportionate to the 2013 population estimates. The sample size was 1,000 adult Albertans, providing a margin of error in the results no greater than  $\pm$  3.1 per cent at the 95 per cent confidence level.

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

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

The results for this performance measure were calculated by using the Alcohol Use and Disorders Identification Test (AUDIT) developed by the World Health Organization (WHO). Answers were coded on a scale from zero to four, where zero represents the least risk activity/response and four represents the response associated with the highest risk activity/response. Respondents were considered to drink alcohol in moderation if they had an overall score of seven or below.

Questions in the AUDIT are:

Thinking of the last 12 months:

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

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

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

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

Questions in the PGSI are:

Thinking of the last 12 months:

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

# Financial Statements

## Alberta Gaming and Liquor Commission

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- 68 Notes to the Financial Statements



## Independent Auditor's Report

To the Members of the Alberta Gaming and Liquor Commission

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

I have audited the accompanying financial statements of the Alberta Gaming and Liquor Commission, which comprise the balance sheet as at March 31, 2014, and the statements of operations and comprehensive income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Gaming and Liquor Commission as at March 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Original signed by Merwan N. Saher, FCA  
Auditor General

May 28, 2014

Edmonton, Alberta

## Balance Sheet

(thousands of dollars)

At March 31

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (note 4)	\$ 163,624	\$ 234,225
Accounts receivable	37,190	40,612
Prepaid expenses and inventories (note 5)	<u>12,746</u>	<u>11,154</u>
	213,560	285,991
<b>Property, Plant and Equipment</b> (note 6)	261,548	211,866
<b>Computer Software</b> (note 7)	31,391	32,892
<b>Investment Property</b> (note 8)	7,881	8,005
<b>Investment in Western Canada Lottery Corporation</b> (note 16)	<u>31,074</u>	<u>32,104</u>
	<u>\$ 545,454</u>	<u>\$ 570,858</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 152,458	\$ 175,619
Due to the Alberta Lottery Fund (note 9)	<u>84,547</u>	<u>93,585</u>
	237,005	269,204
<b>Due to General Revenues</b> (note 10)	276,689	269,663
<b>Provision for Loss on Leased Properties</b> (notes 17 and 18)	236	1,751
<b>Net Defined Benefit Pension Liability</b> (notes 3d and 11)	58,090	47,071
<b>Accumulated Other Comprehensive Income (Loss)</b> (note 11)	<u>(26,566)</u>	<u>(16,831)</u>
	<u>\$ 545,454</u>	<u>\$ 570,858</u>

The accompanying notes are part of these financial statements.

Approved by:

BOARD

MANAGEMENT

Original signed by

Original signed by

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 Thorna Lawrence, CA  
 Board Member

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 D. W. (Bill) Robinson  
 President and Chief Executive Officer

## Statement of Operations and Comprehensive Income

(thousands of dollars)

For the year ended March 31

	<u>2014</u>	<u>2013</u>
Liquor Revenue	\$ 2,402,714	\$ 2,300,661
Liquor Cost of Sales	<u>(1,644,463)</u>	<u>(1,556,267)</u>
	758,251	744,394
Gaming Revenue (note 12)	<u>1,844,027</u>	<u>1,832,499</u>
	2,602,278	2,576,893
Commissions and Federal Payments (note 13)	(464,221)	(465,895)
Operating Expenses (note 14)	<u>(223,778)</u>	<u>(195,715)</u>
<b>PROFIT FROM OPERATIONS FOR THE YEAR</b>	1,914,279	1,915,283
Other Revenue (note 15)	19,078	12,357
Income from Western Canada Lottery Corporation (note 16)	<u>298,126</u>	<u>286,294</u>
<b>NET OPERATING RESULTS</b> (notes 3j, 9 and 10)	\$ 2,231,483	\$ 2,213,934
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Net Actuarial Gains (Losses) (note 11)	<u>(9,735)</u>	<u>1,025</u>
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>\$ 2,221,748</u>	<u>\$ 2,214,959</u>

The accompanying notes are part of these financial statements.

## Statement of Cash Flows

(thousands of dollars)

For the year ended March 31

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net operating results for the year	\$ 2,231,483	\$ 2,213,934
Decrease in provision for loss on leased properties	(1,515)	(192)
Amortization	59,851	42,823
(Gain) loss on disposal of property, plant and equipment	(1,150)	5,090
Net change in non-cash working capital balances	<u>(20,046)</u>	<u>47,175</u>
	2,268,623	2,308,830
Transfers to the Alberta Lottery Fund	(1,493,495)	(1,492,071)
Transfers to General Revenues	<u>(740,000)</u>	<u>(730,000)</u>
	<u>35,128</u>	<u>86,759</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(106,183)	(103,597)
Purchase of computer software	(3,868)	(32,086)
Purchase of additions to investment property	(434)	(621)
Proceeds on disposal of property, plant and equipment	3,726	3,369
Net change in Investment in Western Canada Lottery Corporation	<u>1,030</u>	<u>3,394</u>
	<u>(105,729)</u>	<u>(129,541)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(70,601)	(42,782)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>234,225</u>	<u>277,007</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 163,624</u>	<u>\$ 234,225</u>
<b>Supplemental cash flow information:</b>		
Interest received	<u>\$ 2,082</u>	<u>\$ 3,650</u>

The accompanying notes are part of these financial statements.

## **NOTE 1 AUTHORITY AND PURPOSE**

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

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

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

The financial statements for the year ended March 31, 2014 were authorized by the Board on May 28, 2014.

## **NOTE 2 BASIS OF PREPARATION**

### **Statement of Compliance**

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

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

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

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

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

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



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

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

**(a) Financial Instruments**

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

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

Loans and receivables

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

Financial liabilities

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

Impairment

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

**(b) Inventories**

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

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

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

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

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

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

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

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

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

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

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

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

The Commission's investment in its associate is accounted for using the equity method of consolidation. The associate is the Western Canada Lottery Corporation (WCLC) in which the Commission has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associate but has no control or joint control over those policies.

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

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

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

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

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

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

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

If there are indicators that the investment in WCLC is impaired, the Commission calculates the amount of impairment as the difference between the recoverable amount of WCLC and its carrying value. This difference would be recognized in the income from WCLC in the Statement of Operations and Comprehensive Income.

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

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

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

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

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

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

At each reporting date, if there are indicators that non-financial assets carried at amortized cost may be impaired, the Commission would complete a formal impairment assessment. For this purpose, non-financial assets would be grouped at the lowest levels for which there are separately identifiable cash inflows; these groupings are referred to as cash-generating units. An impairment loss would be the amount by which the cash-generating units' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses would be recognized in the Statement of Operations and Comprehensive Income.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **(l) Future Accounting Change**

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

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

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

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

The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term and mid-term fixed income securities with a maximum term to maturity of three years. For the year ended March 31, 2014, securities held by the Fund had a time-weighted yield of 1.17% per annum (March 31, 2013: 1.25% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

**NOTE 5 PREPAID EXPENSES AND INVENTORIES**  
(in thousands)

	<u>2014</u>	<u>2013</u>
Prepaid Expenses	\$ 1,542	\$ 1,441
Gaming Parts	10,357	8,937
Supplies	847	776
	<u>\$ 12,746</u>	<u>\$ 11,154</u>

**NOTE 6 PROPERTY, PLANT, AND EQUIPMENT**  
(in thousands)

	Land	Buildings & Leasehold Improvements	Vehicles	Equipment	Gaming Equipment & Terminals	Total
Cost, March 31, 2012	\$ 2,057	\$ 33,510	\$ 3,366	\$ 30,404	\$ 406,208	\$ 475,545
Additions	-	1,449	632	2,168	99,348	103,597
Disposals	-	-	(328)	(369)	(71,477)	(72,174)
Cost, March 31, 2013	<u>2,057</u>	<u>34,959</u>	<u>3,670</u>	<u>32,203</u>	<u>434,079</u>	<u>506,968</u>
Accumulated Amortization, March 31, 2012	-	(18,933)	(2,696)	(28,580)	(268,624)	(318,833)
Additions	-	(847)	(470)	(1,718)	(36,946)	(39,981)
Disposals	-	-	327	579	62,806	63,712
Accumulated Amortization, March 31, 2013	-	<u>(19,780)</u>	<u>(2,839)</u>	<u>(29,719)</u>	<u>(242,764)</u>	<u>(295,102)</u>
Net Book Value, March 31, 2013	<u>\$ 2,057</u>	<u>\$ 15,179</u>	<u>\$ 831</u>	<u>\$ 2,484</u>	<u>\$ 191,315</u>	<u>\$ 211,866</u>
Cost, March 31, 2013	\$ 2,057	\$ 34,959	\$ 3,670	\$ 32,203	\$ 434,079	\$ 506,968
Additions	-	1,776	716	7,180	96,511	106,183
Disposals	-	(53)	(586)	(5,901)	(103,812)	(110,352)
Cost, March 31, 2014	<u>2,057</u>	<u>36,682</u>	<u>3,800</u>	<u>33,482</u>	<u>426,778</u>	<u>502,799</u>
Accumulated Amortization, March 31, 2013	-	(19,780)	(2,839)	(29,719)	(242,764)	(295,102)
Additions	-	(881)	(618)	(1,880)	(50,590)	(53,969)
Disposals	-	53	581	5,901	101,285	107,820
Accumulated Amortization, March 31, 2014	-	<u>(20,608)</u>	<u>(2,876)</u>	<u>(25,698)</u>	<u>(192,069)</u>	<u>(241,251)</u>
Net Book Value, March 31, 2014	<u>\$ 2,057</u>	<u>\$ 16,074</u>	<u>\$ 924</u>	<u>\$ 7,784</u>	<u>\$ 234,709</u>	<u>\$ 261,548</u>

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

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

**NOTE 7 COMPUTER SOFTWARE**  
(in thousands)

	<b>Computer Software</b>	<b>Software Under Development</b>	<b>VLT Software</b>	<b>Total</b>
Cost, March 31, 2012	\$ 14,407	\$ 2,292	\$ -	\$ 16,699
Additions	270	5,555	26,261	32,086
Disposals	-	-	-	-
Cost, March 31, 2013	<u>14,677</u>	<u>7,847</u>	<u>26,261</u>	<u>48,785</u>
Accumulated Amortization, March 31, 2012	(13,563)	-	-	(13,563)
Additions	(596)	-	(1,734)	(2,330)
Disposals	-	-	-	-
Accumulated Amortization, March 31, 2013	<u>(14,159)</u>	<u>-</u>	<u>(1,734)</u>	<u>(15,893)</u>
Net Book Value, March 31, 2013	<u>\$ 518</u>	<u>\$ 7,847</u>	<u>\$ 24,527</u>	<u>\$ 32,892</u>
Cost, March 31, 2013	\$ 14,677	\$ 7,847	\$ 26,261	\$ 48,785
Additions	2,699	1,169	-	3,868
Transfers	7,808	(7,808)	-	-
Disposals	(1,796)	-	-	(1,796)
Cost, March 31, 2014	<u>23,388</u>	<u>1,208</u>	<u>26,261</u>	<u>50,857</u>
Accumulated Amortization, March 31, 2013	(14,159)	-	(1,734)	(15,893)
Additions	(1,390)	-	(3,979)	(5,369)
Disposals	1,796	-	-	1,796
Accumulated Amortization, March 31, 2014	<u>(13,753)</u>	<u>-</u>	<u>(5,713)</u>	<u>(19,466)</u>
Net Book Value, March 31, 2014	<u>\$ 9,635</u>	<u>\$ 1,208</u>	<u>\$ 20,548</u>	<u>\$ 31,391</u>

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

Gaming system related	3 - 10 years
Other computer software	3 years

**NOTE 8 INVESTMENT PROPERTY (LIQUOR WAREHOUSES)**  
 (in thousands)

	Land	Building	Work in Progress Land	Work in Progress Building	Total
Cost, March 31, 2012	\$ 2,056	\$ 27,885	\$ -	\$ -	\$ 29,941
Additions	-	621	-	-	621
Disposals	-	-	-	-	-
Cost, March 31, 2013	<u>2,056</u>	<u>28,506</u>	<u>-</u>	<u>-</u>	<u>30,562</u>
Accumulated Amortization, March 31, 2012	-	(22,049)	-	-	(22,049)
Additions	-	(508)	-	-	(508)
Disposals	-	-	-	-	-
Accumulated Amortization, March 31, 2013	<u>-</u>	<u>(22,557)</u>	<u>-</u>	<u>-</u>	<u>(22,557)</u>
Net Book Value, March 31, 2013	<u>\$ 2,056</u>	<u>\$ 5,949</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,005</u>
Cost, March 31, 2013	\$ 2,056	\$ 28,506	\$ -	\$ -	\$ 30,562
Additions	-	260	31	143	434
Disposals	-	-	-	-	-
Cost, March 31, 2014	<u>2,056</u>	<u>28,766</u>	<u>31</u>	<u>143</u>	<u>30,996</u>
Accumulated Amortization, March 31, 2013	-	(22,557)	-	-	(22,557)
Additions	-	(558)	-	-	(558)
Disposals	-	-	-	-	-
Accumulated Amortization, March 31, 2014	<u>-</u>	<u>(23,115)</u>	<u>-</u>	<u>-</u>	<u>(23,115)</u>
Net Book Value, March 31, 2014	<u>\$ 2,056</u>	<u>\$ 5,651</u>	<u>\$ 31</u>	<u>\$ 143</u>	<u>\$ 7,881</u>

(a) The estimated useful life over which investment property is amortized is as follows:

Buildings Up to 40 years

(b) Net Profit from Investment Property

	<u>2014</u>	<u>2013</u>
Rental income derived from investment property	\$ 2,841	\$ 2,793
Direct operating expenses (including repair and maintenance) generating rental income	\$ (102)	(65)
Net profit arising from investment property	<u>\$ 2,739</u>	<u>2,728</u>

Estimated rental income for the current lease term which expires January 31, 2018 is:

2014-15	\$ 2,840
2015-16	\$ 2,943
2016-17	\$ 3,251
2017-18	\$ 2,712



**NOTE 8 INVESTMENT PROPERTY (LIQUOR WAREHOUSES) (Cont'd)**  
 (in thousands)

(c) Fair Value of Investment Property

	<u>2014</u>	<u>2013</u>
Fair value of investment property	\$ 45,850	\$ 43,000

Investment property is stated at cost.

The fair value at March 31, 2013 and March 31, 2014 is based on a valuation performed by Bourgeois & Company Ltd., an accredited independent valuer. Bourgeois & Company Ltd. have appropriate qualifications and recent experience in the valuation of similar properties. Two market based techniques (income and direct comparison approaches) were applied to estimate fair value.

(d) Subsequent Event – Work in Progress Land and Building

The *Gaming and Liquor Act* requires the Commission to obtain approval of the Lieutenant Governor in Council to acquire land or buildings. On March 5, 2014, Order in Council 058/2014 granted approval for the Commission to purchase land for construction of a new liquor warehouse. As at March 31, 2014, an offer to purchase land for \$16.2 million was accepted with conditions. The conditions were removed on April 29, 2014 and the required land transfer documentation submitted to Land Titles Office of the Government of Alberta. As of May 9, 2014 it is anticipated transfer of ownership will occur prior to May 31, 2014.

Once the conditions described above were removed, the Commission was able to enter into an initial development agreement with the City of St. Albert. Subsequent to year end, the Commission paid approximately \$2.7 million for offsite levies related to transportation and water.

During fiscal 2013-14, in anticipation of land acquisition and warehouse construction, the Commission incurred costs totaling \$174 thousand; these costs are classified as work in progress.

**NOTE 9 DUE TO THE ALBERTA LOTTERY FUND**  
 (in thousands)

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

	<u>2014</u>	<u>2013</u>
Due to the Alberta Lottery Fund, beginning of year	\$ 93,585	\$ 100,451
Net operating results, Provincial Lotteries (note 12)	1,484,457	1,485,205
Transfers to the Alberta Lottery Fund	(1,493,495)	(1,492,071)
Due to the Alberta Lottery Fund, end of year	<u>\$ 84,547</u>	<u>\$ 93,585</u>

**NOTE 9 DUE TO THE ALBERTA LOTTERY FUND (Cont'd)**  
 (in thousands)

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

**NOTE 10 DUE TO GENERAL REVENUES**  
 (in thousands)

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

	<u>2014</u>	<u>2013</u>
Due to General Revenues, beginning of year	\$ 269,663	\$ 270,934
Net operating results, Liquor and Other (note 12)	747,026	728,729
Transfers to General Revenues	(740,000)	(730,000)
Due to General Revenues, end of year	<u>\$ 276,689</u>	<u>\$ 269,663</u>

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

**NOTE 11 EMPLOYEE BENEFIT PLANS**  
 (in thousands)

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

	<u>2014</u>			<u>2013</u>		
	<u>PSPP</u>	<u>MEPP</u>	<u>SRP</u>	<u>PSPP</u>	<u>MEPP</u>	<u>SRP</u>
Discount rate:	4.40%	4.40%	4.40%	3.80%	3.80%	3.80%
Inflation rate:	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Average wage increases:	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Commission's share of plan payroll:	2.18%	1.79%	1.81%	1.73%	1.47%	1.92%
Date of the most recent actuarial valuation from which results are extrapolated:	Dec. 31, 2012	Dec. 31, 2012	Dec. 31, 2012	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2009
Commission's Expected Contributions For The Next Period:						
All plans	\$ 9,892			\$ 8,186		

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

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

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

	2014				2013			
	PSPP	MEPP	SRP	Total	PSPP	MEPP	SRP	Total
<b>Change in Fair Value of Plan Assets</b>								
Opening fair value of plan assets	\$ 63,500	\$ 27,752	\$ 1,655	\$ 92,907	\$ 56,500	\$ 23,600	\$ 1,148	\$ 81,248
Employer contributions	7,041	1,922	185	9,148	4,120	1,508	63	5,691
Benefit payments	(4,851)	(1,678)	(36)	(6,565)	(3,147)	(1,395)	(42)	(4,584)
Interest income on assets	2,455	1,059	66	3,580	2,564	1,065	52	3,681
Actuarial (loss) gain	26,780	9,259	(611)	35,428	3,463	2,974	434	6,871
Acquisitions, settlements, & curtailments	-	-	-	-	-	-	-	-
Closing Fair Value of Plan Assets	\$ 94,925	\$ 38,314	\$ 1,259	\$ 134,498	\$ 63,500	\$ 27,752	\$ 1,655	\$ 92,907
<b>Change in Defined Benefit Obligation</b>								
Opening defined benefit obligation	\$ 99,000	\$ 39,123	\$ 1,855	\$ 139,978	\$ 90,000	\$ 35,626	\$ 1,592	\$ 127,218
Current service cost (employer)	6,260	2,278	120	8,658	4,134	1,319	171	5,624
Benefit paid	(4,851)	(1,678)	(36)	(6,565)	(3,147)	(1,395)	(42)	(4,584)
Interest expense	3,773	1,498	82	5,353	4,165	1,631	78	5,874
Actuarial losses (gains)	36,549	9,186	(571)	45,164	3,848	1,942	56	5,846
Acquisitions, settlements, & curtailments	-	-	-	-	-	-	-	-
Closing Defined Benefit Obligation	\$ 140,731	\$ 50,407	\$ 1,450	\$ 192,588	\$ 99,000	\$ 39,123	\$ 1,855	\$ 139,978
<b>Net Defined Benefit Liability</b>	<b>\$ 45,806</b>	<b>\$ 12,093</b>	<b>\$ 191</b>	<b>\$ 58,090</b>	<b>\$ 35,500</b>	<b>\$ 11,371</b>	<b>\$ 200</b>	<b>\$ 47,071</b>

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

**Accumulated Other Comprehensive Income**

	2014				2013			
	PSPP	MEPP	SRP	Total	PSPP	MEPP	SRP	Total
Actuarial loss(gain) on plan assets	\$ (26,780)	\$ (9,259)	\$ 611	\$ (35,428)	\$ (3,463)	\$ (2,974)	\$ (434)	\$ (6,871)
Experience loss on plan liabilities	36,548	9,186	(571)	45,163	3,848	1,942	56	5,846
Amount recognized in OCI	9,768	(73)	40	9,735	385	(1,032)	(378)	(1,025)
Beginning balance, AOCI	11,647	5,180	4	16,831	11,262	6,212	382	17,856
Ending balance, AOCI	\$ 21,415	\$ 5,107	\$ 44	\$ 26,566	\$ 11,647	\$ 5,180	\$ 4	\$ 16,831

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

**Net Defined Benefit Pension Expense**

	2014				2013			
	PSPP	MEPP	SRP	Total	PSPP	MEPP	SRP	Total
Current service cost (including provision for expenses)	\$ (781)	\$ 356	\$ (65)	\$ (490)	\$ 14	\$ (189)	\$ 108	\$ (67)
Net Interest on employee benefits	1,319	439	16	1,774	1,601	566	26	2,193
Net pension-benefit expense recognized	\$ 538	\$ 795	\$ (49)	\$ 1,284	\$ 1,615	\$ 377	\$ 134	\$ 2,126

**Risks arising from defined benefit plans**
Economic risks

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

Demographic risks

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

Multi-employer plan funding risk

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

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

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

**Sensitivity Analysis:**

	2014			2013		
	PSPP	MEPP	SRP	PSPP	MEPP	SRP
Estimated sensitivity of liabilities to a 1% change in the discount rate:	14.20%	13.40%	18.70%	13.20%	13.04%	23.98%
Estimated sensitivity of liabilities to a 1% change in the inflation rate, corresponding ultimate general salary increase rate at validation date:	9.04%	7.92%	25.09%	9.50%	7.30%	23.29%

## NOTE 12 GAMING AND LIQUOR OPERATING RESULTS

(in thousands)

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

	2014				Liquor and Other	Total
	Provincial Lotteries					
	Casino Gaming Terminals	Video Lottery Terminals	Electronic Bingo (a)	Subtotal		
Credits Played	\$ 15,812,590	\$ 7,641,522	\$ 34,691	\$ 23,488,803	\$ -	\$ 23,488,803
Liquor Revenue	-	-	-	-	2,402,714	2,402,714
	<u>15,812,590</u>	<u>7,641,522</u>	<u>34,691</u>	<u>23,488,803</u>	<u>2,402,714</u>	<u>25,891,517</u>
Credits Won	(14,591,778)	(7,029,632)	(23,366)	(21,644,776)	-	(21,644,776)
Cost of Liquor Product	-	-	-	-	(1,644,463)	(1,644,463)
	<u>(14,591,778)</u>	<u>(7,029,632)</u>	<u>(23,366)</u>	<u>(21,644,776)</u>	<u>(1,644,463)</u>	<u>(23,289,239)</u>
	1,220,812	611,890	11,325	1,844,027	758,251	2,602,278
Commissions & Federal Payments	(363,302)	(97,280)	(3,639)	(464,221)	-	(464,221)
	<u>\$ 857,510</u>	<u>\$ 514,610</u>	<u>\$ 7,686</u>	1,379,806	758,251	2,138,057
Operating Expenses				(193,475)	(30,303)	(223,778)
Profit from Operations for the Year				1,186,331	727,948	1,914,279
Other Revenue				-	19,078	19,078
Income from Western Canada Lottery Corporation				298,126	-	298,126
Net Operating Results				\$ 1,484,457	\$ 747,026	\$ 2,231,483
Other Comprehensive Income (Expense)				-	(9,735)	(9,735)
Total Comprehensive Income				<u>\$ 1,484,457</u>	<u>\$ 737,291</u>	<u>\$ 2,221,748</u>

\*(a) includes Keno charity commissions

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

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

\*(a) includes Keno charity commissions

## NOTE 13 COMMISSIONS AND FEDERAL PAYMENTS

(in thousands)

	<b>2014</b>			
	Casino Gaming Terminals	Video Lottery Terminals	Electronic Bingo (a)	Total
Commissions				
Operators	\$ 179,145	\$ 91,720	\$ 1,701	\$ 272,566
Charities	173,032	-	1,764	174,796
Federal Tax Expense (b)	11,125	5,560	174	16,859
	<u>\$ 363,302</u>	<u>\$ 97,280</u>	<u>\$ 3,639</u>	<u>\$ 464,221</u>
	<b>2013</b>			
	Casino Gaming Terminals	Video Lottery Terminals	Electronic Bingo (a)	Total
Commissions				
Operators	\$ 183,032	\$ 86,288	\$ 1,837	\$ 271,157
Charities	176,439	-	1,908	178,347
Federal Tax Expense (b)	11,195	5,015	181	16,391
	<u>\$ 370,666</u>	<u>\$ 91,303</u>	<u>\$ 3,926</u>	<u>\$ 465,895</u>

\*(a) includes Keno Charity Commissions

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

## NOTE 14 OPERATING EXPENSES

(in thousands)

	<u>2014</u>	<u>2013</u>
Salaries and benefits	\$ 88,047	\$ 80,272
Amortization	59,851	42,823
Leased gaming terminals	31,142	27,974
Equipment and vehicles	10,146	11,794
Data communications	7,578	7,346
Fees and services	5,656	4,284
Data processing	5,576	5,182
Travel and training	3,142	3,080
Property	3,063	2,631
Freight and ticket product delivery	1,917	1,928
Stationery and supplies	1,876	1,995
Net interest in net defined benefit pension liability (note 11)	1,774	2,193
Retailer relations	1,723	2,303
Insurance and bank charges	1,303	950
Miscellaneous	858	840
Liquor product expense	126	120
	<u>\$ 223,778</u>	<u>\$ 195,715</u>

**NOTE 15 OTHER REVENUE**  
 (in thousands)

	<u>2014</u>	<u>2013</u>
Licences	\$ 6,259	\$ 6,260
Miscellaneous	3,187	1,550
Premises rental revenue	2,841	2,809
Liquor levies	2,240	2,154
Interest revenue	2,082	3,650
Gain (loss) on disposal of property, plant, and equipment	1,150	(5,090)
Retailer service fees	749	618
Administrative sanctions	570	406
	<u>\$ 19,078</u>	<u>\$ 12,357</u>

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

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

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

	<u>2014</u>	<u>2013</u>
<b>Balance Sheet (WCLC)</b>		
Current Assets	\$ 83,226	\$ 97,820
Capital and Intangible Assets	21,194	21,763
	<u>\$ 104,420</u>	<u>\$ 119,583</u>
Current Liabilities	\$ 71,666	\$ 90,480
Due to Provincial Governments or Appointed Organizations	45,790	45,806
Equity	(13,036)	(16,703)
	<u>\$ 104,420</u>	<u>\$ 119,583</u>
<b>Statement of Operations (Alberta Only)</b>		
Ticket Lottery Revenue (a)	\$ 857,695	\$ 815,400
Ticket Lottery Prizes (a)	(444,549)	(420,191)
Gaming Revenue	413,146	395,209
Commissions (a)	(61,627)	(57,990)
Federal Tax Expense (a)	(4,637)	(4,383)
Payment to Federal Government (b)	(8,506)	(8,150)
	338,376	324,686
Operating Expenses	(40,250)	(38,392)
Net Operating Results	<u>\$ 298,126</u>	<u>\$ 286,294</u>



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

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

**Statement of Change in Investment in WCLC**

	<u>2014</u>	<u>2013</u>
Investment in WCLC, beginning of year	\$ 32,104	\$ 35,498
Net Operating Results recorded in AGLC	298,126	286,294
Interest Revenue recorded in Alberta Lottery Fund	1,075	944
WCLC Net Income Allocated to Alberta	<u>299,201</u>	<u>287,238</u>
Advances received from WCLC	(300,231)	(290,632)
Investment in WCLC, end of year	<u>\$ 31,074</u>	<u>\$ 32,104</u>

**NOTE 17 COMMITMENTS**  
 (in thousands)

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

	<u>2014</u>	<u>2013</u>
Obligations under operating leases and contracts		
Premise Leases and other contracts	\$ 4,456	\$ 5,631
Former Retail Liquor Stores	1,105	1,116
Video Lottery Terminal replacement initiative	10,500	91,521
Investment Property Land Purchase (note 8d)	16,200	-
	<u>\$ 32,261</u>	<u>\$ 98,268</u>

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

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

2014-15	\$	20,824
2015-16		4,531
2016-17		4,247
2017-18		471
2018-19		362
Thereafter		<u>1,826</u>
	\$	<u>32,261</u>

The Commission has lease obligations for former retail liquor stores, most of which have been subleased to third parties. Provision for loss on leased properties of \$0.24 million (2013 - \$1.75 million) has been made where the payments to be received on the sub-leases are less than the lease payments to be made. Estimated receipts for each of the five years and thereafter are as follows:

2014-15	\$	50
2015-16		50
2016-17		50
2017-18		50
2018-19		50
Thereafter		<u>668</u>
	\$	<u>918</u>

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

The Commission is a defendant in several legal claims. Management has assessed these claims as at March 31, 2014, and determined, due to the nature of the claims, none of the claims will be provided for in our accounts or disclosed in these notes as they are remote and are not expected to have material adverse effect in the financial position or operations of the Commission.

The Commission amended a lease agreement with a tenant on January 22, 2014. Under the terms of the amended agreement, the Commission has agreed to assume certain third party premise leases for the remainder of the lease term if a significant change in the terms of the tenant's appointment occurs before January 31, 2018. As of March 31, 2014, the Commission's potential liability is \$19.2 million (2013 - \$13.7 million).

**NOTE 18 CONTINGENT LIABILITIES AND PROVISIONS (Cont'd)**  
 (in thousands)

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

A provision for loss on leased properties has been recorded on onerous lease contracts on former retail liquor store operations that could not be terminated by the Commission at the time of liquor privatization in 1993. The provision is determined based on the difference between the aggregate estimated sublease revenue and the total lease obligations. As at March 31, 2014 there were 2 leases (2013 – 6 leases) that make up the provision.

	<u>Lease Provision</u>
As at March 31, 2013	\$ 1,751
Amounts used against the provision	(101)
Amounts written off against the provision	(1,414)
As at March 31, 2014	<u>\$ 236</u>
Expected Outflow of Resources	
Within one year	\$ 10
After one year but not more than five years	40
After five years	186
	<u>\$ 236</u>

**NOTE 19 FUNDS UNDER ADMINISTRATION**  
 (in thousands)

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

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

	<u>2014</u>	<u>2013</u>
Charitable Proceeds	\$ 16,316	\$ 15,183
Held Charitable Proceeds	85	107
Returned Funds	-	35
	<u>\$ 16,401</u>	<u>\$ 15,325</u>

**NOTE 20 SALARIES AND BENEFITS**

(in thousands)

The Commission is an agent of the Government of Alberta and as such, is required to disclose certain information in accordance with the Fiscal Management Act.

	2014			2013	
	Base Salary <i>note a</i>	Other Cash Benefits <i>note b</i>	Other Non-cash Benefits <i>note c</i>	Total	Total
<b>Board</b>					
Chairperson	\$ 102	\$ -	\$ -	\$ 102	\$ 109
Board Members	260	-	-	260	272
<b>Chief Executive</b>					
President and Chief Executive Officer	<i>note d</i> 264	10	79	353	257
<b>Executive Management</b>	<i>note e</i>				
Chief Financial Officer & Senior Vice President	198	4	58	260	274
Vice President, Lottery and Gaming Services	<i>note f</i> 193	317	57	567	255
Chief Information Officer and Vice President, Innovation	192	5	56	253	245
Vice President, Compliance and Social Responsibility	186	-	54	240	259
Vice President, Human Resources and Learning & Development	165	1	45	211	203
Vice President, Strategy, Transformation and Ethics	<i>note g</i> 115	382	30	527	249
Vice President, Liquor Services	<i>note h</i> 98	-	29	127	-

- (a) Base salary includes regular base pay and acting pay.
- (b) Other cash benefits include vacation payouts, lump sum payouts and severance. There were no bonuses paid in fiscal 2013-14.
- (c) Other non-cash benefits include the Commission's share of all employee benefits and contributions or payments made on behalf of employees including pension and supplementary retirement plans, health care, dental coverage, group life insurance, and short and long term disability plans.
- (d) Automobile provided; taxable benefit amount of \$10 (2013 - \$2) is not included in other non-cash benefits.
- (e) A corporate restructuring that took effect November 1, 2013 resulted in a realignment of some Vice Presidents and responsibilities between divisions.
- (f) The position was occupied by two individuals during the year.
- (g) The incumbent resigned effective November 1, 2013 and the duties reassigned to other Vice Presidents.
- (h) The position was created September 1, 2013.

## **NOTE 21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

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

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

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

## **NOTE 22 RELATED PARTY TRANSACTIONS**

(in thousands)

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

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

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

The Commission made payments totalling \$362 (2013 - \$363) to Risk Management and Insurance. Transactions with the Alberta Lottery Fund are disclosed in Note 9 and transactions with the General Revenue Fund are disclosed in Note 10.

The Western Canada Lottery Corporation (WCLC), an associated entity as disclosed in Note 3, is also a deemed related party to the Commission. Details of transactions with WCLC are disclosed in Note 16. In addition, the Commission received \$749 (2013 - \$618) in retailer service fees from WCLC.

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

**NOTE 23 APPROVED BUDGET**

(in thousands)

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

	<u>2014</u>
Liquor Revenue	\$ 2,253,071
Liquor Cost of Sales	<u>(1,512,981)</u>
	740,090
Gaming Revenue	<u>1,925,988</u>
	2,666,078
Commissions and Federal Payments (a)	(494,280)
Operating Expenses	<u>(257,595)</u>
<b>PROFIT FROM OPERATIONS FOR THE YEAR</b>	1,914,203
Other Revenue	16,481
Income from Western Canada Lottery Corporation	<u>271,402</u>
<b>NET OPERATING RESULTS</b>	\$ 2,202,086
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	
Loss on Pension Liability	<u>(10,000)</u>
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>\$ 2,192,086</u>

(a) Includes Keno Charity Commissions

# Financial Statements

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## Independent Auditor's Report

To the Members of the Alberta Gaming and Liquor Commission

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

I have audited the accompanying financial statements of the Alberta Lottery Fund, which comprise the balance sheet as at March 31, 2014, and the statement of revenue, expenditure and fund equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Lottery Fund as at March 31, 2014, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Original signed by Merwan N. Saher, FCA  
Auditor General

May 28, 2014

Edmonton, Alberta



Alberta Lottery Fund  
**Balance Sheet**

At March 31

(thousands of dollars)	2014	2013
<b>ASSETS</b>		
Cash and cash equivalents (Note 3)	\$ 3,093	\$ 131,115
Due from Alberta Gaming and Liquor Commission (Note 5)	<u>84,547</u>	<u>93,585</u>
	<u>\$ 87,640</u>	<u>\$ 224,700</u>
<b>LIABILITIES AND FUND EQUITY</b>		
Accounts payable (Note 6)	\$ 34,865	\$ 171,925
Fund equity	<u>52,775</u>	<u>52,775</u>
	<u>\$ 87,640</u>	<u>\$ 224,700</u>

The accompanying notes are part of these financial statements.

Approved by:

BOARD

MANAGEMENT

Original signed by

Original signed by

\_\_\_\_\_  
Thorna Lawrence, CA  
Board Member  
Alberta Gaming and Liquor Commission

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

Alberta Lottery Fund

## Statement of Revenue, Expenditure and Fund Equity

For the year ended March 31

(thousands of dollars)	Budget 2014 (Note 8)	Actual 2014	Actual 2013
<b>REVENUE</b>			
Proceeds from lottery operations (Note 7)	\$ 1,483,671	\$ 1,484,457	\$ 1,485,205
Interest	<u>2,000</u>	<u>4,442</u>	<u>4,164</u>
	1,485,671	1,488,899	1,489,369
<b>EXPENDITURE</b>			
Lottery Fund expenditures (Note 1)	<u>1,485,671</u>	<u>1,488,899</u>	<u>1,489,369</u>
Excess of revenue over expenditure for the year	-	-	-
Fund equity, beginning of year	<u>52,775</u>	<u>52,775</u>	<u>52,775</u>
Fund equity, end of year	<u>\$ 52,775</u>	<u>\$ 52,775</u>	<u>\$ 52,775</u>

The accompanying notes are part of these financial statements.

Alberta Lottery Fund

## Notes to the Financial Statements

March 31, 2014

### NOTE 1 AUTHORITY AND PURPOSE

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

The *Appropriation Act, 2013* authorized transfers from the Lottery Fund as presented in the 2013-2014 Estimates, and provided for flexibility in the amount allocated from the Lottery Fund to the General Revenue Fund so that the net balance of the Lottery Fund would be zero at the year ended March 31, 2014.

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

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

### NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

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

#### Cash Flows

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

#### Valuation of Financial Assets and Liabilities

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

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

### NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term and mid-term fixed income securities with a maximum term-to-maturity of three years. For the year ended March 31, 2014, securities held by the Fund had a time-weighted return of 1.17% per annum (March 31, 2013: 1.25% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

Alberta Lottery Fund

## Notes to the Financial Statements

March 31, 2014

### NOTE 4 RELATED PARTY TRANSACTIONS

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

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

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

This amount represents the portion of net operating results from provincial lotteries which has not been transferred by the Alberta Gaming and Liquor Commission (AGLC) to the Alberta Lottery Fund at year end.

(thousands of dollars)	2014	2013
Due from AGLC, beginning of year	\$ 93,585	\$ 100,451
Proceeds from provincial lotteries	1,484,457	1,485,205
Transfers from AGLC	<u>(1,493,495)</u>	<u>(1,492,071)</u>
Due from AGLC, end of year	<u>\$ 84,547</u>	<u>\$ 93,585</u>

### NOTE 6 ACCOUNTS PAYABLE

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

### NOTE 7 PROCEEDS FROM PROVINCIAL LOTTERIES

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

(thousands of dollars)	2014	2013
Income from casino gaming terminals	\$ 857,510	\$ 873,835
Income from video lottery terminals	514,610	484,451
Income from ticket lottery	338,310	324,614
Income from electronic bingo	7,752	8,390
Less operating expenses	<u>(233,725)</u>	<u>(206,085)</u>
Proceeds from provincial lotteries	<u>\$ 1,484,457</u>	<u>\$ 1,485,205</u>

### NOTE 8 BUDGET

The 2014 budgeted expenditures were authorized in total by the *Appropriation Act, 2013* on April 29, 2013.

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**TOLL FREE** 1-800-272-8876

50 Corriveau Avenue  
St. Albert, AB T8N 3T5  
780-447-8600

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