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1976/77

# Atlantic Motors

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*Annual Report '76*

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## Statement from the Chairman

The growth and popularity of government-run lotteries in Canada since 1970 has been dramatic indeed. But who would have imagined a short year ago that the concept of a regional lottery in Atlantic Canada would have been accepted so enthusiastically by the general public in our four provinces?

Yet, after only our first year of operation, and not a full year at that, the Atlantic Lottery Corporation enjoys the reputation as one of the most successful public lotteries in the country.

And that status is based on whatever criteria one wishes to employ. Our sales, on a per capita basis, for instance, are considered unprecedented in the lottery field in North America. Our administrative costs are the lowest of the major lotteries in Canada. The manner in which we conduct our lottery - from the sale of the tickets to the televised selection of the winning numbers to the payment of the prizes -- is open to the scrutiny of the public, thus ensuring the absolute integrity of the lottery itself.

The creation of the Atlantic Lottery Corporation on September 3, 1976 was the culmination of months of hard work and close co-operation by a regional committee representing the four provinces and the Council of Maritime Premiers. It was this committee that met with and studied every other lottery in Canada before

drawing up the inter-provincial agreements necessary to establish a regional lottery corporation.

Now, as a corporation empowered with the sole responsibility for managing and operating provincial or inter-provincial lotteries in our region, the Atlantic Lottery Corporation can look upon its first year of business with some pride. I would like to pay tribute to our general manager and his staff whose dedication and hard work in the past year deserve due recognition.

From the day our first Atlantic Loto tickets went on sale last December, the support from Atlantic Canadians has greatly exceeded our expectations. This has been reflected in our sales and in our profits. And the truly good thing about all the money that Atlantic Loto earns is that it remains here in Atlantic Canada where it can be put to the best possible uses by the four provincial governments.

We feel that in Atlantic Loto we have a lottery that is uniquely Atlantic Canadian in flavour. In fact, our advertising motto says it well:

"Atlantic Loto. It's All Yours".

  
.....  
D.K. Roberts

## Report from the General Manager

Only a year ago, the idea of an Atlantic Lottery Corporation was just that. An idea. But what a difference a year makes!

From the day of our first draw, December 15, 1976, the growth of Atlantic Loto has surpassed even our most optimistic of projections. For that first draw, we emulated the experience of Ontario, then the most successful young lottery in Canada, and printed one ticket for every four residents in Atlantic Canada. Within hours those first historic Atlantic Loto tickets, 540,000 in all, had sold like proverbial 'hotcakes'. Tickets have sold so well since that sales have climbed to more than 1,500,000 a draw. At the same time, more than \$11,500,00 in sales have been generated, more than double the \$5,000,00 we had originally estimated.

Agreements between the Atlantic Lottery Corporation and lotteries commissions in New Brunswick, Nova Scotia and Prince Edward Island and the government of Newfoundland and Labrador stipulate that each province receive a share of the profits on the basis of its sales. By fiscal year end then, New Brunswick's share of net earnings was \$2,059,374, Nova Scotia's \$2,177,952, Prince Edward Island's \$352,062 and Newfoundland and Labrador's \$657,426. Each province determines how it spends lottery revenues.

Canada's newest lottery has also proved beneficial to the people most responsible for its success, the ticket purchasers. From December 15, 1976 to March 31, 1977, we have awarded more than \$3,298,020 to more than 100,000 people. This represents a pay out of 92.23 per cent of the prize fund. Of course, all unclaimed money is kept in the fund for one year from the date of a draw and then, if still unclaimed, goes for bonus or special prizes in later draws.

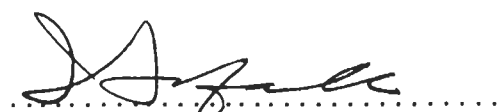
Because of the outstanding support and popularity of Atlantic Loto, this first year has witnessed several milestones. Not only have

sales mushroomed but the lottery sported several distinct improvements. Where first we offered a \$1 ticket buyer an opportunity for a \$50,000 grand prize and \$25,000 for second, now we boast a \$100,000 grand prize, \$50,000 for second and, as of March 23, 1977, eight grand prizes of \$25,000 each. The lottery has evolved from those early days to the stage where it now gives out more than 40 per cent of its revenues in prizes.

These and other innovations were implemented in response to suggestions from Atlantic Canadians. In the 1977-78 year, I am confident that we will see even more improvements as we continue our efforts to make Atlantic Loto the people's lottery. This summer we will be taking our regular televised lottery to Newfoundland, Nova Scotia and Prince Edward Island so that people in those provinces can become more closely involved with the lottery.

A mobile caravan will transport Atlantic Loto to the very special events around Atlantic Canada. While we have regular communication with the general public through the news media and our valued network of retailers, we are developing a corporate publication that will speak to Atlantic Canadians in both French and English. And I feel sure that as our public demands it we will be in the position to introduce even more exciting lotteries.

This has been a formative year to be sure, and a good one. I cannot say enough about the support and co-operation I have received from our chairman, Dave Roberts, and our board of directors. Their efforts were instrumental to our success. On behalf of our small but dedicated staff I would like to thank the people of Atlantic Canada for their more than generous support of our lottery.

  
.....  
Jean-Marc Lafaille

lottery is operated by a government-established corporation it must ensure public confidence with strict administrative and financial controls.

Accordingly, the operations of Atlantic Loto are similar to government departments in the four Atlantic Provinces in that they are subject to similar purchasing and personnel restrictions and rigid audits as well as self-policing of sales and promotional practices.

At Atlantic Loto, there is an eight-member Board of Directors with two directors from

Board of Directors

General Manager  
Jean-Marc Lafaille

New Brunswick, Island and New- reports directly managers respon- finance, public sonnel and ad- ministration report, in turn, to the general manager.

In keeping with its advertising slogan, It's All Yours, Atlantic Loto has a policy of supporting Atlantic Canadians wherever possible.

Efforts to make Atlantic Loto the lottery of all Atlantic Canadians seem to have paid off if support from the people is any indication.

Manager of Sales & Distribution  
John Sioui

Manager of Public Relations  
Jerry Rogers

Manager of Advertising  
Frank Keiver

Manager of Administrative  
Services  
Perley Brewer

Manager of Financial Services  
Doug Lewis

## Auditors' Report to the Shareholders

We have examined the balance sheet of the Atlantic Lottery Corporation Inc. as of March 31, 1977 and the statements of operations, account with the Atlantic Provinces and changes in financial position for the period from the date of incorporation September 3, 1976, to March 31, 1977. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as of March 31, 1977 and the results of its operations and changes in financial position for the period from the date of incorporation, September 3, 1976, to March 31, 1977 in accordance with generally accepted accounting principles.

Peat, Marwick, Mitchell & Co.  
Chartered Accountants

Moncton, New Brunswick  
May 9, 1977

ion Inc.

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	467,725	
	<u>852,230</u>	\$2,319,955
		13,800
		10,800
		<u>182,974</u>
		2,527,529
Fixed assets, at cost less accumulated depreciation and amortization:		
Equipment for draws	100,018	
Office furniture and equipment	90,382	
Leasehold improvements	42,940	
	233,340	
Less accumulated depreciation and amortization	<u>18,195</u>	
Net fixed assets		215,145
Deposit on equipment		<u>4,450</u>
		<u>\$2,747,124</u>

See accompanying notes to financial statements.





## Statement of Operations

For the period from the date of Incorporation, September 3, 1976 to March 31, 1977 (Note 1)

Lottery ticket sales:			
	New Brunswick		\$4,542,779
	Newfoundland and Labrador		1,449,810
	Nova Scotia		4,804,832
	Prince Edward Island		<u>776,250</u>
			11,573,671
Less discounts on ticket sales:			
	New Brunswick	\$ 227,139	
	Newfoundland and Labrador	72,491	
	Nova Scotia	240,242	
	Prince Edward Island	<u>38,812</u>	578,684
	Net ticket sales		<u>10,994,987</u>
Direct costs of ticket sales:			
	Prizes paid	3,298,020	
	Provision for unclaimed prizes	467,725	
	Printing of tickets	<u>370,916</u>	4,136,661
	Gross profit from operations		<u>6,858,326</u>
Operating expenses:			
	Sales and distribution expenses (schedule 1)	568,047	
	Advertising and public relations expenses (schedule 1)	552,525	
	Administrative expenses (schedule 2)	518,202	
	Depreciation and amortization of fixed assets	<u>18,195</u>	1,656,969
	Operating profit		<u>5,201,357</u>
Other income:			
	Bank interest	45,349	
	Miscellaneous	<u>108</u>	45,457
	Net profit for the period- transferred to the account with the Atlantic Provinces		<u>\$5,246,814</u>

See accompanying notes to financial statements.

## Statement of Account with the Atlantic Provinces

For the period from the date of Incorporation, September 3, 1976 to March 31, 1977 (Note 1)

	Lotteries Commission of New Brunswick	Province of Newfoundland and Labrador	Nova Scotia Lottery Commission	P.E.I. Lotteries Commission	Total
Net profit for the period	\$2,059,374	\$657,426	\$2,177,952	\$352,062	\$5,246,814
Less long-term liability	<u>86,190</u>	<u>27,616</u>	<u>90,902</u>	<u>14,887</u>	<u>219,595</u>
Funds for dis- tribution to Atlantic Provinces	1,973,184	629,810	2,087,050	337,175	5,027,219
Less actual remit- tances to the Provinces	<u>1,896,118</u>	<u>676,000</u>	<u>1,985,304</u>	<u>317,299</u>	<u>4,874,721</u>
Current liability- due to the Atlantic Provinces	<u>\$ 77,066</u>	<u>\$ (46,190)</u>	<u>\$ 101,746</u>	<u>\$ 19,876</u>	<u>\$ 152,498</u>

See accompanying notes to financial statements.

## Statement of Changes in Financial Position

For the period from the date of Incorporation, September 3, 1976 to March 31, 1977 (Note 1)

Source of funds:		
From operations:		
Net profit for the period		\$5,246,814
Depreciation and amortization of fixed assets		<u>18,195</u>
	Funds provided from operations	5,265,009
Issuance of common shares		<u>400</u>
	Total funds provided	5,265,409
Application of funds:		
Funds distributed to Atlantic Provinces:		
New Brunswick	\$1,973,184	
Newfoundland & Labrador	629,810	
Nova Scotia	2,087,050	
Prince Edward Island	<u>337,175</u>	5,027,219
Purchase of fixed assets:		
Equipment for draws	100,018	
Office furniture and fixtures	90,382	
Leasehold improvements	<u>42,940</u>	233,340
Deposit on equipment		4,450
	Total funds applied	<u>5,265,009</u>
Working capital, end of period		<u>\$ 400</u>

See accompanying notes to financial statements.

## Notes to Financial Statements (March 31, 1977)

### 1. Incorporation:

The Atlantic Lottery Corporation Inc. was incorporated on September 3, 1976 with its first draw held on December 15, 1976. The accompanying financial statements of the Corporation cover the period from the date of its incorporation to March 31, 1977, the end of its first fiscal year. The financial statements include expenses incurred by the Lottery Committee on behalf of the Corporation and prior to its incorporation.

### 2. Summary of significant accounting policies:

#### a) Fixed assets:

Depreciation and amortization of fixed assets are computed using the straight line method over their estimated useful life as follows:

Equipment for draws	-	10 per cent
Office furniture & equipment	-	20 per cent
Leasehold improvements	-	Over the terms of the related leases.

#### b) Distribution of net profits:

The net profits of the Corporation, after provision for prizes and the payment of all operating and other expenses, are distributed to the agencies of the four Atlantic Provinces. The distribution to each province is based on the percentage of ticket sales for each draw in that province.

#### c) Revenues and expenses:

Revenue from all tickets sold as of March

31, 1977 for drawings subsequent to that date are treated as deferred revenue. All discounts and commissions related to these ticket sales, as well as direct costs related to drawings subsequent to March 31, 1977, are treated as deferred expenses. All other expenses are charged to operations as incurred.

#### d) Prizes to retailers:

Retailers who sell the winning tickets for prizes of \$1,000 and over are paid a prize of one per cent of the amount of the winning ticket.

#### e) Unclaimed prizes:

All unclaimed prizes are retained in the prize fund for a period of one year from the date of the draw. Unclaimed prizes remaining after the one-year claiming period are to be transferred to a special prize fund to be used for bonus or special prizes in subsequent draws.

### 3. Share capital

On the incorporation of the Corporation, one common share was issued to each of the Provinces or their agencies for a cash consideration of \$100 per share.

### 4. Anti-Inflation legislation:

The Corporation is considered to be subject to the controls on compensation under the Federal Anti-Inflation Act and Regulations.

## Sales and Distribution Expenses and Advertising and Public Relations Expenses

For the period from the date of Incorporation, September 3, 1976 to March 31, 1977 (Note 1)

### Schedule 1

#### Sales and distribution expenses:

Salaries	\$222,128
Commissions	21,500
Employee benefits	15,653
Travel	64,824
Rent	5,385
Professional services	2,320
Promotion - point of sale material	95,842
Meetings	1,755
Moving and cartage	4,365
Equipment rental	2,516
General office	12,214
Telephone and telegraph	5,613
Leased vehicles	90,871
Vehicles purchased	23,061

\$568,047

#### Advertising and public relations:

Advertising	\$476,012
Promotion and public relations	16,802
Television production	48,291
Moving and cartage	7,648
Professional fees	3,318
Accommodations	366
Other	88

\$552,525

## Administrative Expenses

For the period from the date of Incorporation, September 3, 1976 to March 31, 1977 (Note 1)

### Schedule 2

Salaries and wages	\$140,861
Employee benefits	15,443
Travel	30,345
Advertising	9,602
Public relations	1,570
Meetings	11,423
Insurance	10,000
Rent - premises	20,079
- equipment	5,089
Printing and stationery	23,881
General office supplies and postage	29,198
Telephone and telegraph	33,648
Freight and cartage	3,587
Bank charges	2,810
Computer services	15,335
Professional services - legal and audit	20,490
Consulting, systems development and outside services	125,041
Leased vehicles	12,649
Miscellaneous	7,151
	<u>\$518,202</u>

Hand and glove. That's how Atlantic Loto's sales and distribution staff work in harmony with the more than 3,000 retailers in Atlantic Canada to bring lottery tickets to the people.

A smooth-running distribution system is an absolute essential to the lottery's success, says sales and distribution manager John Sioui.

"When you consider that Atlantic Loto sells more than 1,500,000 tickets every two weeks, it is plain to see that effective sales and distribution practices form the heart of any good lottery."

The sales and distribution system introduced by Atlantic Loto in December, 1976 is unique to the lottery industry since the 37 distributors are bonded employees of the Atlantic Lottery Corporation itself. They are responsible to three regional sales managers, one each in Nova Scotia, Newfoundland and New Brunswick

—Prince Edward Island, who, in turn, report to the sales manager.

Each distributor is in charge of developing between 100 and 150 retail outlets in each scientifically-delineated sales district. Atlantic Loto has proven a hit with retailers. Since the first draw December 15, 1976 the number of locations selling Atlantic Loto tickets has risen from an estimated 1,200 to 3,080. The goal is a network of 4,000 retailers in such outlets as cigar stores, trust companies, variety stores, gas stations, milk stores, grocery stores, restaurants and individual retailers. Voluntary and charitable organizations may also participate as retailers.

"Being the first point of contact with our ticket purchasers, our retailers are essential elements in our sales and distribution system. Their enthusiasm and support has been instrumental to the success Atlantic Loto now enjoys," says Mr. Sioui.



A lottery fan purchases her ticket for Atlantic Loto from one of our retailers.



## 100,000 Hit the Jackpot

Winners in Atlantic Loto come from all walks of life. From unemployed woodworker to millionaire lumberman, from old age pensioner to newlywed, winners have been favoured by chance by the thousands.

In fact, since the first televised draw on December 15, 1976, there have been 100,063 winners until fiscal year end, ranging from the grand prize of \$100,000 to the smallest, five tickets on a future Atlantic Loto draw.

Their emotions were universal...tears of joy, shock, disbelief, happiness. Their chance in the winner's circle brings home the point that in Atlantic Loto it could happen to you.

To date, our winners have taken home \$3,298,020, a payout in money of 92.23 per cent of the prize fund. Unclaimed prizes are looked upon as prize money and stay in the prize fund for a full year after a draw. Then, if still unclaimed, the money goes for special or bonus draws.

Ensuring the validity of prizes is a major responsibility of lottery personnel. Every winning ticket and winner's identification is authenticated before a prize is awarded.

Regulations of Atlantic Loto give the Corporation the right to publish the name, address, and photograph of the winner.

"Some people ask why we insist on public identification of winners," says Marion Zaichkowski, head of the prize section. "We feel that it is essential to the lottery's reputation that all aspects of the lottery -the sale of the tickets, the televised showing of the draw, the awarding of our prizes- be open to the scrutiny of the public."



For Carol Cathcart and Kenneth MacLennan of Sydney, Nova Scotia, winning \$100,000 meant a July wedding.



Mrs. Judy Christopher, as grand prize winner, with her husband Wilson of Alberton South, P.E.I. receives a \$50,000 cheque from general manager, Jean-Marc Lafaille.

An hour later, it was history and overnight Atlantic Loto had become a household word.

In the succeeding bi-weekly draws, what had been envisaged as an essential means of communicating Atlantic Loto and generating public interest had become a television staple.

The first ratings' report from the Bureau of Broadcast Measurement, an independent Canadian rating service similar to the Nielsen ratings in the United States, confirmed the television show's popularity. More than 649,000 Atlantic Canadian residents tuned in every other Wednesday at 8 p.m. on the Atlantic television system ( at 8:30 p.m. on CTV in Newfoundland) to join in the fun of the Atlantic Loto show.

For viewers 18 years of age and over, the show was number one.

CBAF-TV in Moncton recaps draw results in French and CHSJ-TV in Saint John provides results to viewers in New Brunswick's Northwest.

This summer Atlantic Loto becomes a travelling show, going on the road for five draws in Newfoundland, Nova Scotia and Prince Edward Island.

There is a down home flavour to the Atlantic Loto show, says Brian Phillips.

"I feel like the man with all the money," he says "And my being associated with the show certainly rubs off on people. It's a great vehicle for opening conversations with strangers. As soon as they recognize you they say, hey, draw my numbers."



Atlantic Loto came to Atlantic Canada with host Brian Phillips and Denise McWilliam and Gloria McLean.



