

# WESTERN CANADA LOTTERY CORPORATION

*Annual Report*

*1985/1986*









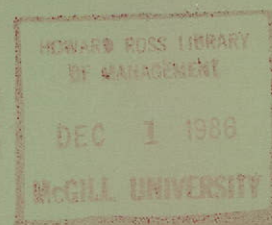
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## CONTENTS

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Chairman's Report	2
Board of Directors	3
Year in Review	4
Our Structure	5
The Games	6-8
Player Profile	9
The Winning Experience	10-11
Sure Winners	12-13
The Beneficiaries	14-19
A Look To The Future	20-21
Auditors' Report/Financial Statements	22-28

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## CHAIRMAN'S REPORT

2

Fiscal 1985/86 was a year of new challenges and beginnings for the Western Canada Lottery Corporation (WCLC). Challenges, brought about by the withdrawal of British Columbia on March 31, 1985, inspired a variety of new and aggressive marketing initiatives. Realizing the WCLC would have to meet the changing demands in the market, the Corporation launched comprehensive studies aimed at more accurately defining its lottery players and their product preferences.

As a result of these initiatives, the WCLC—now composed of the three provinces and two territories—recorded its best year ever with sales of \$317.9 million, up \$79.5 million or 33% from last year.

Significantly, almost one third of the year's sales came within the last quarter of the fiscal year. With ongoing market research to test new game and advertising concepts, the Corporation anticipates continued record growth in the coming year.

The name change and relocation of the WCLC's Winnipeg Headquarters also posed exciting challenges. A major component of this facility, the Data Centre, contains state-of-the-art tech-

nology in its new central computer system. Faster ticket processing, increased information reporting and in general, better service to retailers and players alike has resulted. The establishment of a back-up Data Centre, still unique in the lottery industry, is a major step forward in customer servicing.

Fiscal 1985/86 witnessed major improvements in the retailer identification program. Comprehensive Signs & Fixtures packages were installed in many retail locations across the Prairies as part of the long range corporate plan to increase the profile of lottery retailers.

The Corporation also embarked on a major network expansion program this year with the addition of 550 terminals. An additional 340 units are planned for fiscal 1986/87 to meet the increased demand for On-line service.

Increased demands for terminals can be attributed to the enduring success of LOTTO 6/49. Of the \$79.5 million increase in sales this year, \$69.7 million resulted from the sale of LOTTO 6/49 tickets. Certainly the decision to offer twice-a-week draws proved extremely popular with players and was a major factor in the game's growth.

Nationally, the WCLC was the only region to record sales increases in the other nation-wide games, PROVINCIAL and SUPER LOTO. While both these games continued to attract solid player support, SUPER LOTO was the most impressive, registering a 14% increase in sales.

In the final analysis, the success of the Corporation is measured by the revenue returned to the provinces and territories. In fiscal 1985/86, operating expenses as a percentage of sales decreased to 9% from 11% the previous year. This translated into \$122.9 million distributed to the provincial and territorial governments for use in the areas of culture, recreation and sport, up \$36.5 million from last year.

Looking ahead, the Corporation anticipates public enthusiasm will fuel continued growth of the lottery market. With this support, we look forward to even greater successes in the years ahead.

William (Bill) Clarke, Chairman of the Board





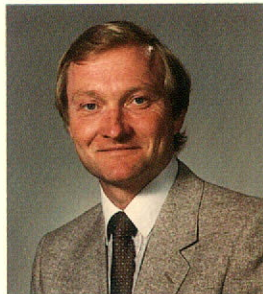
The six member Western Canada Lottery Corporation Board of Directors establishes corporate policy. Their dedication and knowledge led the way to the outstanding financial performance of fiscal 1985/86.

## BOARD OF DIRECTORS



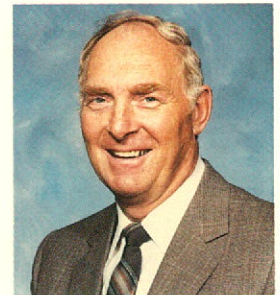
**WILLIAM (BILL) CLARKE,**  
Chairman of the Board  
Regina, Saskatchewan

Appointed to the Board in May, 1974. Mr. Clarke has been Chairman of the WCLC Board since January, 1975. He has also served on the Board of the Interprovincial Lottery Corporation since October, 1976 and is Past Chairman and Vice-President. A former tackle for the Saskatchewan Roughriders who attained Western Canadian and Canadian All-Star status, Mr. Clarke is Saskatchewan's Deputy Minister of Culture and Recreation.



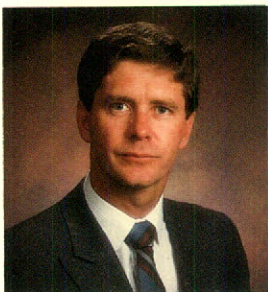
**GARTH MANNESS,**  
Secretary  
Winnipeg, Manitoba

Appointed to the Board in January, 1982. Mr. Manness has five years experience in lottery management. In addition to being on the WCLC Board, he is General Manager of the Manitoba Lotteries Foundation. A member of the Interprovincial Lottery Corporation Board of Directors since February, 1982, Mr. Manness is actively involved in community affairs.



**DEL KEOWN,**  
First Vice-Chairman  
Sherwood Park, Alberta

Appointed to the Board in April, 1984. Mr. Keown is the Assistant Deputy Minister, Program Development, for Alberta Consumer and Corporate Affairs. Prior to his appointment as First Vice-Chairman of the WCLC Board, he served as Secretary-Treasurer of the Corporation. Mr. Keown has also served on the Board of the Interprovincial Lottery Corporation for the past two years.



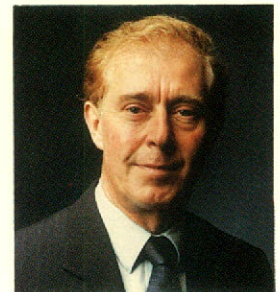
**JIM BURNETT,**  
Director  
Regina, Saskatchewan

Appointed to the Board in October, 1984. Mr. Burnett has been involved in the Saskatchewan lottery industry for the past decade. In addition to being a member of the WCLC Board of Directors, he is the General Manager of Sask Sport Inc., a provincial sport federation responsible for Sask Trust, Sask Sport Distributors Inc., and the Sask Sport Program Division.



**LOIS TOMS,**  
Director  
Winnipeg, Manitoba

Appointed to the Board in September, 1985. One of the new WCLC Board members in fiscal 1985/86, Ms. Toms practices with a law firm in Winnipeg. She is the current Chairperson of the Manitoba Lotteries Foundation, having been appointed to that position in 1984. Among her many pursuits, she shows an active interest in community affairs.



**ROBERT C.P. WESTBURY, Ph.D.,**  
Director  
Edmonton, Alberta

Appointed to the Board in September, 1985. Dr. Westbury is Assistant Vice-President of TransAlta Utilities. In addition to being on the WCLC Board, he is Chairman of the Western Canada Lottery—Alberta Division. Dr. Westbury is very active in community affairs in Northern Alberta.



## THE GAMES

The Western Canada Lottery Corporation's sales in fiscal 1985/86 totalled \$317.9 million—an increase of 33% over the previous year.

Five of the six games offered by the Corporation registered sales increases with the popular LOTTO 6/49 once again proving the pacesetter. The game, which went to a twice-a-week format last September, recorded sales of \$186.8 million—a staggering 60% increase over the previous year.

SUPER LOTO also turned in a strong performance in fiscal 1985/86. Total sales of \$31.2 million represented a healthy 14% growth.

The popularity of the INSTANT games continued in fiscal 1985/86. Two games were played during the year: WONDERS OF THE WORLD and TRANSPORTATION THROUGH TIME. They generated total sales of \$29.6 million, a net gain of 10% over the previous year.

The PROVINCIAL turned in another solid performance tallying sales of \$21.8 million, an increase of 6%.

LOTTO WEST generated sales of \$24.7 million, up 36% from the previous year. This increase must be qualified, however, as LOTTO WEST was played for only nine months in fiscal 1984/85.

The only game to register a net decrease in sales was the WESTERN EXPRESS. Although this game penned a tremendous success story after its format change in mid-January, the poor performance in the first nine months of the year resulted in annual sales for the EXPRESS falling 4% to \$23.8 million.

\*Comparative sales figures for 1984/85 exclude British Columbia.

## THE PRIZES

It was a milestone to be sure! In fiscal 1985/86, the Western Canada Lottery Corporation passed the \$1 BILLION mark in prizes awarded to players in our jurisdiction. This year alone, almost \$145 million was paid to lucky winners, bringing our 12 year total to over \$1.02 billion!

Our largest winners were Hollis and Ruth Olstad, of Edmonton, who claimed \$4.1 million on the February 8th LOTTO 6/49 draw. In addition to the Olstads, ten other people joined the WCLC's "Millionaires Club" in fiscal 1985/86—nine from SUPER LOTO and one from LOTTO 6/49.

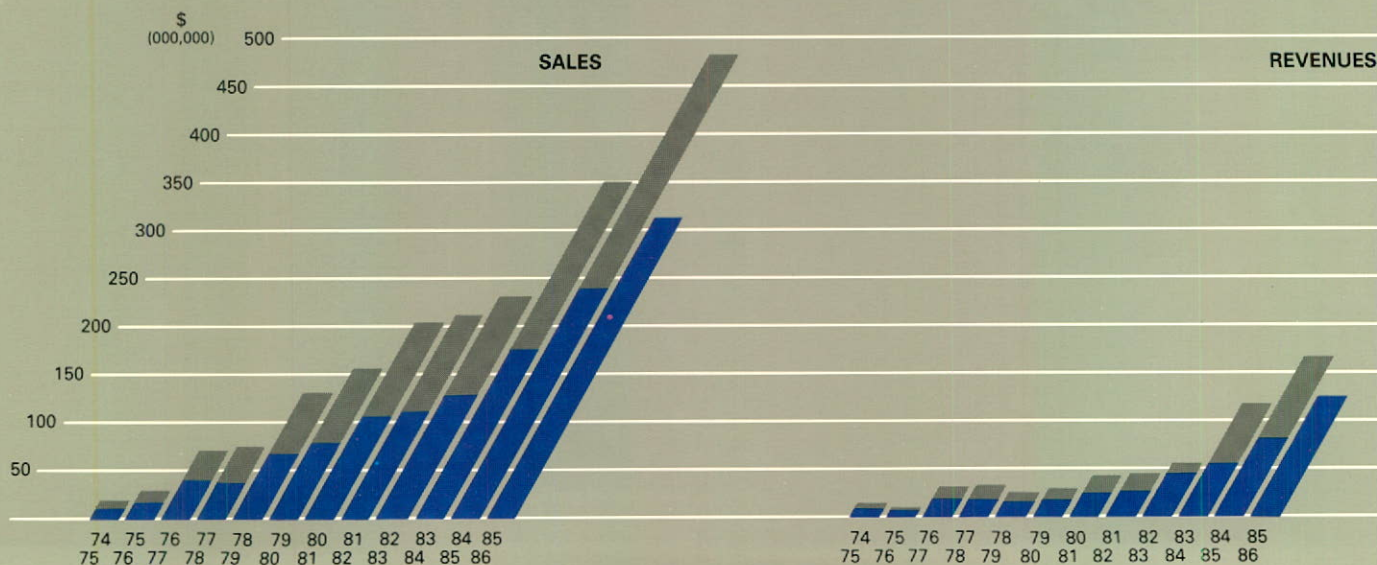
Since our creation in 1974, the WCLC has seen 129 Western Canadians gain millionaire status.

## THE REVENUES

The prize winners mentioned above gain immediate benefit from lottery sales. But the true winners in the lottery industry are the communities in which we live.

In fiscal 1985/86, provincial and territorial revenues generated from the sale of lottery tickets in our region totalled \$122.9 million, up 42% from the previous year. During our twelve year history, over \$715 million has been distributed to the provinces and territories throughout the WCLC jurisdiction.

The revenue generated by lottery ticket sales support a number of areas, among them sport, culture, recreation and medical research. The benefits resulting from such funding have truly enriched our community life.





**T**he Western Canada Lottery Corporation is a non-profit organization responsible for lottery games in Western Canada. Through an agreement or partnership with the provinces of Alberta, Saskatchewan and Manitoba, the WCLC is authorized to act as sole administrator of lotteries in these provinces. The Yukon and the Northwest Territories participate with them as associate members in the sale of lottery tickets.

As one of the Interprovincial Lottery Corporation's five Regional Marketing Organizations, the Western Canada Lottery Corporation shares certain responsibilities for the nation-wide LOTTO 6/49, SUPER LOTO and PROVINCIAL games. Advertising, marketing and administration are conducted on a regional basis.

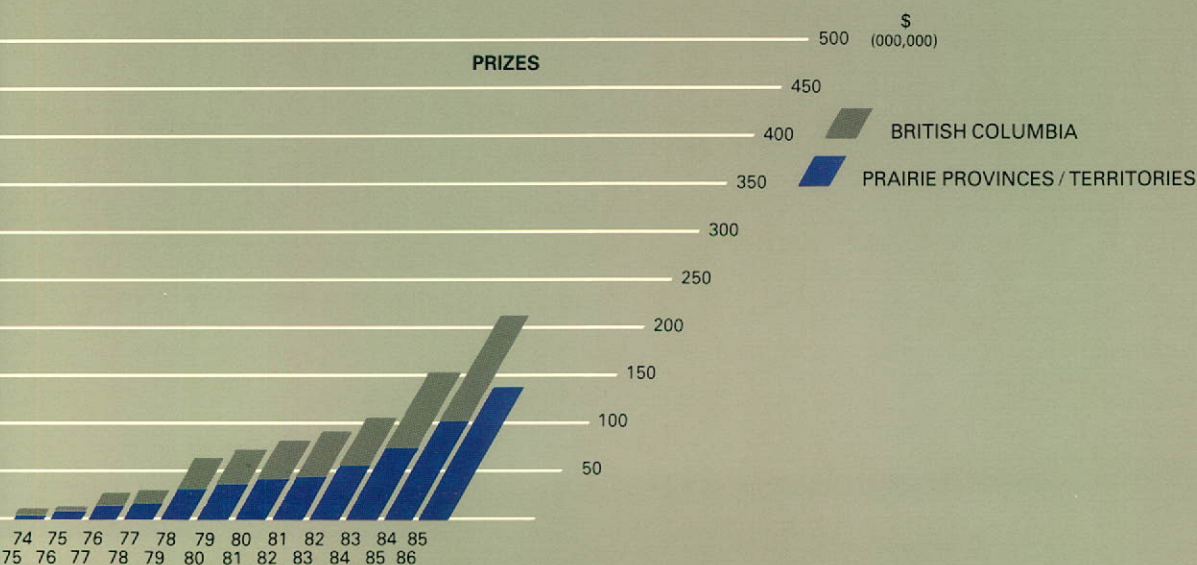
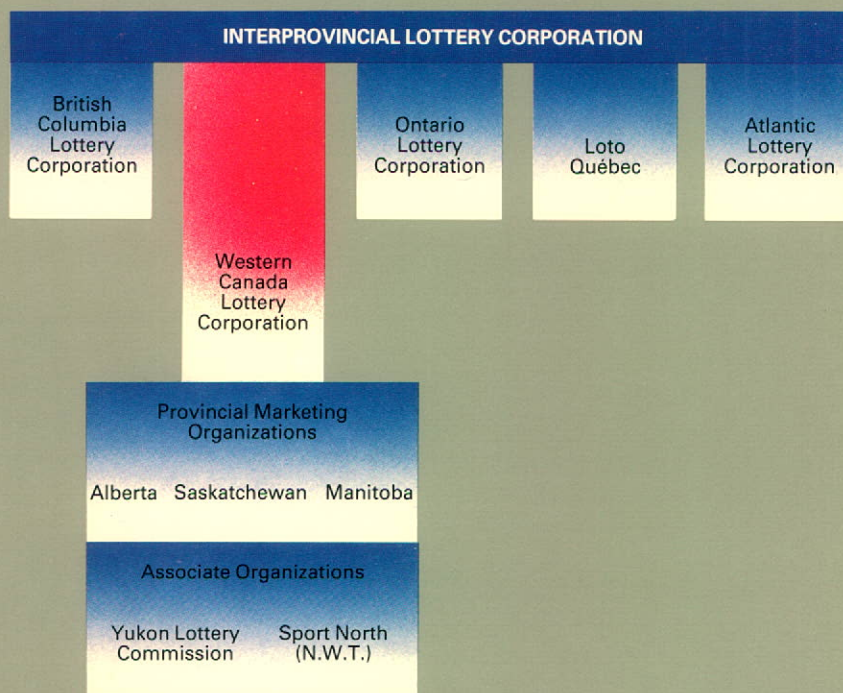
The WESTERN EXPRESS and INSTANT games are managed solely by the Western Canada Lottery Corporation while LOTTO WEST is administered in conjunction with the British Columbia Lottery Corporation.

The Western Canada Lottery Corporation's five Distribution Depots play an integral role in the day-to-day operation of the lotteries. Located in major centres across the West, the depots oversee ticket distribution, accuracy in accounting, distribution of LUCK magazine and sales reporting functions.

Provincial Marketing Organizations appointed in each province and territory by their respective governments are responsible for licensing and monitoring retailers, supervising ticket distribution in their area and conducting and co-ordinating local sales initiatives.

The harmonious co-operation between the Corporation and Provincial Organizations has helped the Western Canada Lottery Corporation turn over ever-increasing revenues to the Provincial governments for distribution to worthwhile causes.

OUR  
STRUCTURE—  
A  
CONTRIBUTING  
FACTOR  
TO OUR SUCCESS







## THE GAMES



With total annual sales of \$186.8 million, LOTTO 6/49 once again earned a place in the lottery record books.

Unquestionably the most popular lottery game ever introduced to Canadians, fiscal 1985/86 sales confirmed players' enthusiasm for this pick-your-own-numbers style of game.

In Western Canada, sales increased by \$69.7 million—a gain of almost 60%. Since its inception on June 12, 1982, the WCLC has sold more than \$569 million worth of LOTTO 6/49 tickets!

LOTTO 6/49 sales surged this year for a number of reasons. Foremost was the move to twice-a-week draws. On September 11, 1985, after 170 Saturday draws which created 71 Canadian millionaires, LOTTO 6/49 added Wednesday to its weekly draw schedule.

From a sales standpoint the Saturday/Wednesday combination proved a greater success than anticipated. In the WCLC jurisdiction, average weekly sales increased by approximately 70% after the move to twice-a-week draws.

Nation-wide surveys conducted in advance of the change strongly indicated a player preference for the twice-a-week format. Sales have certainly reflected that fascination.

A second major impetus in burgeoning LOTTO 6/49 sales this year was the large number of JACKPOT carry-overs. Defying all laws of probability and chance, LOTTO 6/49 experienced eleven multi-million dollar carry-overs. Two of these JACKPOTS exceeded the \$5 million mark by the time they were won. In what appears to be an annual Christmas tradition, the JACKPOT built for five draws between December 25, 1985 and January 11, 1986. It created this year's largest single win—a 6/6 prize worth an impressive \$10.2 million.

A third factor in LOTTO 6/49 sales increases has been the expansion of the TIVM Network. An additional 550 terminals were added this year representing a 40% expansion of our network base.

The honor of being the WCLC's largest JACKPOT winner in 1985/86 went to Hollis and Ruth Olstad, of Edmonton. On February 13th, this happy couple walked out of the WCLC office with a prize cheque worth \$4,132,083.10.

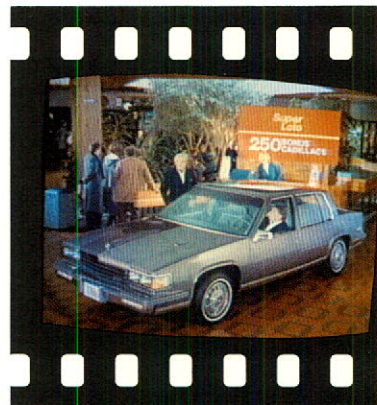
## Super Loto

SUPER LOTO continued its tremendous popularity with Western Canada Lottery players in fiscal 1985/86. Sales jumped from \$26.8 million to \$31.2 million and the 14% increase was the highest among Canadian lottery jurisdictions.

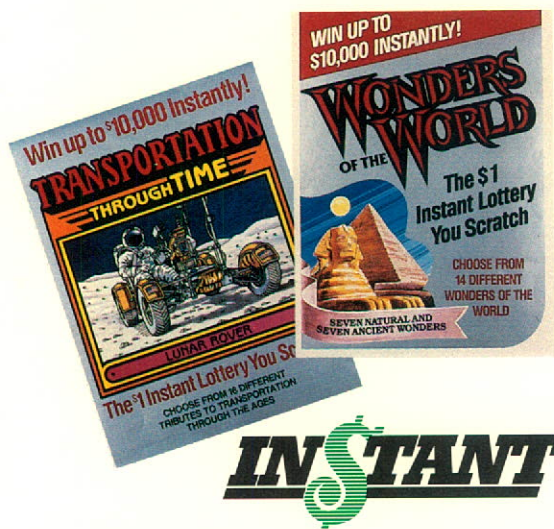
Western Canada also did exceptionally well in the major prize category. Nine more members were welcomed to the SUPER LOTO "Millionaires Club"—tying Loto Québec for national honors. Since the game's inception in 1980, 67 millionaires have been created in the WCLC jurisdiction.

SUPER LOTO sales soared with each of the four bonus draws this year. The July and August draws offered 100 bonus prizes of \$50,000 each and generated total sales of almost \$7 million. But SUPER LOTO's major success story of fiscal 1985/86 was yet to come!

The January and February bonus draws each offered the public 250 Cadillac Sedan de Villes on the instant portion of the game. Contrary to the draw's advertising theme—"Don't Scratch My Cadillac"—Western Canada lottery players definitely did scratch and win a number of the cars. No less than 112 players in our jurisdiction claimed Cadillacs, and sales for the January and February draws were a staggering \$11 million, over 35% of SUPER LOTO's annual sales!







A fast scratch meant instant cash for hundreds of Western Canadians this year. Prizes ranging from \$2 to \$10,000 were up for grabs in the Corporation's two INSTANT games. The first of these games — WONDERS OF THE WORLD highlighted seven ancient and seven natural wonders. TRANSPORTATION THROUGH TIME which ran from October to March, featured 16 different forms of transportation from the ancient chariot to the space shuttle.

Together, these games generated over \$29.5 million in sales during fiscal 1985/86, an increase of 10% over last year.

The possibility of an immediate windfall is certainly a major selling feature of the INSTANT products. That, combined with attractive tickets and new and interesting themes, resulted in complete sellouts for both games.

The Corporation began offering INSTANT tickets in 1981. At that time only one province participated and only one game was offered. Now, five years later, Manitoba, Saskatchewan, the Yukon and Northwest Territories all participate in the sale of the tickets.

To keep pace with the demand for "scratch and win" tickets, the WCLC will add a third INSTANT game to the line-up in 1986/87.



As the name implies, LOTTO WEST is unique to Western Canada. Jointly operated with the British Columbia Lottery Corporation, the On-line game was introduced in June, 1984.

A total of \$24.7 Million in sales was generated in fiscal 1985/86 — the first complete year of LOTTO WEST operation. A prize dedication of 50% meant more than \$12 Million in prize money was offered to players over the past year. In the WCLC jurisdiction, the largest jackpot went to Calgary homemaker Mary Riley... her prize cheque was worth an impressive \$410,036.10 for correctly guessing the winning numbers on a seven number "combination play" ticket.

While pleased with the acceptance and success of LOTTO WEST, the Corporation is studying ways to improve the game and corresponding prize structure. A considerable amount of research is underway on game designs which generate the type of six and seven figure jackpots that would attract the attention of players right across the West.







In keeping with its efforts to offer the public exciting and challenging products, the Western Canada Lottery Corporation revitalized its longest running game, the WESTERN EXPRESS.

Quantitative analysis and focus studies were conducted to better determine players' habits and preferences. Various game concepts were studied and then tested to pin-point the style of game with the widest player appeal.

The result of these efforts was a smashing new WESTERN EXPRESS. Launched in January, sales far exceeded the most optimistic expectations. Scarcely one week after its introduction, the first month's supply of tickets was sold out. Two months later, during the month of March, excitement heightened when 120 "red hot" Firebirds were offered as bonus prizes.

The new "Scratch and Win" instant feature is largely responsible for making the WESTERN EXPRESS the hottest ticket around. Players can now win instant prizes ranging from free tickets to \$5,000 on one side of the ticket and five draw prizes—four prizes of \$10,000 and one top prize of \$100,000—on the other.

By the end of fiscal 1985/86, the new WESTERN EXPRESS had proved an unqualified success. Sales had climbed from an average of \$250,000 a week on the old game, to \$1 million on the new one, representing a 300% increase!

Consistency marked the performance of the PROVINCIAL game this year. Game sales increased from \$20.7 million in fiscal 1984/85 to \$21.8 million in 1985/86. The 6% growth made the Western Canada Lottery Corporation the forerunner among Canada's five lottery jurisdictions.

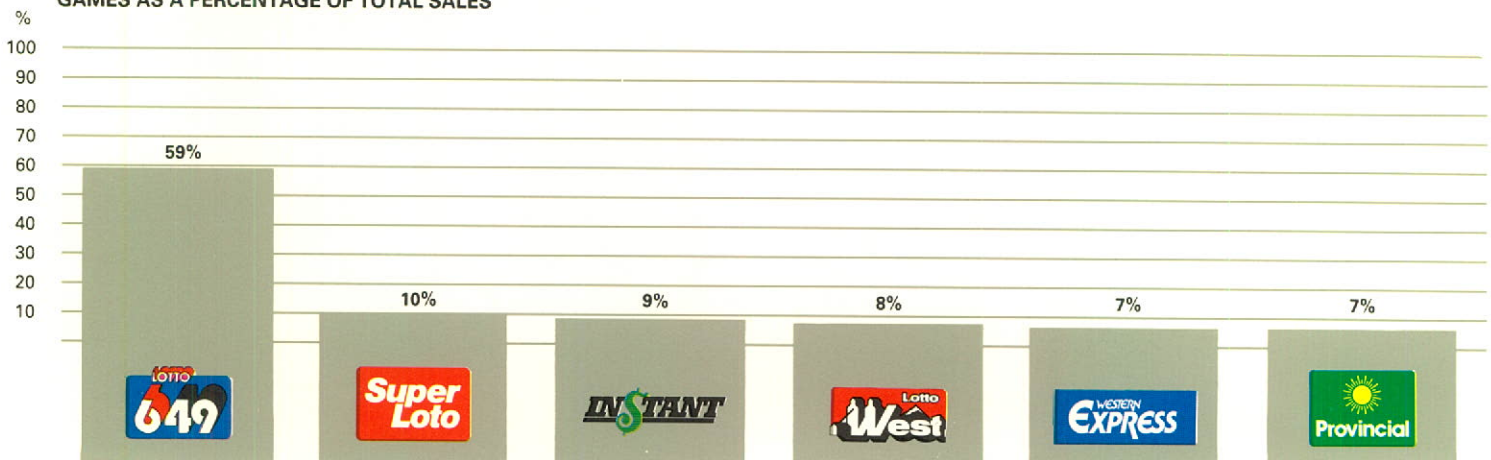
As in previous years, there was no doubt PROVINCIAL players loved their bonus draws. The four draws offered in fiscal 1985/86 featured:

- 100 prizes of \$25,000 on July 5th
- 55 prizes of \$55,555 on October 25th
- 250 prizes of \$10,000 on December 27th
- 100 prizes of \$25,000 on March 14th

Each of the bonus draws showed marked sales increases, with the strongest performance recorded on the Christmas "holiday draw".

What about PROVINCIAL prize winners? Well, Jim and Barbara Heath of Medicine Hat, Alberta and Michael Yanota of Big River, Saskatchewan, were only two of the Corporation's \$500,000 winners. And they definitely agree that the "sun always shines on Fridays".

GAMES AS A PERCENTAGE OF TOTAL SALES





## PLAYER PROFILE

**T**he doors of the Western Canada Lottery Corporation swing open and in walks a 30 year old woman, perhaps a secretary with some university background and an income of \$20,000 annually. She holds a winning ticket, and would fit the "typical profile" compiled by the Corporation this year following extensive research into the characteristics of lottery players.

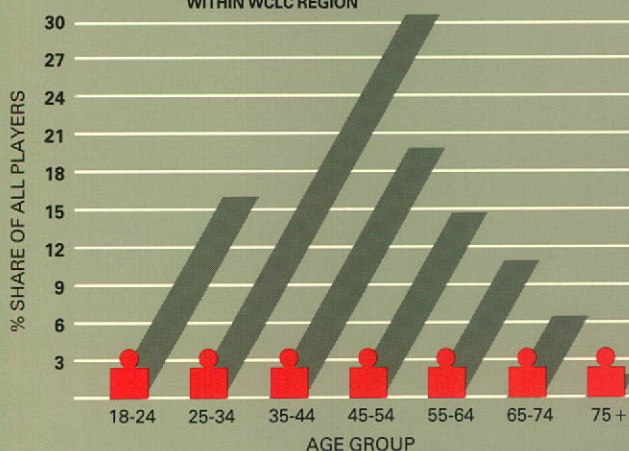
A total of 2,000 people were surveyed in our region and the results yielded the following player profile:

A typical player is between 25 and 34 years old (30.5%), while over half of the players (50.2%) fall between 25 and 44 years. Males and females play equally.

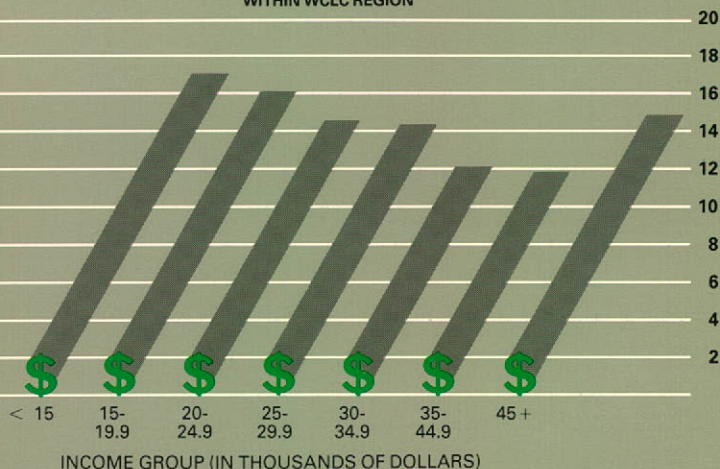
One third of our players (33.4%) have completed high school, while an additional 35.1% have some university background. Our typical player earns between \$15,000 and \$30,000 (44.4%), with an additional 38.5% earning in excess of \$30,000; nearly 15% of those players fall within the \$45,000 plus annual income bracket. The only income group under-represented were those players earning less than \$15,000 per annum (33.7% of Prairie households).

What does the average WCLC lottery ticket buyer do for a living? The leading occupational group among players was the labour-intensive field with 18.4%, followed by homemakers at 13.6% and 12.8% in clerical positions.

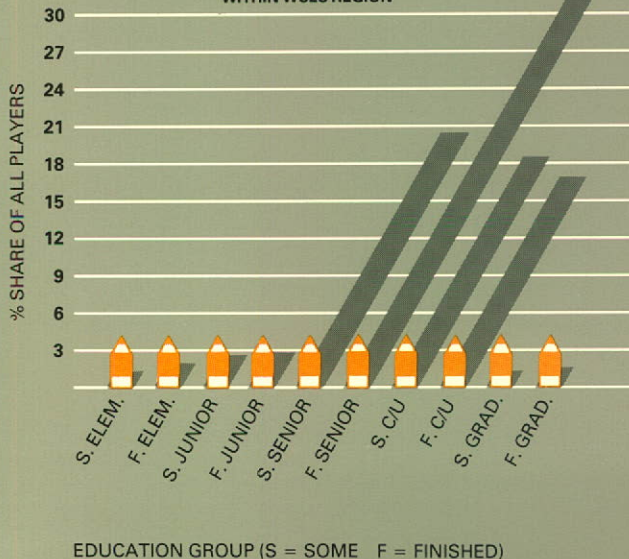
**AGE BREAKDOWN OF LOTTERY PLAYERS**  
WITHIN WCLC REGION



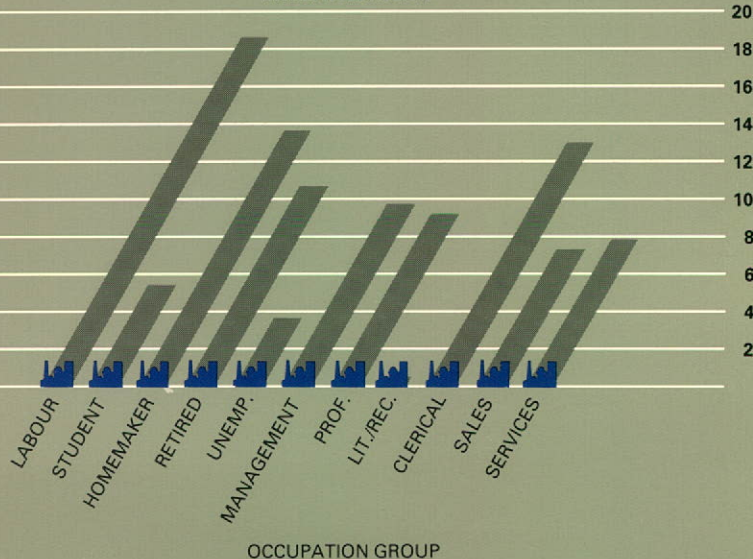
**HOUSEHOLD INCOMES OF LOTTERY PLAYERS**  
WITHIN WCLC REGION



**EDUCATION BREAKDOWN OF LOTTERY PLAYERS**  
WITHIN WCLC REGION

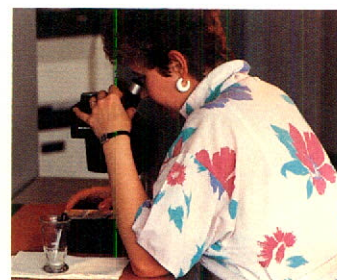


**OCCUPATION BREAKDOWN OF LOTTERY PLAYERS**  
WITHIN WCLC REGION





## THE WINNING EXPERIENCE



**E**very lottery ticket bought is an investment in a dream. Sometimes, the dream becomes a reality.

This year in Western Canada, thousands of players reached out and touched the fabled pot of gold at the end of the rainbow—carrying home prize cheques totalling nearly \$145 million. Those winners came from all regions of Western Canada and from all walks of life. It's incredible the numbers of WCLC players who have walked through the WCLC doors in the last 12 years to claim major prizes. In fact, since 1974, the Corporation has awarded a phenomenal \$1.02 billion in prize money!

Any lottery player lucky enough to win a prize of \$5,000 and over is considered a major winner by the Corporation. Whether they send the ticket by registered mail or deliver it in person, each and every winner is made to feel like a million dollars.

The first step in collecting a major prize cheque is the “winners’ interview” (1). The Corporation’s Public Relations Officer conducting the interview checks the winner’s identification and asks simple questions such as; “How did it feel to win?”—“Where did you buy your ticket?”—“What are your plans for the windfall?”

After a visual inspection of the ticket in the Winners’ Lounge, it travels to the Prize Payout Department. Here, a series of chemical, dye and lighting checks are conducted (2). From the safeguards built into On-line ticket validation, to the numerous features incorporated in the INSTANT and Traditional tickets, security is the cornerstone of the lottery industry.

After the ticket has been authenticated, the cheque is issued (3). The presentation is always a special moment for the winners (4). A lot of them can hardly believe they’ve won. They smile, they laugh—sometimes they even have to wipe away the tears.







3



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6

It's the photographer's job to try to capture this emotion on film (5). They seldom have to ask the winners to smile.

Lottery players throughout the West learn of winners through the weekly tabloid LUCK (6). Winners' stories are just one of the many features in the paper which is distributed free of charge to retail outlets within the WCLC jurisdiction.

Additionally, the Public Relations Department sends press releases to all the major news outlets in the winner's community. The Corporation has an obligation to make sure the public knows the prizes are being won.

With the interview over, the cheque presentation complete, and the pictures taken — the winning experience is just beginning...

## THE WINNER FOLLOW-UP

The Corporation regularly surveys its winners to evaluate the impact a lottery win has had on their lives.

A follow-up questionnaire is sent approximately 12 weeks after the prize is claimed. The survey, which began in 1984, has generated 1069 responses from major winners.

Results consistently indicate that the vast majority handle their winnings conservatively — either banking their windfall (73%), paying off mortgages (15%) or investing in bonds (7%) and real estate (6%).

Many of the replies point to other common threads: 44% of winners said they shared their prize with family, 26% reported using a portion for travel and 23% stated they bought new vehicles.

Most winners — 90% — indicate there was little change in their lifestyle as a result of the win. Of the remaining 10%, the transition in lifestyle has been most satisfying:

*"It is reassuring to have money in the bank, the children's education secure and a few treats."*

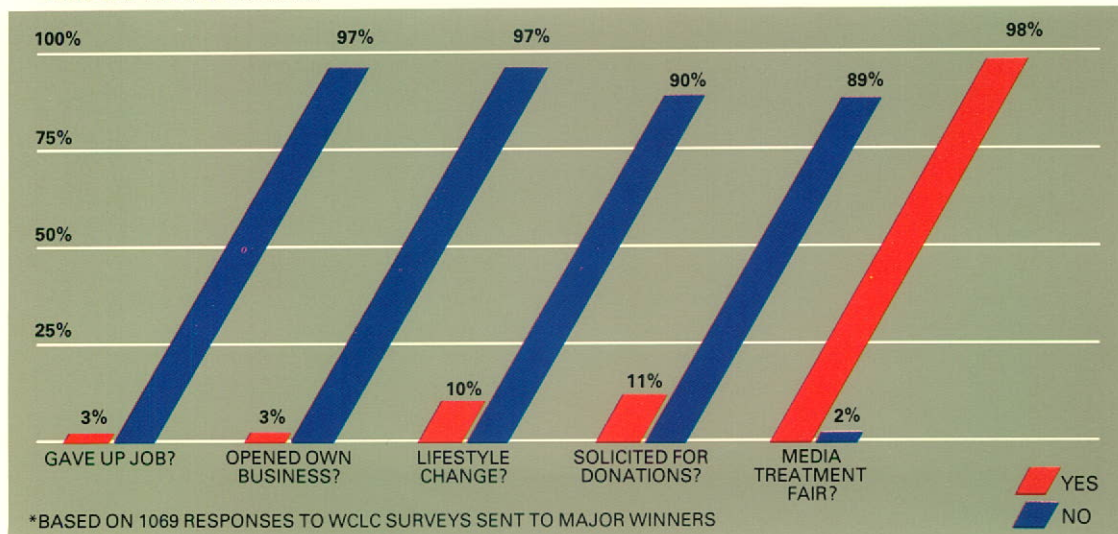
*"I think my freedom from financial worries has been the greatest change and being able to give my son a boost has been a great joy."*

*"It has provided more security for our coming retirement and extra money for travel."*

*"Made our life easier and more secure."*

Success hasn't dampened the winners' enthusiasm for lotteries either. In fact, of those surveyed, 78% continue to buy the same number of tickets while 20% buy more. Only 1% said their ticket purchases had waned.

### \*WINNERS' SURVEY RESULTS





## SURE WINNERS

12



**H**ollis and Ruth Olstad, of Edmonton, didn't know how to play LOTTO 6/49 in December, 1985. Ruth's sister talked her into trying the popular game. Two months later the sisterly advice paid off as Hollis and Ruth claimed the second largest prize ever awarded by the Western Canada Lottery Corporation — \$4.1 Million — on the February 8th LOTTO 6/49 draw.

Reaction in the Olstad household was mixed. Some family members "waved their arms up and down." But husband and father, Hollis, simply said, "I have to go to work" and headed off to the lighting sales and service company he manages.

What plans do the Edmonton couple have for their windfall? Primarily, they want to share their good fortune with family.

"Our kids are like we were," said Hollis. "They've got mortgages and other things to pay. If we help them, they'll have extra money for other things." Very generous indeed.

**C**upid brought Shirley Cochrane a very special message on Valentine's Day...news that she'd won a \$100,000 lottery! The Lottery Ticket Centre in Yellowknife, where Mrs. Cochrane discovered her windfall, was also celebrating something special. The arrival of its first TIVM.

"I went to buy a LOTTO 6/49 ticket and decided to check my February 12th WESTERN EXPRESS ticket while I was there," said the part-time clerk for Polar Parkas. "Was I in for a shock!"

The 49 year old mother of six and grandmother of two, has a big heart, too. She's going to share her good fortune with her family.







**W**inning a lottery gave Jim and Barbara Heath something they hadn't expected—time. The Medicine Hat couple hit paydirt last April 19th when they won the PROVINCIAL top prize of \$500,000. Since then, they've been involved in every activity short of panning for gold.

"The nicest thing about the win is the extra time it's given us to ourselves," says Barbara, a chiropractic assistant. "Jim has been able to retire from his job and I've cut back my hours."

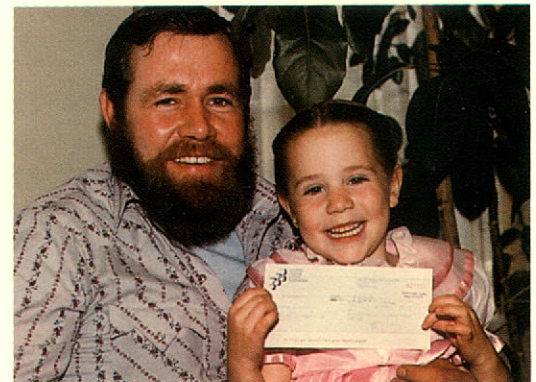
More importantly, less work has meant more time for Heath hobbies.

"Jim and our son Stephen like to golf. My daughter Jacqueline and I share a passion for horses, and of course, the whole family enjoys travelling—so we're all happy. It's really the good life we always dreamed about."



**S**houts of "Oh my, Oh my," in the concourse of an airport can mean many things. Lost luggage, forgotten articles, a surprise visit or, as in the case of Geri Carrol-MacNeil, a SUPER LOTO bonus win. By scratching the pouch of a January 26th SUPER LOTO ticket, Ms. MacNeil found herself the winner of a sleek, new, 1986 Cadillac Sedan de Ville.

The 37 year old Winnipeg resident admits she created somewhat of a stir when she discovered her win. "Half the airport staff came running in my direction," laughed the self-employed probation officer and social worker, "not that I minded, though. I received several marriage proposals from passenger agents and two RCMP officers offered to escort me to my car."



**A**nnette Wilson had just decided to renew her LOTTO WEST subscription. Her old one had expired and she put a cheque in the mail just like she had in the past. Her timing couldn't have been better. On November 6th, the same day as her renewal took effect, the Coderre, Saskatchewan resident became the largest LOTTO WEST subscription winner ever, claiming one of three \$221,996.50 JACKPOT prizes!

The 28 year old mother of two had been playing by subscription using the same numbers for well over a year. "It's easier," she admitted, "and I definitely plan to stick with it, although I don't know if my health can take another win," she laughed. "I was so excited I couldn't eat, sleep or think about anything except that I'd won."

The Wilsons are wheat farmers. With drought, grasshoppers and low grain prices, they say the win will ease their financial burden.

Mrs. Wilson also has other plans in mind for her windfall—like visiting a car dealer's showroom. "When I see a car I like, I'll say, Gee, I'll take that one, then just drive away without worrying about the price."



**W**hen Gordon Switzer of Portage la Prairie came to the Western Canada Lottery Corporation to claim his \$10,000

WONDERS OF THE WORLD INSTANT prize, he made sure he brought along his "good luck charm"—four year old daughter Josie.

In May, Gordon and Josie went to their retailer and purchased several INSTANT tickets. While dad attended to other matters, Josie decided to do the scratching. Moments later, Josie handed one of the tickets to her father announcing, "here dad, this is a winner."

"I couldn't believe it," laughed Mr. Switzer. "She was so calm. I don't know if she knew it was a winner, or if she just said it!"

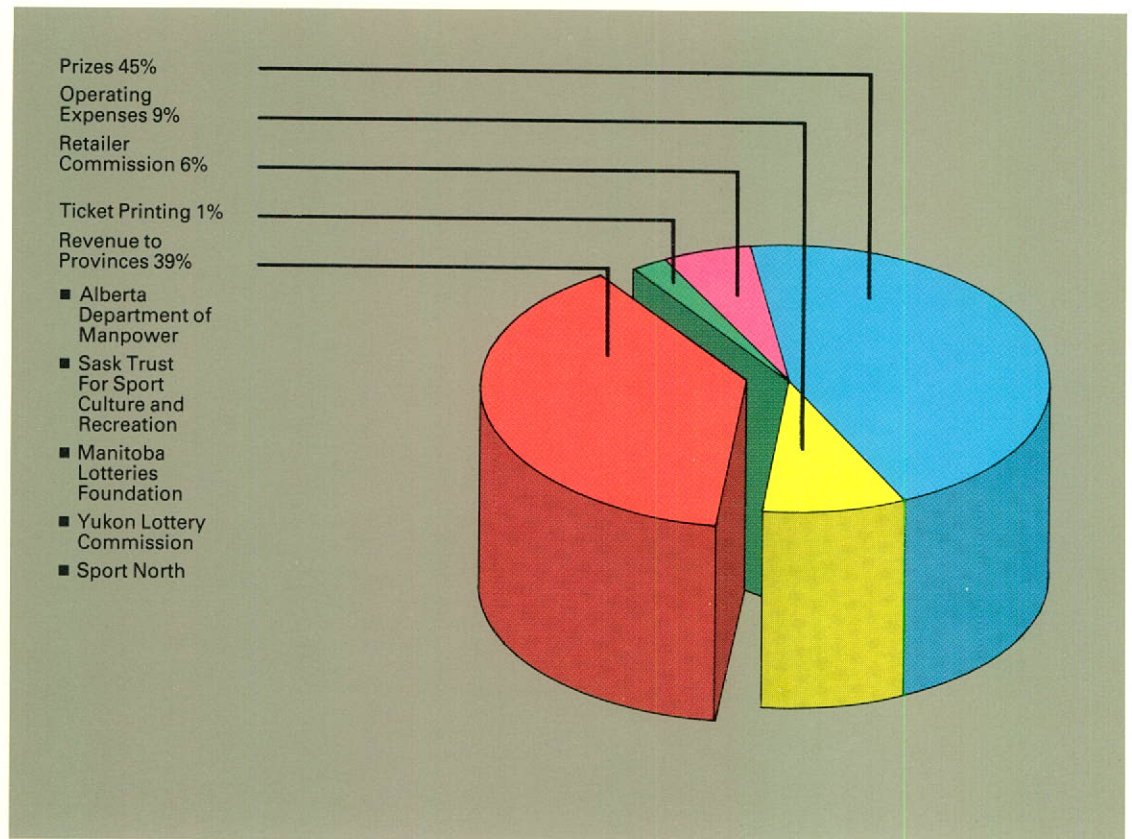
Regardless of Josie's intentions, three of the prize boxes on the "lucky" ticket read \$10,000 and Gordon Switzer became a WONDERS OF THE WORLD major winner.

So in the future, while other lottery players use a "rabbit's foot", or other assorted good luck charms, Gordon Switzer will keep it in the family. He'll rely on his own little "wonder"—Josie!



LOTTERIES...  
WORKING TO  
MAKE YOUR  
COMMUNITY  
A BETTER  
PLACE TO  
LIVE

14



**T**he tremendous rise in sales in fiscal 1985/86 enabled the Western Canada Lottery Corporation to distribute almost \$123 million to the provinces and territories.

Each provincial and territorial government has established its own priorities for the disbursement of lottery revenue. This revenue supports a variety of worthwhile causes which certainly make each community a better place to live.



**ALBERTA**

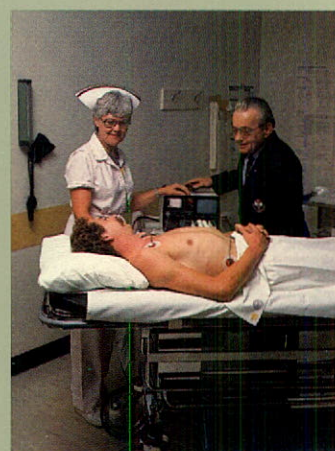
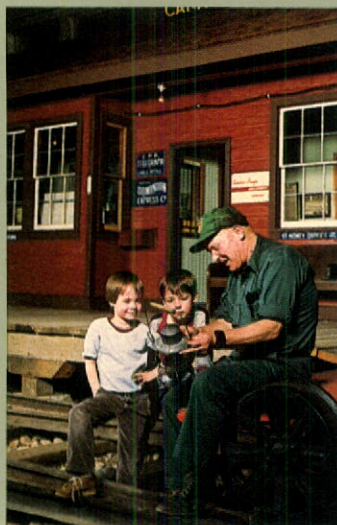
Lottery funds are distributed through a number of licensed foundations and organizations to recipients for programs involving culture, sport and recreation, and to non-profit volunteer groups throughout Alberta. The International Year of the Youth projects, together with the Calgary Exhibition and Stampede Limited and Edmonton Northlands, continued to receive funding to assist Albertans generally. Funds were also allocated to students in Grade VII to Grade XII to assist board-sponsored school groups travelling to Expo '86.





## SASKATCHEWAN

The proceeds from lottery operations in Saskatchewan are distributed through the Sask Trust for Sport, Culture and Recreation to 70 Provincial Sport Governing Bodies, 26 Provincial Cultural Organizations and 21 Provincial Recreation Associations. In addition, Saskatchewan Lotteries funds activities in sport, culture and recreation for 800 local communities, 23 regions, 8 zones, the Western Development Museums, 11 Exhibition Associations, the Saskatchewan Sports Hall of Fame, the Administration Centre for Sport, Culture and Recreation, Sask Expo '86 as well as 229 non-profit community organizations. .



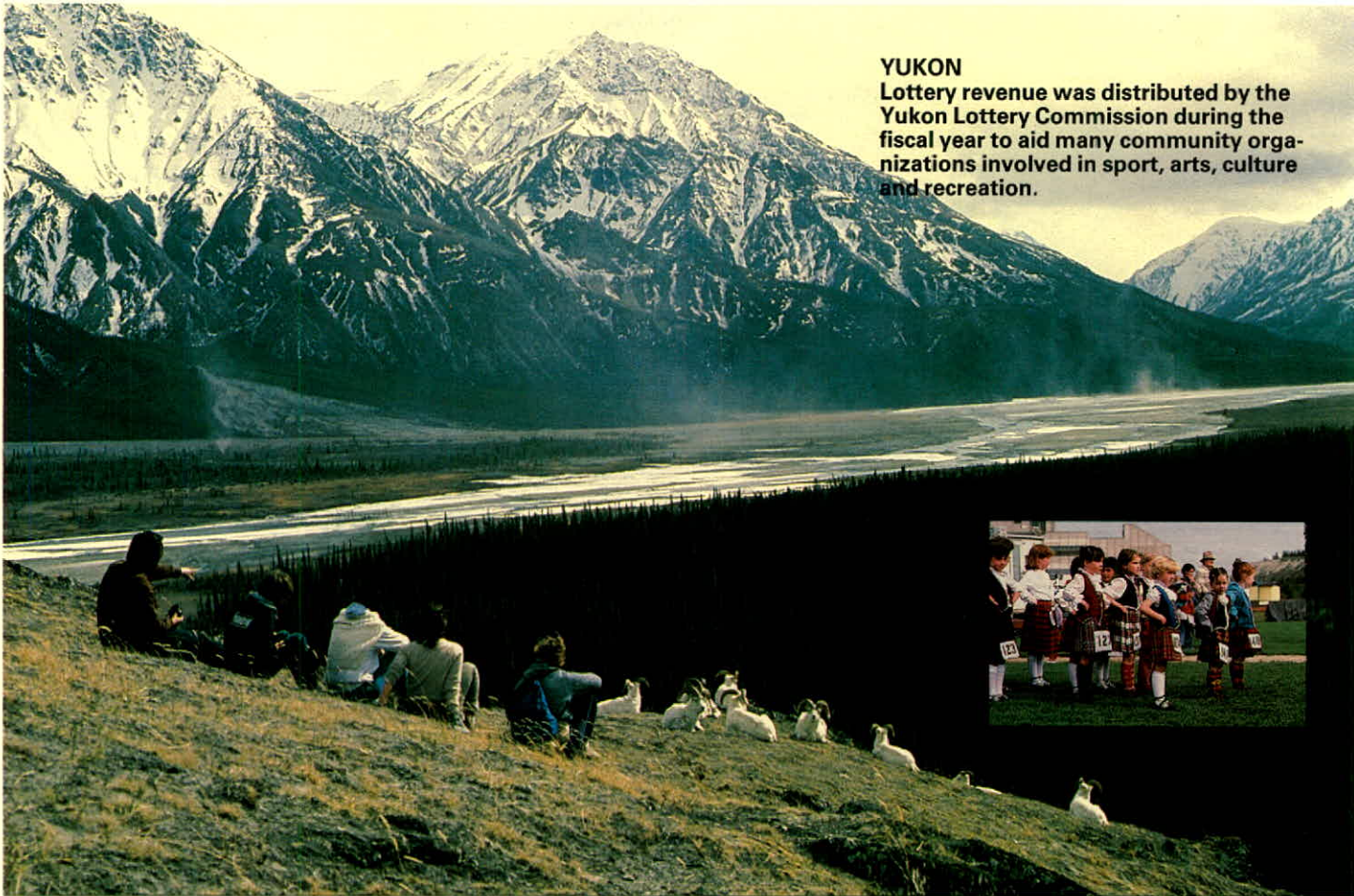


## MANITOBA

The Government of Manitoba allocates lottery and gaming revenues to a wide range of community groups through umbrella organizations and the programs of two provincial government departments. The umbrellas encompass the areas of heritage, sport, the arts, community service, multiculturalism, education and medical research, and fund the projects and programs of community-based groups.





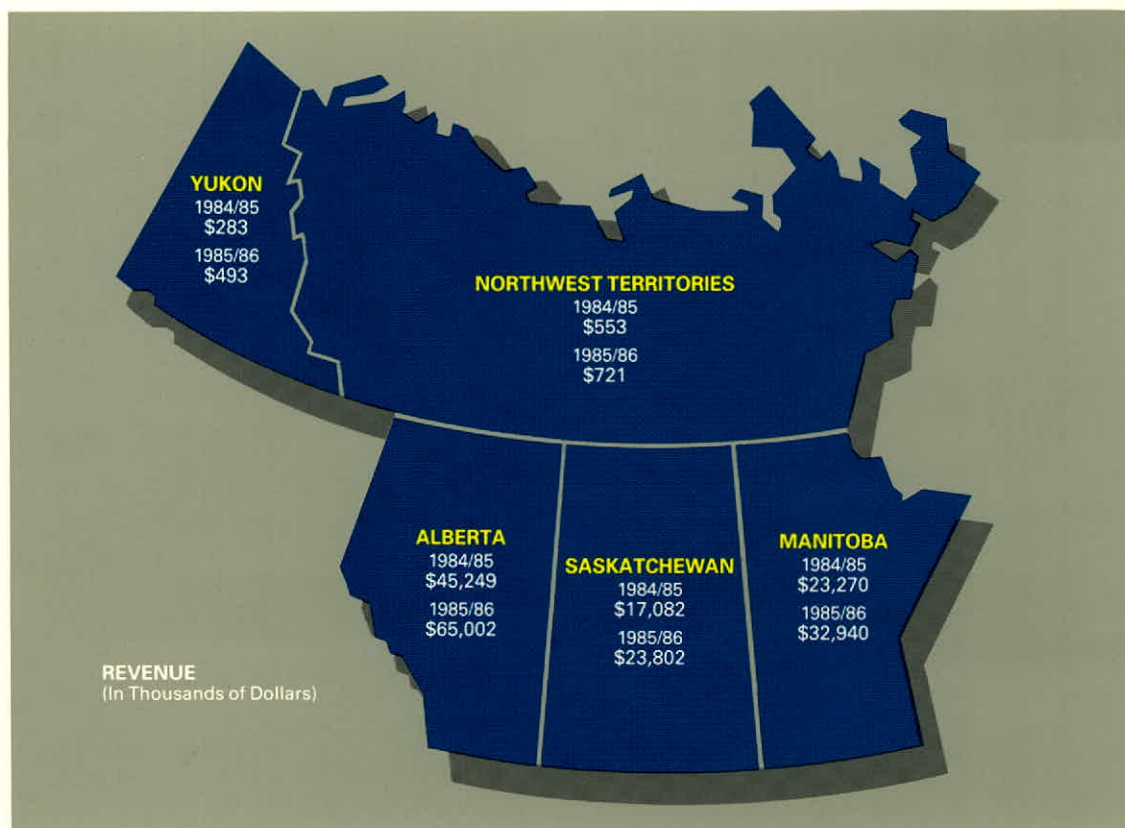


**YUKON**  
Lottery revenue was distributed by the Yukon Lottery Commission during the fiscal year to aid many community organizations involved in sport, arts, culture and recreation.

**NORTHWEST TERRITORIES**  
In the Northwest Territories, Sport North provided lottery revenue to help finance the Arctic Winter Games and Territorial competitions as well as player development, North Star Special Sports, cultural and recreational organizations, and the Annual General Meeting and Awards.







The people who benefit most from lotteries are, of course, the citizens of Western Canada. The WESTERN EXPRESS, PROVINCIAL, SUPER LOTO, INSTANT, LOTTO 6/49 and LOTTO WEST games all provide funds—through the WCLC—to the governments of Alberta, Saskatchewan, Manitoba, the Yukon and Northwest Territories. The revenues realized by each participating government are in direct relation to sales.

Information regarding lottery revenue and the method of grant application may be obtained by contacting the following offices:

Alberta Department of Manpower  
19th Floor, 10025 Jasper Ave.  
Edmonton, AB  
T5J 3Z5

Manitoba Lotteries Foundation  
830 Empress St.  
Winnipeg, MB  
R3G 3H3

Sport North  
P.O. Box 504  
Yellowknife, NWT  
X1A 1H0

Sask Trust for Sport  
Culture & Recreation  
1870 Lorne St.  
Regina, SK  
S4P 2L7

Yukon Lottery Commission  
c/o Recreation Office  
Box 2730 Whitehorse, YK  
Y1A 2C6



## A LOOK TO THE FUTURE

20



### *This page:*

**Top** The WCLC's new Data Centre features innovative technology for rapid ticket processing, increased information reporting and improved service to retailers and lottery players.

**Right** Radio commercials written "in-house" and produced at local recording studios, have helped reduce real dollar advertising expenditures this year.

### *Opposite:*

**Top** HOTLINE operators provide 24 hour service to the almost 2,000 Lottery Ticket Centre retailers operating in the WCLC jurisdiction.

On-line banking information, offering daily market rates, assists the Corporation's Finance Department in investment decision making.

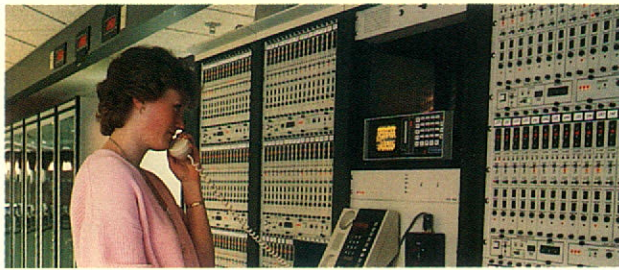
**Bottom** Ongoing market research allows the WCLC to more accurately define its player base in Western Canada.

INSTANT tickets are printed on a web press to ensure the finest clarity of graphics and color.

The internal print shop is an efficient operation dedicated to providing a low-cost service.







**T**he lottery industry is a dynamic one. Not only must it continually evolve and innovate to meet consumer demands, but it must do so with maximum efficiency and minimal cost.

The key to accomplishing these tasks lies with all areas of the Corporation. Understanding Western Canada Lottery players and fine tuning our organization to meet the demands of these markets is of fundamental importance. While market and consumer research are critical elements in developing appropriate strategies, they, by themselves, are not enough.

In the years ahead, a great deal of attention will be focused on making the WCLC a forerunner in gaming and On-line technology.

The Corporation's investment in its Data Centre this year is the first major step in that direction. Among other things, this state-of-the-art central system will allow an additional 340 TIVMs to be installed in Western Canada during fiscal 1986/87, ensuring better service to our customers.

Electronic L.E.D. signs on display at Lottery Ticket Centres throughout the West will be interfaced with the Corporation's Data Centre. These signs will give players up-to-the-minute JACKPOT totals on both the LOTTO WEST and LOTTO 6/49 games.

Additional technological improvements actively being pursued include increasing line utilization. The current level of 13 TIVMs per communication line, with a potential increase to 20, would mean more TIVMs in the marketplace and significantly reduce operating costs for the Corporation.

Advanced technologies will not be confined to the games. A move to increase office automation will begin early in the new fiscal year. Corporation management and staff will see computerized work stations, electronic filing and computerized management scheduling become part of the daily routine.

The coming year will also see further developments in the retailer field. A sophisticated and comprehensive retail training program, combining product education and in-depth sales techniques, represents a major step forward in the instruction of our sales agents. At the retail level, a uniform identification program with consistent and recognizable point-of-sale material and Signs & Fixtures, is of utmost importance in creating a strong and unified retailer network.

Advertising and marketing initiatives are also continuing. This year, the introduction of an in-house media buying service, radio production department and print shop represent proud achievements for the Corporation. Surveys and tracking studies, conducted and coordinated by our own Marketing Research Department, produced significant results. Incorporating this broad array of services represents further positive development, and each will continue to be monitored with the objective of reducing expenditures.

The evolution and growth of lotteries in Western Canada has been nothing less than phenomenal. Looking ahead to the future, and implementing the technologies that must parallel its growth, will be an integral part of our operational and marketing strategies in the years ahead.





AUDITORS'  
REPORT

To the Members of the  
Western Canada Lottery Corporation:

We have examined the combined balance sheet of the Western Canada Lottery Corporation and its related lottery organizations as at March 31, 1986 and the combined statements of operations and changes in amounts due to Provincial Governments or appointed organizations for the year then ended. 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 combined financial statements present fairly the financial position of the Western Canada Lottery Corporation and its related lottery organizations as at March 31, 1986 and the results of its operations and the changes in amounts due to Provincial Governments or appointed organizations for the year then ended in accordance with generally accepted accounting principles applied, except for the change in the method of accounting for fixed assets as explained in note 4 to the financial statements, on a basis consistent with that of the preceding year.

Winnipeg, Canada  
June 9, 1986

*Clarkson Gordon*

CHARTERED ACCOUNTANTS



# WESTERN CANADA LOTTERY CORPORATION

and its related lottery organizations

## *COMBINED STATEMENT OF OPERATIONS*

Year ended March 31, 1986  
(IN THOUSANDS OF DOLLARS)

	1986	1985 (NOTE 3)
Lottery sales (note 5)	<u>\$317,858</u>	<u>\$483,476</u>
Direct expenses:		
Prizes	144,733	219,747
Retailer commissions	19,430	29,910
Ticket printing	<u>4,734</u>	<u>11,095</u>
	<u>168,897</u>	<u>260,752</u>
Gross income	<u>148,961</u>	<u>222,724</u>
Operating expenses:		
Sales and distribution (note 6)	9,408	15,615
Administration	6,076	6,946
Advertising	4,416	5,571
Depreciation (note 4)	3,837	16,571
Data services	4,527	5,778
Dissemination of winning numbers	<u>1,609</u>	<u>2,007</u>
	<u>29,873</u>	<u>52,488</u>
Operating income	119,088	170,236
Interest and other income	<u>3,870</u>	<u>6,939</u>
Net income	<u><u>\$122,958</u></u>	<u><u>\$177,175</u></u>
Net income allocated to the following provinces or territories:		
British Columbia	\$ —	\$ 90,738
Alberta	65,002	45,249
Saskatchewan	23,802	17,082
Manitoba	32,940	23,270
Yukon	493	283
Northwest Territories	<u>721</u>	<u>553</u>
	<u><u>\$122,958</u></u>	<u><u>\$177,175</u></u>

(see accompanying notes)



# WESTERN CANADA LOTTERY CORPORATION

and its related lottery organizations

## STATEMENT OF CHANGES IN AMOUNTS DUE TO PROVINCIAL GOVERNMENTS OR APPOINTED ORGANIZATIONS

Year ended March 31, 1986  
(IN THOUSANDS OF DOLLARS)

	1986	1985 NOTE 3
Due to Provincial Governments or appointed organizations, beginning of year	\$ 9,359	\$ 12,500
Add: Net income	122,958	177,175
Transfer from fixtures and signage reserve (note 8)	<u>3,182</u>	<u>—</u>
	<u>135,499</u>	<u>189,675</u>
Deduct: Distributions during the year	109,703	166,504
Payment to the Federal Government on behalf of the Provincial Governments (note 9)	12,755	10,630
Transfer to fixtures and signage reserve	—	3,182
Fixtures and signage purchased for British Columbia	<u>1,412</u>	<u>—</u>
	<u>123,870</u>	<u>180,316</u>
Due to Provincial Governments or appointed organizations, end of year	<u>\$ 11,629</u>	<u>\$ 9,359</u>
Due as follows:		
British Columbia	\$ —	\$ 5,397
Alberta	6,079	2,869
Saskatchewan	2,927	728
Manitoba	2,484	337
Yukon	44	7
Northwest Territories	<u>95</u>	<u>21</u>
	<u>\$ 11,629</u>	<u>\$ 9,359</u>

(see accompanying notes)



# WESTERN CANADA LOTTERY CORPORATION

and its related lottery organizations

## *COMBINED BALANCE SHEET*

March 31, 1986  
(IN THOUSANDS OF DOLLARS)

	1986	1985 NOTE 3
<b>ASSETS</b>		
Cash—Prize funds	\$10,166	\$11,672
Other	9,271	23,552
Accounts receivable	6,884	5,395
Prepaid expenses and deposits on equipment	834	1,113
Fixed assets (note 4 and note 7)	12,533	—
	<u>\$39,688</u>	<u>\$41,732</u>
 <b>LIABILITIES</b>		
Prizes payable	\$10,166	\$11,672
Payable to Interprovincial Lottery Corporation	6,013	9,548
Accounts payable and accrued charges	5,496	4,726
Deferred revenue	6,384	3,245
Due to Provincial Governments or appointed organizations	11,629	9,359
Reserve for fixtures and signage expenditures (note 8)	—	3,182
	<u>\$39,688</u>	<u>\$41,732</u>

(see accompanying notes)

On behalf of the Board:

Director 

Director 



# WESTERN CANADA LOTTERY CORPORATION

and its related lottery organizations

## NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 1986

### 1. NATURE OF THE CORPORATION

The Western Canada Lottery Corporation (formerly the Western Canada Lottery Foundation) was incorporated without share capital under Part II of the Canada Corporations Act on May 13, 1974. The Provincial Governments of Manitoba, Saskatchewan and Alberta are members in the Corporation, and the Yukon Territory and the Northwest Territories participate with the provinces as associate members in the sale of lottery tickets.

Under the terms of its incorporation, the Corporation is responsible for the conduct and management of lottery games in Western Canada. The WESTERN EXPRESS and INSTANT lottery games are conducted solely by the Corporation. The Corporation participates in the conduct of the PROVINCIAL, SUPER LOTO and LOTTO 6/49 lotteries through the Interprovincial Lottery Corporation and participates with British Columbia Lottery Corporation in the conduct of LOTTO WEST. The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by Her Majesty the Queen in right of the respective provinces. The Western Canada Lottery Corporation is the Regional Marketing Organization for the PROVINCIAL, SUPER LOTO and LOTTO 6/49 in its members' jurisdictions. The Ontario Lottery Corporation, Loto Québec, the Atlantic Lottery Corporation and the British Columbia Lottery Corporation are the Regional Marketing Organizations in Ontario, Quebec, the Atlantic provinces and British Columbia, respectively.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles. The more significant of these accounting principles are presented below in order to assist the reader in understanding these financial statements:

#### a) Principles of combination

In addition to the results of the operation of the Western Canada Lottery Corporation and its financial position, the combined financial statements include the cost of delivery of lottery tickets incurred by related lottery organizations in each province or territory and their related assets and liabilities.

#### b) Accounting for the expenses of the PROVINCIAL, SUPER LOTO and LOTTO 6/49

As the Corporation is a Regional Marketing Organization for the PROVINCIAL, SUPER LOTO and LOTTO 6/49, it pays the Interprovincial Lottery Corporation its share of the cost of prizes for these games as well as its share of the ticket printing costs for the PROVINCIAL and SUPER LOTO. These costs (\$109,391,000) and the Corporation's share of the Interprovincial Lottery Corporation's operating expenses (\$692,000) and interest revenues (\$1,036,000) are reflected in the expenses and interest revenues in the combined statement of operations.

#### c) Income recognition

Revenue and expenses related to draws held during the year ended March 31, 1986 are included in the combined statement of operations on an accrual basis. Net receipts from the sale of lottery tickets related to draws held subsequent to March 31, 1986 have been recorded as deferred revenue.

#### d) Fixed assets

Expenditures for fixed assets are capitalized at cost and are depreciated over their estimated useful lives. Expenditures for repairs and maintenance are charged to income. When assets are sold or retired, their costs and related accumulated depreciation are removed from the accounts and any gain or loss resulting from their disposal is included in income.

Depreciation is provided on a straight-line basis using the following rates:

Computer systems and other related game equipment	20%
Office furniture and fixtures	10%
Leasehold improvements	10%
Retailer fixtures and signage	20%

#### e) Accounting for free ticket prizes

Lottery tickets issued as a consequence of the redemption of free ticket prizes are not recorded as ticket sales or as prizes paid. Accordingly, a liability is not recorded for free ticket prizes unclaimed at year-end.



### 3. WITHDRAWAL OF BRITISH COLUMBIA AS A MEMBER OF THE CORPORATION

Effective April 1, 1985, British Columbia withdrew as a member of the Corporation. British Columbia received its share of the Corporation's assets and assumed its share of the liabilities.

Comparative figures reflect the results of operations and the financial position of the Corporation with British Columbia as a member.

### 4. CHANGE IN ACCOUNTING POLICY

In previous years, the Corporation accounted for fixed assets based on the period over which the assets were to be funded. Under the special circumstances of the withdrawal of British Columbia, all fixed assets were fully funded and therefore fully depreciated at March 31, 1985.

As set out in note 2, the Corporation has adopted a policy of depreciating fixed assets against revenues according to their estimated useful lives.

### 5. LOTTERY SALES

Sales revenue by product is as follows:

	1986	1985
LOTTO 6/49	\$186,812,000	\$223,151,000
INSTANT	29,560,000	76,860,000
SUPER LOTO	31,216,000	56,410,000
EXPRESS	23,759,000	44,459,000
PROVINCIAL	21,798,000	43,181,000
LOTTO WEST	24,713,000	33,054,000
ANNIVERSARY	—	6,361,000
	<u>\$317,858,000</u>	<u>\$483,476,000</u>

### 6. SALES AND DISTRIBUTION EXPENSES

Sales and distribution expenses include expenses of related lottery organizations in the amount of \$4,633,000 (1985 — \$8,242,000) which represent provincial costs related to the distribution of lottery tickets to retailers.

### 7. FIXED ASSETS

Fixed assets are comprised of:

	Cost	Accumulated Depreciation	1986 Net	1985 Net
(IN THOUSANDS OF DOLLARS)				
Computer systems and other related game equipment	\$21,903	\$15,273	\$ 6,630	—
Office furniture and fixtures	1,130	113	1,017	—
Leasehold improvements	4,932	1,238	3,694	—
Retailer fixtures and signage	<u>3,767</u>	<u>2,575</u>	<u>1,192</u>	<u>—</u>
	<u>\$31,732</u>	<u>\$19,199</u>	<u>\$12,533</u>	<u>—</u>

### 8. RESERVE FOR FIXTURES AND SIGNAGE EXPENDITURES

In 1985 the Board of Directors decided that \$3,182,000 should be reserved as at March 31, 1985 to complete Phase II of a capital program for retailer fixtures and signage. During the year, the program was completed and the reserve was allocated to the provinces based on their proportionate share of sales for the year ended March 31, 1985.

Expenditures to complete Phase II of the fixtures and signage program amounted to \$2,776,000. British Columbia's share of the unexpended amount was distributed to British Columbia Lottery Corporation and the remaining \$199,000 is reflected in amounts due to Provincial Governments as follows:

Alberta	\$105,000
Saskatchewan	41,000
Manitoba	<u>53,000</u>
	<u>\$199,000</u>



## 9. PAYMENT TO FEDERAL GOVERNMENT

The Interprovincial Lottery Corporation makes payments to the Government of Canada as a result of agreements made between the Provincial Governments and the Federal Government on the withdrawal of the Federal Government from the lottery field. The agreements require the provinces, on a combined basis, to make the following payments:

- \$100,000,000 over a three year period from 1985 to 1987;
- \$36,200,000 annually on an inflation adjusted basis.

The Corporation, as a Regional Marketing Organization of the Interprovincial Lottery Corporation, remits its member provinces' share of the above payments to the Interprovincial Lottery Corporation which is based on current population statistics and amounted to 18.2% of the total in 1986. The cost is allocated between each member province based on their share of lottery ticket sales.

## 10. FUNDS ADMINISTERED BY THE CORPORATION

The Corporation distributes lottery income to beneficiaries on behalf of one of its member provinces. The undesignated funds are administered on behalf of the province by the Corporation and are not reflected in these statements. At March 31, 1986, these funds amounted to \$52,257,000 (1985: \$27,330,000).

## 11. COMPARATIVE FIGURES

The comparative figures reflected in these statements have been reclassified from the figures previously presented to conform to the presentation of the 1986 financial statements.







