

1986

1

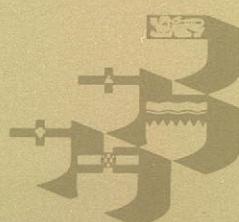
9

8

7

Annual Report

WESTERN CANADA LOTTERY CORPORATION



BOARD OF DIRECTORS	1
CHAIRMAN'S REPORT	2
MESSAGE FROM THE GENERAL MANAGER	3
YEAR IN REVIEW	4
LOTTO 6/49	5
INSTANT	6
WESTERN EXPRESS	7
SUPER LOTO	8
PROVINCIAL	9
LOTTO WEST	10
THE LOTTERY RETAILER	11
THE LOTTERY DOLLAR	12
THE BENEFICIARIES	13-16
A LOOK TO THE FUTURE	17
AUDITORS' REPORT/ FINANCIAL STATEMENTS	18-24

Board of Directors



The lottery team is headed by a six member Board of Directors whose leadership resulted in a banner year for Western Canada Lottery Corporation.

Back Row: Del Keown, First Vice-Chairman, Alberta; William (Bill) Clarke, Chairman, Saskatchewan; Jim Burnett, Director, Saskatchewan; Len Gzebb, General Manager.

Seated: Robert C.P. Westbury, PhD., Director, Alberta; Lois Toms, Director, Manitoba; Garth Manness, Secretary, Manitoba.



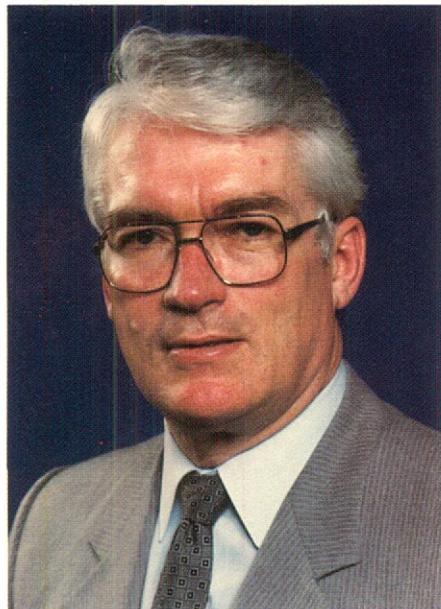
Chairman's Report

Fiscal 1986/87 was a landmark year for Western Canada Lottery Corporation—the largest geographic lottery jurisdiction in

North America.

Characterized by record growth, change and expansion, fiscal 1986/87 was the most successful year in the history of the Corporation.

Player enthusiasm for the six lottery games offered has never been better. Sales, the most telling measure of player support, totalled \$476.7 million—a gain of 50 percent over the previous year. In achieving these sales, Western Canada Lottery Corporation lowered its expense-to-sales ratio by approximately one percent.



Unparalleled in popularity, LOTTO 6/49 realized sales of \$260.4 million, an increase of 39 percent. But the most impressive performers of fiscal 1986/87, with sales increases of 189 percent and 150 percent respectively, were INSTANT and WESTERN EXPRESS.

Through addition of a third theme and introduction of Albertans to the player mosaic, the INSTANT game, with total sales of \$85.4 million, ranked second on the best-seller list. And WESTERN EXPRESS, with sales of \$59.5 million, climbed to third place.

Fiscal 1986/87 was a year of change and new beginnings as well. Year-end saw the deletion of LOTTO WEST and the introduction of LOTTO 6/36, an ambitious regional venture for the Corporation.

The Corporation has a commitment to provide not only games that are fair, entertaining and efficient, but also to ensure their accessibility. To meet this commitment, the Corporation claimed a 19 percent expansion of the on-line network, bringing the total number of lottery terminals to 1,912. To improve accessibility and facilitate continued growth in on-line sales, the Lottery Ticket Centre network will expand further over the next two years.

In the final analysis, the success of the Corporation is best measured by the revenue returned to the provinces and territories. And with over \$188 million distributed to the provincial and territorial governments to enhance worthwhile causes, fiscal 1986/87 marked the most successful chapter in the history of the Corporation.

W Clarke

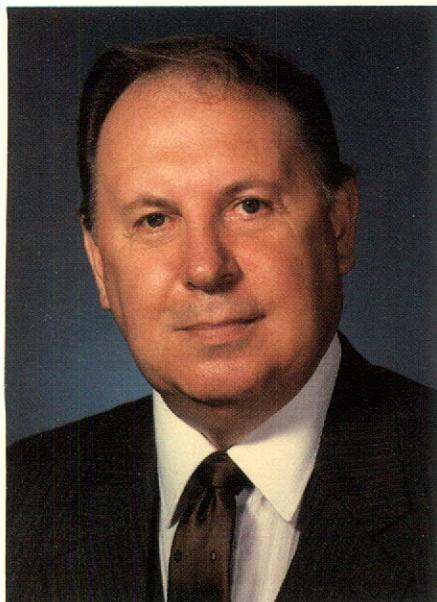
William (Bill) Clarke
CHAIRMAN OF THE BOARD

Message from the General Manager

F

iscal 1986/87 was a winning year for Western Canada Lottery Corporation with sales, revenues and prizes reaching new heights. Although \$476.7 million is an outstanding sales figure, this number does not tell the whole story.

Consider the distribution challenge faced by the Corporation. Within this immense jurisdiction that stretches 1,850 kilometres east to west and 2,600 kilometres north to south are 4,532,450 residents. These potential players, relatively few per square kilometre, are not concentrated in easy-to-reach major urban centres. Rather, they are scattered throughout this vast landscape from Whitehorse in the northwest to Altona in the southeast. The lottery must be accessible and include games that appeal to all.



Consider the lottery team. Western Canada Lottery Corporation was incorporated to conduct and manage lottery games on behalf of its members — the governments of Alberta, Saskatchewan and Manitoba. The Yukon and Northwest Territories participate as "associate" members in the sale of lottery tickets.

Decisions made, be they where to install new lottery terminals or how to freshen games, are team decisions. And as each partner must keep the best interests of their constituents in mind, reaching a consensus is not always easy. Yet it must be, and is, done. That's the key to our continued success.

Fiscal 1986/87 marks the most exciting chapter in the history of lotteries within Western Canada. The innovative ideas, energy and spirit of the entire team led to an overall sales increase of 50 percent. And the economies of scale, realized through the fantastic size of this industry, reduced operating expenses.

To this vast network of people who keep the lotteries ticking, be they behind the scenes or in the public eye, thank you. It is through your dedication and skill that this banner year came to be.

While fiscal 1986/87 represents a proud achievement for the Corporation, challenges remain to be faced. Although the day of the 50 percent sales increase is history, growth is still possible. To stay ahead of the game, we must keep pace with lottery technology, enhance product distribution, improve visual identity and continue to generate innovative ideas that will pique player interest in the years to come. In keeping an eye to the future, growth is not only possible, it's probable.

A handwritten signature in blue ink that reads "Len Gzebb".

Len Gzebb
GENERAL MANAGER

Year in Review

THE GAMES

Western Canada Lottery Corporation (WCLC) registered a record sales increase in fiscal 1986/87. Sales of \$476.7 million represented a 50 percent growth from the previous year's \$317.9 million.

Four of the six games offered by the Corporation prospered. Leading the way was the ever-popular LOTTO 6/49. This game tallied sales of \$260.4 million, up 39 percent from fiscal 1985/86.

Standing on the second rung of WCLC's sales ladder was the INSTANT game. The game was introduced to Albertans this past year. Players across the jurisdiction "scratched" no fewer than 85.4 million INSTANT tickets, an increase of 189 percent.

The Corporation's longest-running game, WESTERN EXPRESS, was rejuvenated in January, 1986. A full year of "Two Ways to Scratch for Cash" produced sales of \$59.5 million, outperforming the previous year by 150 percent.

The nation-wide PROVINCIAL game continued its steady performance. The "sun shone on Friday" to the tune of \$25.2 million, a healthy growth of 16 percent.

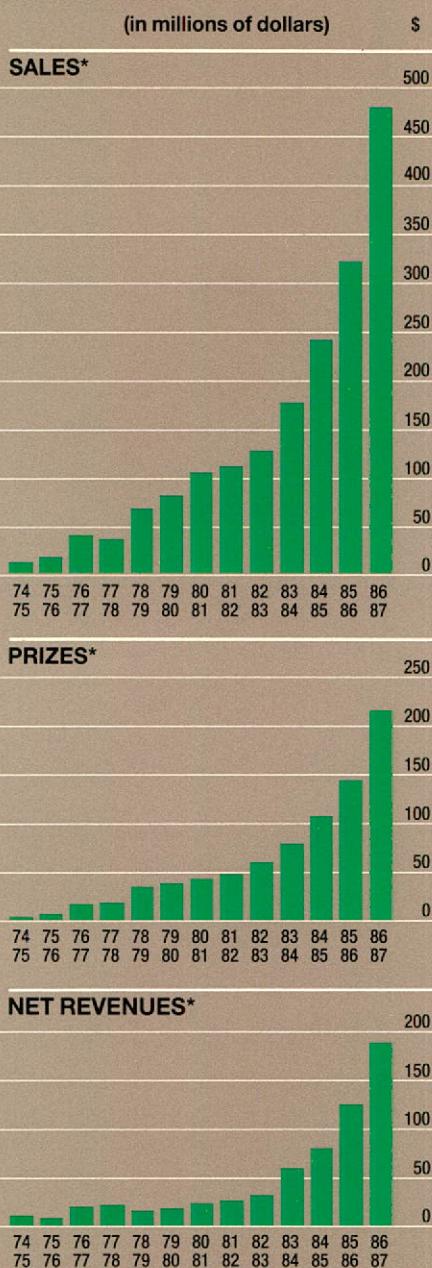
Two WCLC games declined in sales. SUPER LOTO's \$28.6 million sales figure represented a decrease of eight percent. LOTTO WEST, the regional "pick-your-own-numbers" game, fell 29 percent to \$17.5 million.

At the conclusion of the fiscal year, LOTTO 6/36 replaced LOTTO WEST in the market.

THE PRIZES

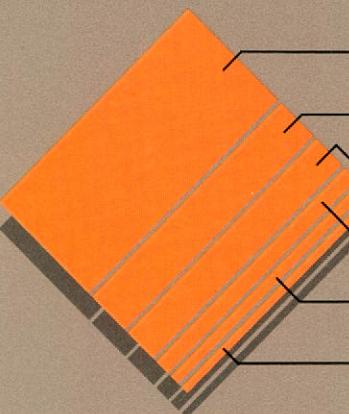
It was a phenomenal year! While over \$218 million in prizes was given out for all games, the spotlight fell on JACKPOTS awarded on LOTTO 6/49.

Total Sales/Prizes/Net Revenues from 1974/75 to 1986/87



*All sales, prizes, and net revenue figures in this report exclude British Columbia which withdrew from the Corporation at the conclusion of the 1984/85 fiscal year.

Sales Figures & Percentages of Total Sales Per Product



\$476,680 100.0%

Western Canada Lottery Corporation players won an incredible 26 JACKPOT shares on the national game, and record wins were celebrated in all three member provinces.

Ron and Val Taylor, a couple from Killam, Alberta, garnered the most headlines with a \$10.4 million windfall on the July 2nd LOTTO 6/49 draw.

Saskatchewan struck next. Jenise Saucier of Saskatoon became the "Six Million Dollar Woman" collecting \$6.1 million on the August 23rd draw.

Not to be outdone, Manitoba trumpeted a record \$2.2 million win on October 25th. The windfall gained headlines for its magnitude, and for the fact the prize remained unclaimed at the end of the fiscal year.

It was a banner year for players throughout the Prairies and Territories who have now collected over \$813 million in prizes during the Corporation's 13 year history!

THE REVENUES

The most rewarding story of fiscal 1986/87 was the revenue generated for the prairie and territorial governments. Over \$188 million was raised, an increase of more than 53 percent over the previous year.

As Western Canada Lottery Corporation heads into its 14th year of operation, over \$615 million has been generated for return to the communities.

The beneficiaries are many—sport, culture and medical research among them. The return of revenue to these and many other causes best illustrates what lotteries are all about.



In fiscal 1986/87, LOTTO 6/49 solidified its position as the most popular lottery game ever offered in Canada. Sales increased 39

percent on the "pick-your-own-numbers" game to \$260.4 million from \$186.8 million.

LOTTO 6/49 accounted for almost 55 percent of WCLC game sales. And since the game's inception on June 12th, 1982, Western Canadians have purchased approximately \$645 million worth of LOTTO 6/49 tickets.

Success factors were many. Twice-a-week drawings, introduced in September of 1985, were conducted for the entire fiscal year. These drawings produced no fewer than 45 JACKPOT carryovers.

Western Canada Lottery Corporation endeavoured to make LOTTO 6/49 more accessible to the public in 1986/87. The "on-line" network was expanded by 19 percent with an additional 305 lottery terminals placed in the field.

A third factor, Lady Luck, played a major part in surging LOTTO 6/49 sales. In fiscal 1985/86, WCLC players won a mere 7 JACKPOT prizes on the game totalling \$8.1 million. This past year, regional players captured an incredible 26 JACKPOT prizes worth over \$41 million! This "Western winning streak" fueled already rampant enthusiasm for LOTTO 6/49.

THE MISSING MILLIONAIRES

The saga began on Wednesday, July 2nd. After six consecutive carryovers, the LOTTO 6/49 JACKPOT of \$10.4 million was won on a single ticket purchased in Killam, Alberta. This tiny farming community of 1,000 people suddenly was thrust into the national spotlight.

Public and media interest was intense. It was easily Western Canada's largest lottery windfall. But the story's focus abruptly changed when the prize remained unclaimed in the weeks to follow. Had the ticket been lost or thrown out?

Apprehensions were not relieved until 20 days after the draw. Ron and Val Taylor came forward to receive a cheque for \$10,372,326.70 from the Hon. Rick Orman, Minister of Career Development and Employment in Alberta.



The Taylors explained the delay. The ticket lay unchecked on a shelf for five days. And Ron's work commitments at Killam General Hospital held up the claim a further 15 days.

All's well that ends well, however. And in this instance, the case of the "Missing Millionaires" had a picture-perfect ending. Wishing to put some of their prize money back into the community, the Taylors paid off the debt (\$80,000) on the Killam Agriplex and donated \$30,000 to the town's General Hospital.

PATIENT PAIR COLLECTS \$10.4-M LOTTO JACKPOT Killam couple cashes in

By DAVID SANDS
Staff Writer

WINNIPEG — For five days a piece of paper worth more than \$10 million sat on a shelf at the Taylor residence in Killam.

Finally, 37-year-old Ron Taylor found time to take a look — and he discovered an instant fortune. That piece of paper turned out to be the winning ticket from the \$10.4-million Lotto 6/49 July 2 draw.

And after 15 days of keeping Killam and the rest of Canada guessing, Taylor and his wife, Val, 32,

were yesterday to make it official.

They are the latest in a long line of lottery winners.

He checked the numbers with a newspaper that had been lying around the house for several days.

"Lo and behold the numbers matched. So I checked again. It still matched. There was just a momentary feeling of dread, or just shock," said Taylor, who quit his job Monday as a technologist at the Killam Hospital.

Val, double-checked to make sure. They were still right. The Taylors were \$10.4 million richer.

And after telling a lawyer and their parents, the couple kept quiet.

"We wanted to get everything nailed down before we went public," said Taylor.

They spent the next two weeks holding back the secret of their lives from the town of 1,000, the heart of Edmonton.

The Taylors also hinted they may help the town

He did admit he was sorely tempted to reveal the surprise, "but I bit my tongue and sat back to let other people talk about it," he said.

Taylor said he feels sorry for Edmonton gold prospector Paul Rousseau who believed a ticket he'd lost was the winner.

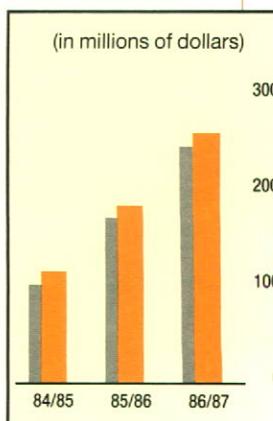
"I read and heard about that. You can't help but feel a little bit sorry."

The Taylors, who have two young sons, are now trying to decide how to spend their enormous wealth.

Val Taylor said the first benefit on her list is a recreational vehicle.

"We've thought about buying an RV for a long time. And next on the list is a house," she told reporters.

The Taylors also hinted they may help the town



Past Three Years
Sales Performance
of LOTTO 6/49

INSTANT



Always popular with the public, the INSTANT game lit up the WCLC marquee in fiscal 1986/87. Sales skyrocketed from \$29.6 million

in 1985/86 to \$85.4 million—a growth of 189 percent!

Albertans joined the INSTANT player mosaic in August and took to the "new" game like Wayne Gretzky takes to ice. Over 20 million "scratch and win" tickets were sold in Alberta within the first eight weeks of the launch.

Western Canada Lottery Corporation added a third "theme" to the calendar in 1986/87. "Birds of the Prairie" flew from April through July, featuring our "feathered friends."

"Signs of the Zodiac," launched in August, proved the most successful INSTANT theme ever offered by the Corporation. Retailers frantically tried to keep pace with players requesting "Virgo," "Libra" and "Leo."

"Wintersports," the third theme, followed in December and continued through March. In addition to being topical, the game provided armchair athletes with a welcome diversion from chilly winter winds.

Prizes on the INSTANT game ranged from \$2 through \$10,000. No less than 351 WCLC players "scratched" their way to the top prize!

THE PERFECT PRESCRIPTION

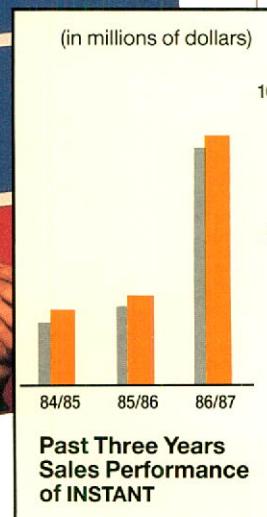
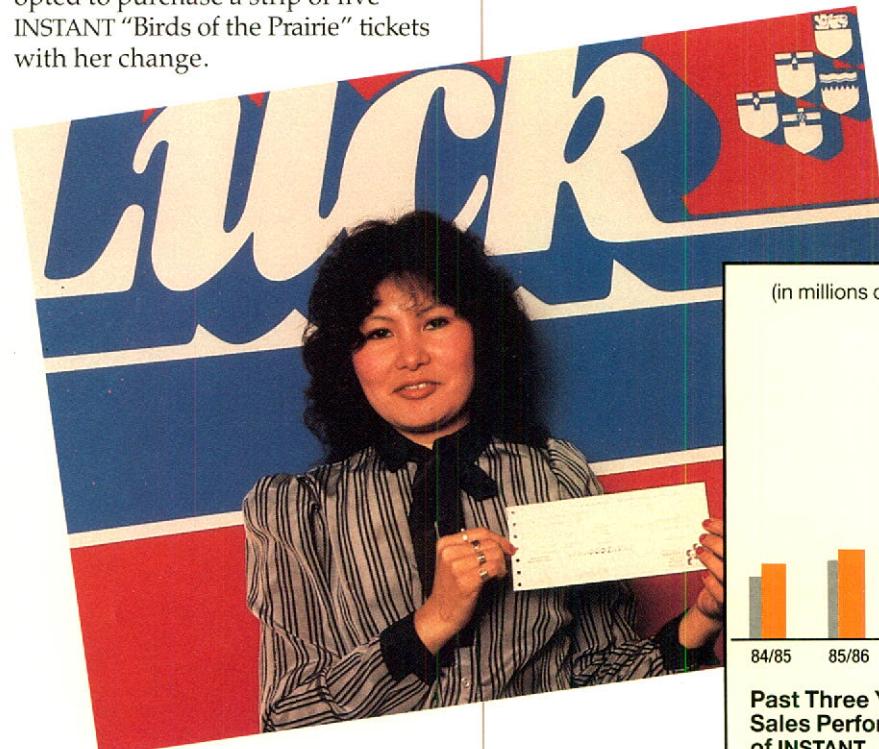
Laughter may be the best medicine for many. But for Lucy Wetrade of the Northwest Territories, there is no remedy better than an INSTANT "scratch 'n win" ticket.

The supervisor for Tree Line Trapping in Yellowknife was not feeling well last April and decided to leave work early. She headed downstairs to buy medicine, and opted to purchase a strip of five INSTANT "Birds of the Prairie" tickets with her change.

Ms. Wetrade's ill spirits were quickly lifted as she scratched her way to \$2 and \$5 wins—but she was not about to stop there. On her next ticket, she uncovered three \$10,000 symbols to win the game's top prize.

The part-time fashion model certainly looked none-the-worse-for-wear when she claimed her \$10,000 prize. She smiled from ear-to-ear as visions of a brand new car danced in her head.

Lucy Wetrade is by no means a medical practitioner. She just happened to find the "perfect prescription" and felt better—instantly!



WESTERN EXPRESS

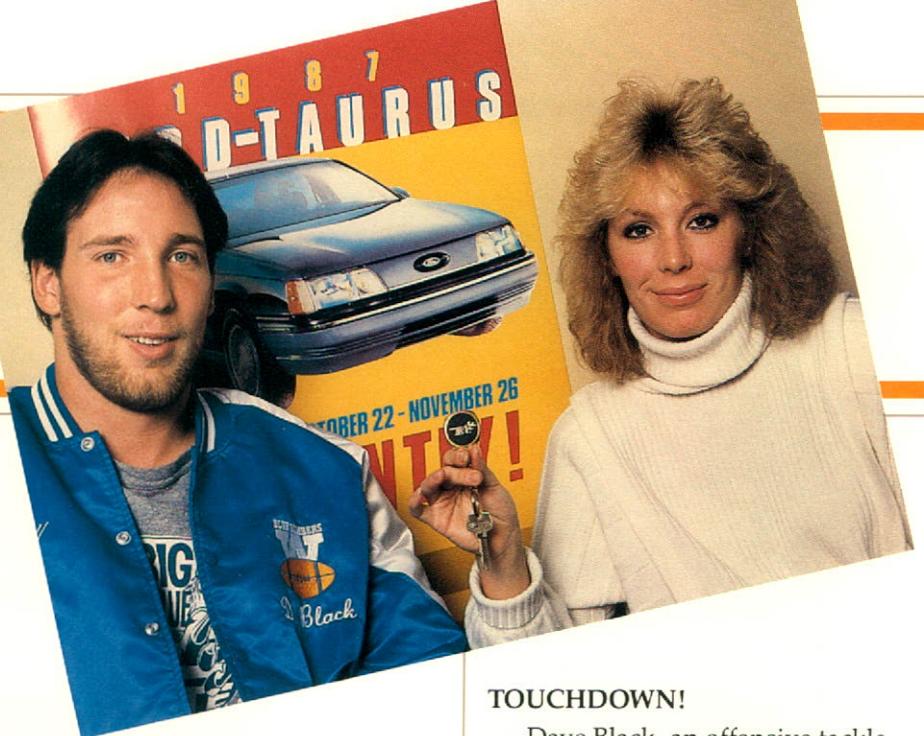
Showing no signs of slowing down, the Grande Dame of Western Canada Lottery Corporation entered her second decade in fine form.

The full effect of design changes made at the onset of the previous year's final quarter were felt in fiscal 1986/87. In giving players "Two Ways to Scratch for Cash," sales skyrocketed to \$59.5 million for a phenomenal increase of 150 percent!

The WESTERN EXPRESS instant game delivered three successful car Bonuses during the course of the year. July 23rd to August 27th saw 150 "red-hot" Camaros offered. Player enthusiasm was evidenced by a 94 percent increase in sales over the six week period preceding the Bonus.

One hundred and fifty Ford Tauruses were offered from October 22nd to November 26th, driving up sales 63 percent.

The year ended on a Bonus note as well. The month of March found Western Canadians vying for 100 Thunderbirds. Ticket sales for the spring Bonus were up 32 percent.



To keep the game fresh, the ticket underwent cosmetic changes in January of 1987. EXPRESS players were greeted by a new theme, "Match for Cash," and an attractive, vertically-formatted ticket. These modifications triggered a further 19 percent increase in sales for the remaining three months of the fiscal year.

Since evolving into a hybrid instant/passive game, WESTERN EXPRESS has enjoyed tremendous popularity. With sales figures bearing this out, the new slogan couldn't be more apt—"Yeah! THAT'S THE TICKET!"

Yeah!
**THAT'S THE
TICKET!**



TOUCHDOWN!

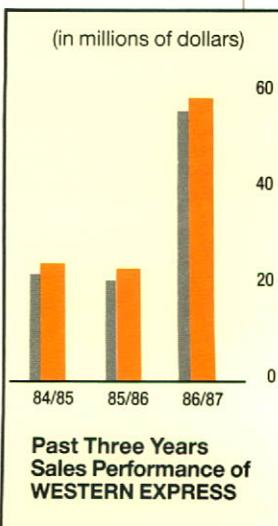
Dave Black, an offensive tackle for the Winnipeg Blue Bombers, found himself in an enviable position. He didn't have to knock himself out in a football game to win a new car.

Dave and his wife, Kim, were at a local gas station. After filling up the gas tank they received a free WESTERN EXPRESS ticket. Little did they know what kind of bonus it would be!

When it came time to scratch the ticket, Kim called the signals. Scratching the "Match For Cash" play grid, she revealed three matching symbols. The prize? A 1987 Ford Taurus, a touchdown for sure!

"I couldn't believe it," exclaimed Kim upon discovering their win. And for Dave, it meant instant notoriety with his teammates, something offensive tackles are not exactly used to.

The couple was one of 129 Western Canadians winning Tauruses on the fall Bonus.



Super Loto

A seasoned performer, SUPER LOTO garnered annual sales of \$28.6 million. While this display of player enthusiasm represents 16.9 percent of sales nationwide, it also represents a marginal slippage in audience support.

Within Western Canada, ticket receipts declined 8.2 percent. These decreases are attributable, in part, to the reduction from four to two Bonus draws per year and to competition from other game products.

These factors considered, the performance of SUPER LOTO in fiscal 1986/87 was relatively consistent with the previous year and certainly a modest success.

Contributing to this success were a move from monthly to bi-weekly draws, revitalized prize structures for the traditional and instant game components, and two exciting Bonus draws.



"Look Like a Millionaire" was the catch phrase used to launch the July/August Bonus. Itching to do just that, WCLC players scratched roughly three times the average number of tickets to win no less than 72 brand new Cadillacs.

The January/March Bonus offered Lincoln Town Cars as prizes and more than doubled average sales. Throughout Western Canada, 68 players found themselves behind the wheels of posh SUPER LOTO Lincolns. As they stretched out in the driver's seat, all surely agreed—

"Now, That's Class!"

TWO TIMES LUCKY

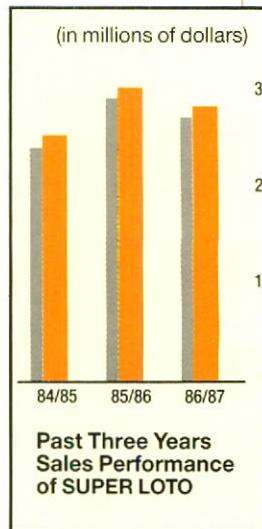
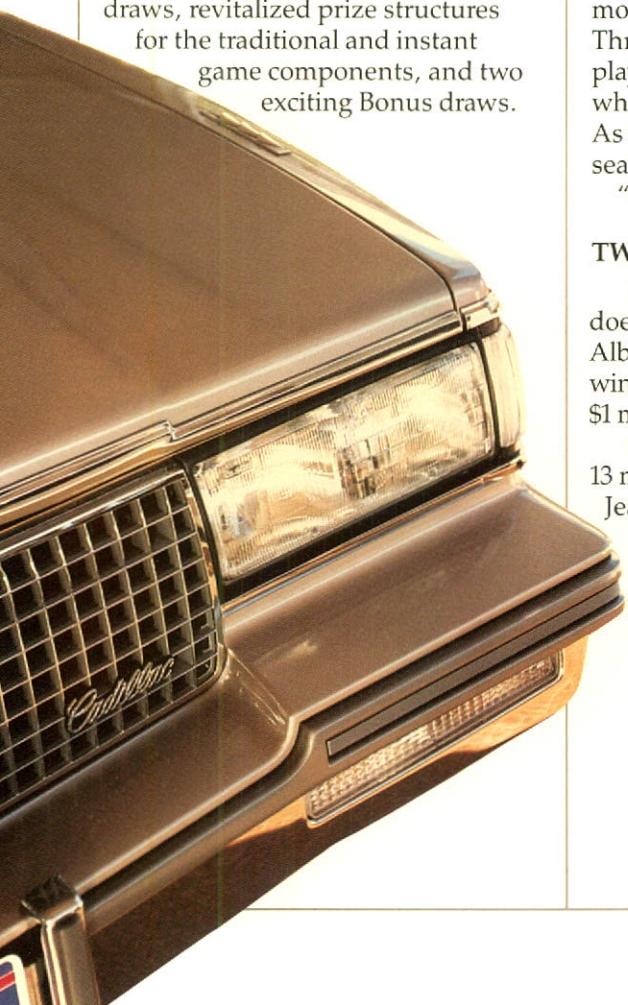
Dispelling the myth that lightning doesn't strike twice, a Beaumont, Alberta couple strolled back to the winners' lounge to collect their second \$1 million SUPER LOTO windfall.

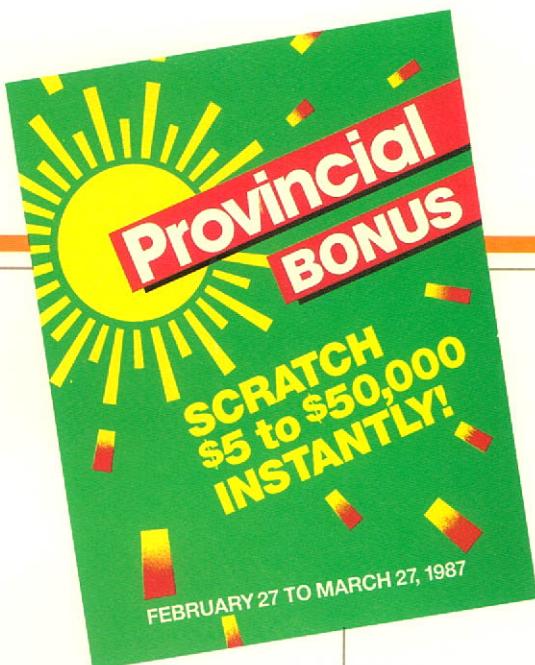
Semi-retired since their first win 13 months earlier, Maurice and Jeanette Gariepy had a hunch they would win again. "I didn't know how much," Jeanette explained, "but I continued to buy SUPER LOTO tickets."

With the first 7-digit prize cheque, the Gariepys moved into their "dream home" and "were able to help out family and charities."

Reflecting on the first windfall, Maurice said, "We all dream of relaxing with a million dollars, but boredom sets in. It's important to stay busy, contribute to lives around you. That's how to enjoy \$1 million!"

And that's exactly what the Gariepys plan to do with their second \$1 million prize cheque—enjoy!





With sales of \$25.2 million, a 16 percent increase over 1985/86, the nation-wide PROVINCIAL celebrated its most successful year to date.

The game's strong performance can be attributed to the four Bonuses held during fiscal 1986/87. In addition to the weekly traditional \$500,000 grand prize, the PROVINCIAL offered a total of \$15 million in Bonus prizes.

Although each resulted in sales increases, the February/March Bonus proved the highlight. The key to its success was the introduction of the instant "Match Three" pouch game. Sales soared. Player penchant for "scratching" fueled a 106 percent growth over the June/July Bonus, a 46 percent growth over the 10th Anniversary Bonus and a nine percent growth over the Christmas Bonus.

All three Bonuses offered Instant Bearer Cheques as prizes.

With all this to play for, it's no wonder PROVINCIAL players love Fridays!

A CASE OF LOST AND FOUND

Beginner's luck. That's what Robert McMillan experienced. Last July he bought his very first PROVINCIAL ticket. Five weeks later, Robert discovered he was a \$500,000 grand prize winner!

Not everything went smoothly for the novice PROVINCIAL player, however. The winner's tale involved

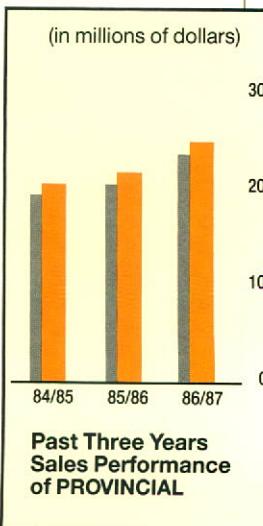
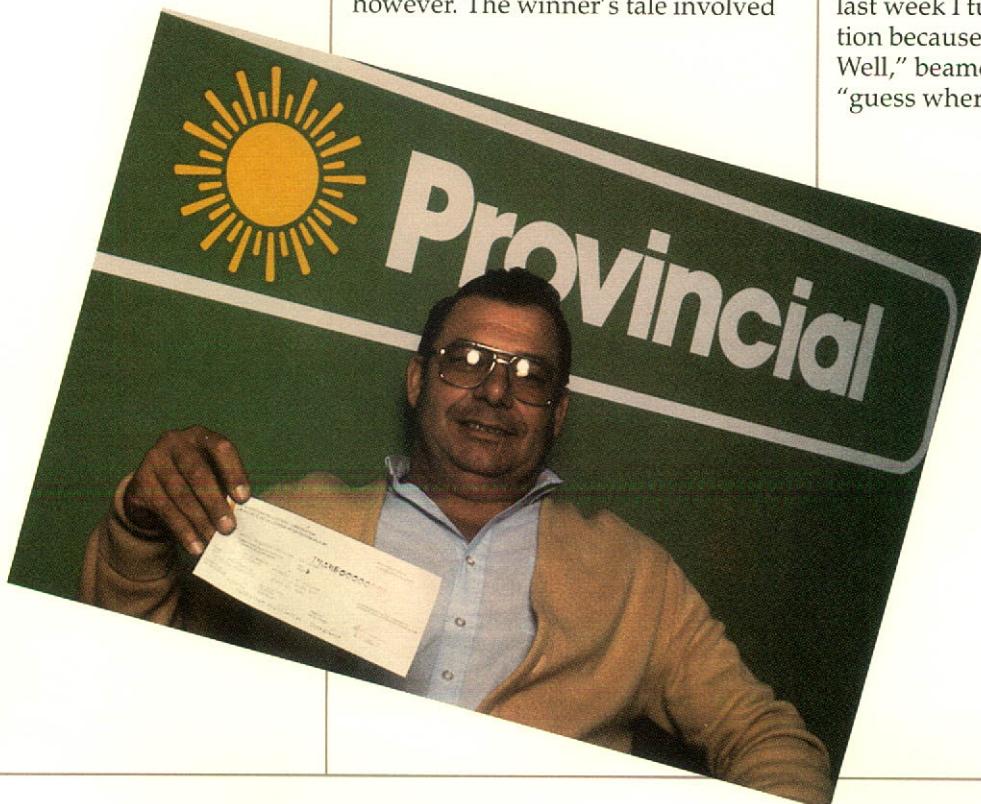
a case of lost and found, giving this winning story an unusual ring.

"I stuck the ticket behind the phone. Then I couldn't find it," confessed the Winnipegger, 51. "I'd forgot where I'd put it!"

Robert found the ticket and his adventure ended on a happy note.

What does winning half a million dollars mean? To Robert, it means half a million things including a bigger half ton truck, investments and a trip East to his mother's birthday party.

"The funny thing is that only last week I turned down the invitation because I couldn't afford to go. Well," beamed the happy winner, "guess where I'm going next week?"





Ticket purchases are the ultimate measure of player support. With overall sales of \$17.5 million, a decline of 29 percent from fiscal 1985/86, the message was clear. LOTTO WEST was not the on-line game to build and maintain strong player loyalty.

Extensive market research conducted throughout the year revealed both the strengths and weaknesses of LOTTO WEST. The name of the game conveyed an obvious strength—LOTTO WEST was unique to Western Canada. But the name was also a weakness. It did not facilitate an understanding of how to play.

The insight afforded through this research led to the development of a new on-line game and the deletion of LOTTO WEST at year end. The new game is LOTTO 6/36. As easy to play as the name implies, LOTTO 6/36 boasts two of its predecessor's greatest strengths. Like LOTTO WEST, it too is a regional on-line lottery that invites active player participation.

While LOTTO WEST did not capture a large and loyal audience, the game did have its highlights. Since its inception in June, 1984, 61 WCLC players celebrated LOTTO WEST JACKPOT winnings worth over \$13.7 million.

In the spotlight was the largest regional JACKPOT prize ever won by a Western Canadian. The prize, a record \$1,221,163 windfall, was claimed by the McNamee family of Winnipeg.

Like life itself, games change. The Corporation is confident this first regional on-line venture has paved the way to development of a new game with broad appeal—LOTTO 6/36.

MAKE A WISH

On March 22nd, a group gathered in Foam Lake, Saskatchewan, to celebrate Amy Scutchings' birthday.

Party conversation was warm, animated. Woven into the group's chatter was an exciting rumour. "Did you hear there was a big winner in town?"

Amy was asked to make a wish. She smiled, wished to win a big lottery prize. Then, to seal the wish, blew out the birthday candles.

On March 23rd, Amy checked her Quick Pick tickets for the March 18th LOTTO WEST draw, then hastily arranged a quick trip to Winnipeg. But before leaving Foam Lake, she phoned a girlfriend and teased, "I could be that big winner."

Shortly after Amy's arrival at Western Canada Lottery Corporation, the proof that wishes can come true was in hand.

Clutching her \$200,090.20 LOTTO WEST prize cheque, Amy smiled and said, "What a lovely birthday present!"



The Lottery Retailer

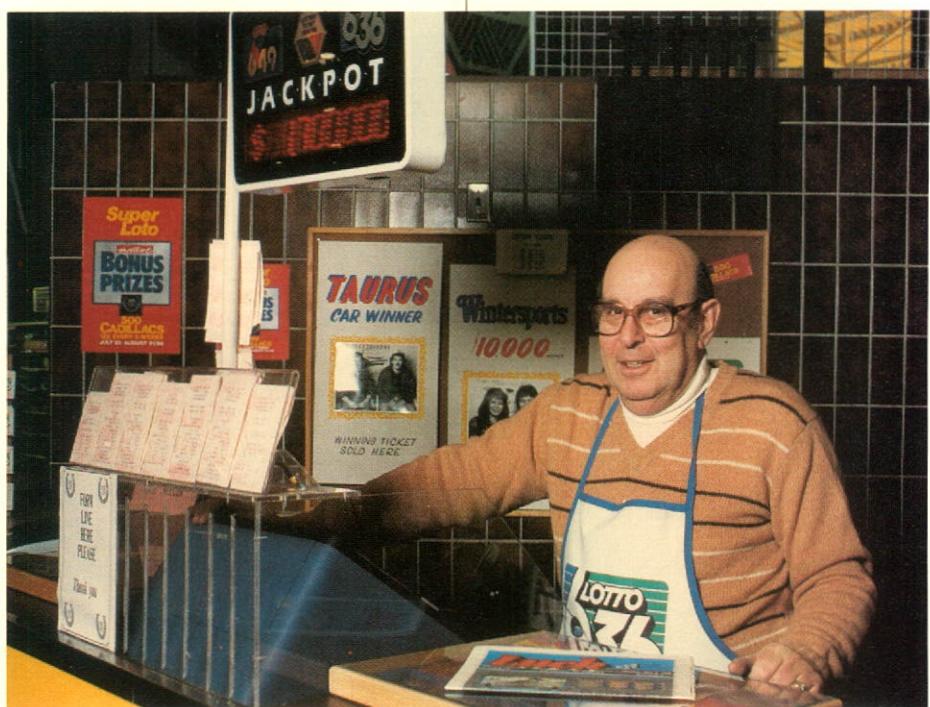
The beginnings were simple, the approach casual. Lottery tickets were sold through a loose-knit network of community groups and individuals, estimated to include 35,000 members.

From these simple beginnings evolved both the sophisticated retail network of today and an interesting paradox. The tremendous growth of lotteries that spurred regional sales ever upward, from \$14 million in fiscal 1974/75 to \$476 million in fiscal 1986/87, was accompanied by a ten-fold shrinkage of the retailer base.

Comprised of 3,786 licensed retailers at the close of fiscal 1986/87, the network is tightly-woven, the approach professional. As diverse a mix of individuals as the communities served, licensed retailers can be found in lottery kiosks, large grocery and convenience stores, pharmacies, service stations and small, family-oriented businesses.

For all its diversity, the network is bonded by one common thread—professionalism. As evidenced by attitude, product knowledge and customer service, this professionalism netted a record year for all.

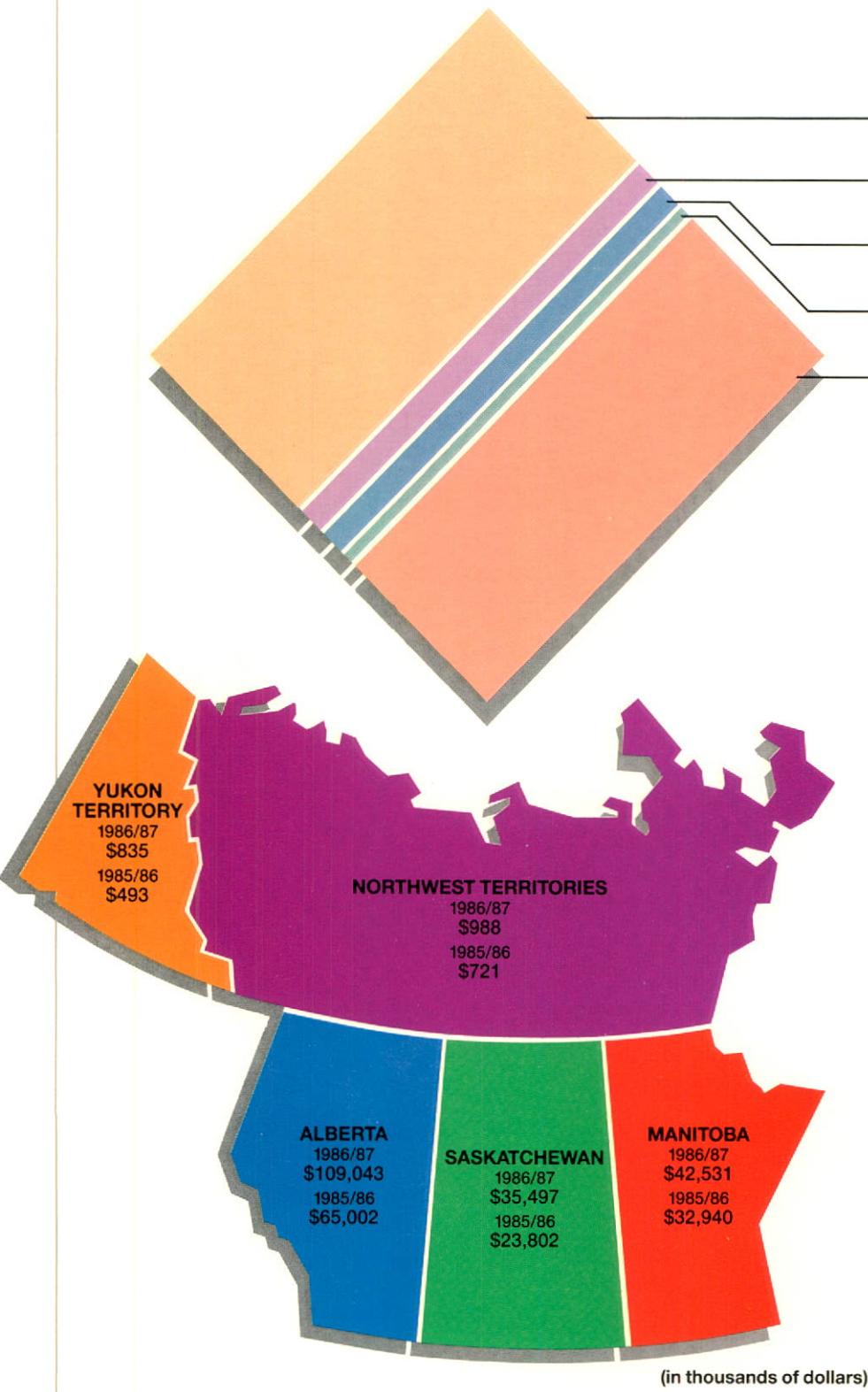
Retailers realized earnings in excess of \$29 million in fiscal 1986/87, an increase of 53 percent over the previous year. These earnings, the lifeblood of many businesses and a source of additional income for others, represent a significant contribution to the economic vitality of the communities served.



To make lottery tickets readily available to players scattered throughout a lottery jurisdiction geographically larger than any within North America is an on-going corporate challenge. To meet this challenge, the network must continue to expand. To meet this challenge effectively will be to cull applications for high-calibre individuals, individuals who measure up to the standards set by today's professional lottery retailer.



The Lottery Dollar



Where does the lottery dollar go?

Prizes	45 percent
Operating Expenses	7 percent
Retailer Commissions	6 percent
Ticket Printing	2 percent
Revenue to Provinces and Territories	40 percent

In fiscal 1986/87, over \$188 million in lottery revenue was returned to the provinces and territories.

Each provincial and territorial government has established priorities for the disbursement of lottery revenue. The revenue enhances a variety of worthwhile causes.

For lottery revenue disbursement information, write the following offices:

Alberta Career Development and Employment

14th Floor, Park Square Building
10001 Bellamy Hill
Edmonton, Alberta
T5J 3W5

Sask Trust for Sport, Culture and Recreation

1870 Lorne Street
Regina, Saskatchewan
S4P 2L7

Manitoba Lotteries Foundation

830 Empress Street
Winnipeg, Manitoba
R3G 3H3

Lotteries Yukon

312 Wood Street
Whitehorse, Yukon Territory
Y1A 2E6

Sport North

P.O. Box 504
Yellowknife, Northwest Territories
X1A 1H0



ALBERTA

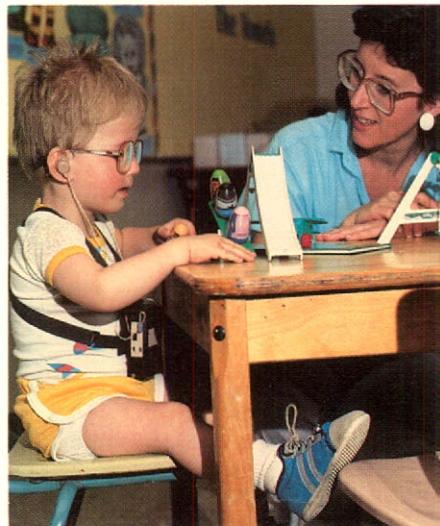
Proceeds from lotteries create many benefits for Albertans. Designated Alberta beneficiaries, volunteers, individuals, groups and associations are granted lottery monies to develop, maintain and preserve sport, culture and recreation in their various forms throughout the province. From books to read, to teams cheered, to fairs, parks and museums enjoyed, lottery funds have somehow worked behind the scenes.





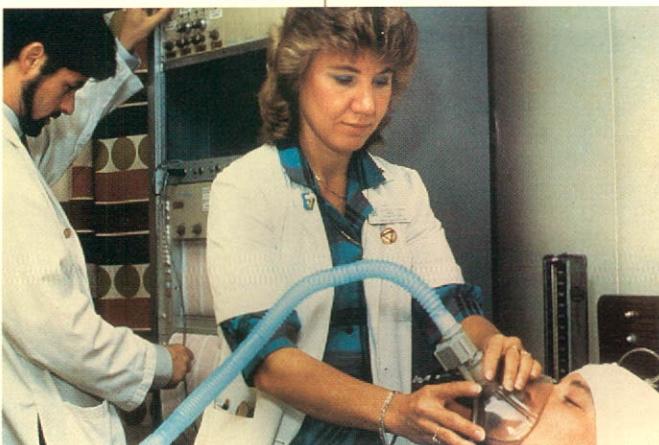
SASKATCHEWAN

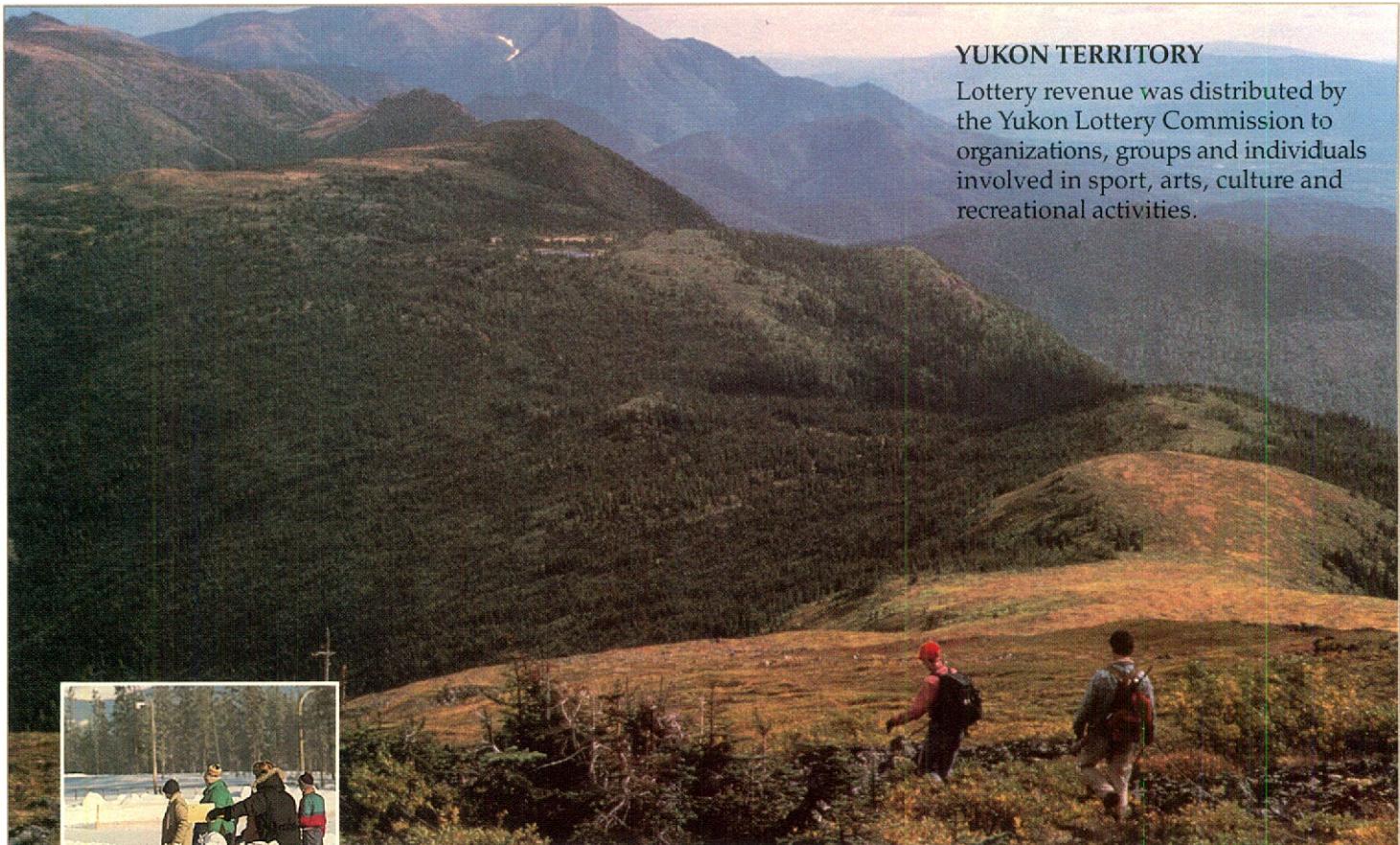
The proceeds from lottery operations in Saskatchewan are distributed through the Sask Trust for Sport, Culture and Recreation to 74 Provincial Sport Governing Bodies, 26 Provincial Cultural Organizations and 21 Provincial Recreation Associations. In addition, Saskatchewan Lotteries funds activities in sport, culture and recreation for 800 local communities, 23 regions, 8 zones, 11 Exhibition Associations, the Saskatchewan Sports Hall of Fame, the Administration Centre for Sport, Culture and Recreation as well as 229 non-profit community organizations.



MANITOBA

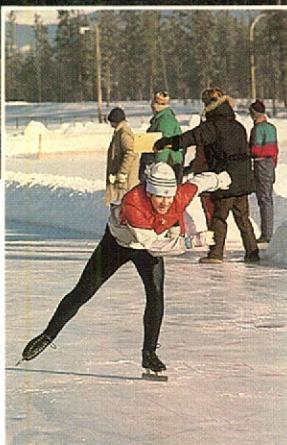
The Government of Manitoba allocates lottery and gaming revenues to a wide range of community groups through umbrella organizations and the programs of two provincial government departments. The umbrellas encompass the areas of heritage, sport, the arts, community service, multi-culturalism, education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





YUKON TERRITORY

Lottery revenue was distributed by the Yukon Lottery Commission to organizations, groups and individuals involved in sport, arts, culture and recreational activities.



NORTHWEST TERRITORIES

In the Northwest Territories, Sport North provided lottery revenue to help finance the Arctic Winter Games, Territorial competitions, North Star Special Sports and the Annual General Meeting and Awards. It was also used to assist player development, cultural and recreational organizations, Winter Regional Sports and Summer Sports.

A Look to the Future

The lottery is a performance industry. Over its short history, ticket sales have accelerated at a heady pace. In fiscal 1986/87, sales raced to \$476.7 million for an unprecedented gain of 50 percent.

With roughly two-thirds of the adult population already active participants in games of chance and perhaps 20 to 30 percent unlikely candidates for lottery play, future growth will be at a slower pace. But that's not to say the brakes are on.

To continue strong sales performance, the industry must keep on track. That means stepping up the pace of change, of innovation. It means flexibility, recognizing and adapting to new opportunity.

Variety is key. Within the next fiscal year, INSTANT enthusiasts' urge to scratch will be satisfied with not three \$1 games, but four. To keep the popular scratch games fresh, new play formats will be introduced. And plans call for the introduction of a \$2 INSTANT game as well.

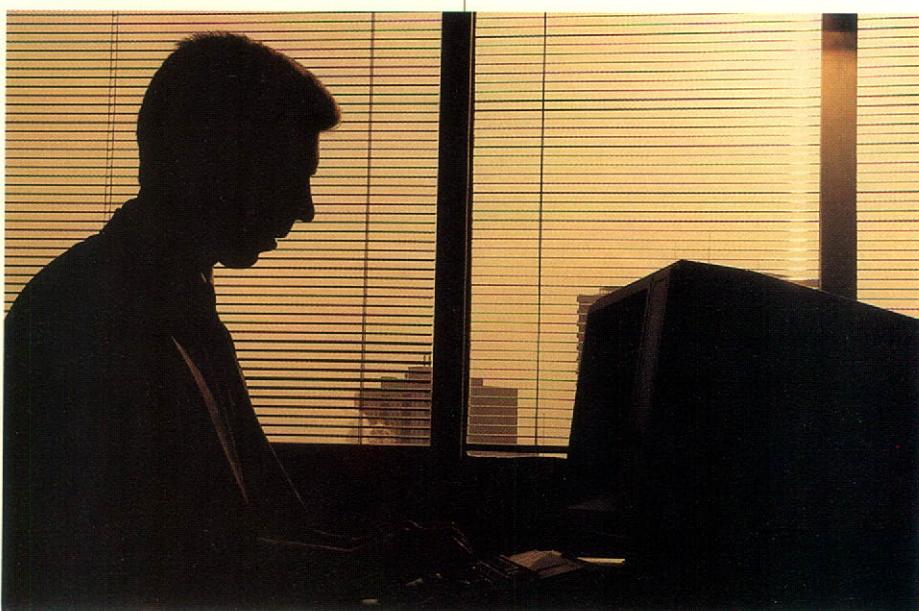
WESTERN EXPRESS will continue in its evolution as a hybrid instant/passive game. And "pick-your-own-numbers" fans will have a new on-line game to play, LOTTO 6/36, introduced at the conclusion of the 1986/87 fiscal year.

Network expansion will continue through the coming year and hours of operation will be extended, ensuring greater accessibility of on-line games to players.

Continued implementation of the Signs and Fixtures Program will result in a heightened profile for Lottery Ticket Centres. But improved visual identity is not the only goal. The on-line lottery system is a network capable of responding to consumer requests for numbers to play and more. Technological advances present new opportunities for communication through attention-getting message displays. The incorporation of on-line LED signs into the system, programmable from the central Data Centre, will ensure provision of accurate, up-to-the-minute game and JACKPOT information.

Technological advances pose new opportunities for market research as well. Through conjoint analysis, computer-assisted research, the acceptability of new game concepts can be pre-determined. Conjoint analysis lets players trade off various game options to establish a list of preferences and perceived play values placed on each. In facilitating awareness of which game attributes are most important to players and to what degree, the prognosis for success in game revisions and new product development is improved.

The future holds many challenges for the lottery industry. Making sure computer systems are equipped and capable of handling the needs of lottery players will be demanding. But by remaining a forerunner in gaming and on-line technology, Western Canada Lottery Corporation will be ready to incorporate games of the future.



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, 1987 and the combined statements of operations, cash flows 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, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Winnipeg, Canada
May 26, 1987

Clarkson Gordon

CHARTERED ACCOUNTANTS

Western Canada Lottery Corporation and its related lottery organizations

Combined Statement of Operations

YEAR ENDED MARCH 31, 1987

(in thousands of dollars)

	1987	1986
Lottery sales (Note 3)	<u>\$476,680</u>	<u>\$317,858</u>
Direct expenses:		
Prizes	218,787	144,733
Retailer commissions	29,835	19,430
Ticket printing	<u>9,395</u>	<u>4,734</u>
	<u>258,017</u>	<u>168,897</u>
Gross income	<u>218,663</u>	<u>148,961</u>
Operating expenses:		
Sales and distribution (Note 4)	10,460	9,408
Administration	7,212	6,076
Advertising	5,405	4,416
Depreciation	3,387	3,837
Data Services	4,981	4,527
Dissemination of winning numbers	<u>1,971</u>	<u>1,609</u>
	<u>33,416</u>	<u>29,873</u>
Operating income	185,247	119,088
Interest and other income	<u>3,647</u>	<u>3,870</u>
Net income	<u>\$188,894</u>	<u>\$122,958</u>
Net income allocated to the following provinces or territories:		
Alberta	\$109,043	\$ 65,002
Saskatchewan	35,497	23,802
Manitoba	42,531	32,940
Yukon Territory	835	493
Northwest Territories	<u>988</u>	<u>721</u>
	<u>\$188,894</u>	<u>\$122,958</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, 1987

(in thousands of dollars)

	1987	1986
Due to Provincial Governments or appointed organizations, beginning of year	\$ 11,629	\$ 9,359
Add:		
Net income	188,894	122,958
Transfer from fixtures and signage reserve	—	3,182
	<u>200,523</u>	<u>135,499</u>
Deduct:		
Distributions during the year	176,577	109,703
Payment to the Federal Government on behalf of the Provincial Governments (Note 6)	13,043	12,755
Fixtures and signage purchased for British Columbia	—	1,412
	<u>189,620</u>	<u>123,870</u>
Due to Provincial Governments or appointed organizations, end of year	<u>\$ 10,903</u>	<u>\$ 11,629</u>
Due as follows:		
Alberta	\$ 5,471	\$ 6,079
Saskatchewan	3,263	2,927
Manitoba	2,058	2,484
Yukon Territory	57	44
Northwest Territories	54	95
	<u>\$ 10,903</u>	<u>\$ 11,629</u>

(see accompanying notes)

Western Canada Lottery Corporation and its related lottery organizations

Combined Statement of Cash Flows

YEAR ENDED MARCH 31, 1987

(in thousands of dollars)

	1987	1986
Cash provided by (used in) operations:		
Net income	\$188,894	\$122,958
Add non-cash charges less credits (note 8)	<u>796</u>	<u>1,495</u>
	<u>189,690</u>	<u>124,453</u>
Cash used in investment activities:		
Purchase of fixed assets	(4,628)	(16,370)
Cash distributed to Federal and Provincial Governments:		
Payments to the Federal Government on behalf of Provincial Governments (note 6)	(13,043)	(12,755)
Distributed to the Provincial Governments or appointed organizations	(176,577)	(109,703)
Fixtures and signage purchased for British Columbia	<u>—</u>	<u>(1,412)</u>
	<u>(189,620)</u>	<u>(123,870)</u>
Net decrease in cash for the year	(4,558)	(15,787)
Cash, beginning of year	<u>19,437</u>	<u>35,224</u>
Cash, end of year	<u>\$ 14,879</u>	<u>\$ 19,437</u>

Combined Balance Sheet

MARCH 31, 1987

(in thousands of dollars)

	1987	1986
ASSETS		
Cash—		
Prize funds	\$ 9,589	\$10,166
Other	<u>5,290</u>	<u>9,271</u>
	<u>14,879</u>	<u>19,437</u>
Accounts receivable	4,968	6,884
Prepaid expenses and deposits on equipment	1,819	834
Fixed assets (Note 5)	<u>13,774</u>	<u>12,533</u>
	<u>\$35,440</u>	<u>\$39,688</u>
LIABILITIES		
Prizes payable	\$ 9,589	\$10,166
Payable to Interprovincial Lottery Corporation	<u>5,724</u>	<u>6,013</u>
Accounts payable and accrued charges	3,131	5,496
Deferred revenue	<u>6,093</u>	<u>6,384</u>
Due to Provincial Governments or appointed organizations	<u>10,903</u>	<u>11,629</u>
	<u>\$35,440</u>	<u>\$39,688</u>
On behalf of the Board:		



DIRECTOR



DIRECTOR

(see accompanying notes)

Western Canada Lottery Corporation and its related lottery organizations

Notes to Combined Financial Statements

MARCH 31, 1987

1. NATURE OF THE CORPORATION

The Western Canada Lottery Corporation 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 participated with British Columbia Lottery Corporation in the conduct of LOTTO WEST until March 25, 1987. 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 costs 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 (\$144,282,000) and the Corporation's share of the Interprovincial Lottery Corporation's operating expenses (\$383,000) and interest revenues (\$995,000) 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, 1987 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, 1987 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.

Western Canada Lottery Corporation and its related lottery organizations

3. LOTTERY SALES

Sales revenue by product, in thousands of dollars, is as follows:

	1987	1986
LOTTO 6/49	\$260,398	\$186,812
INSTANT	85,413	29,560
WESTERN EXPRESS	59,482	23,759
SUPER LOTO	28,644	31,216
PROVINCIAL	25,241	21,798
LOTTO WEST	<u>17,502</u>	<u>24,713</u>
	<u>\$476,680</u>	<u>\$317,858</u>

4. SALES AND DISTRIBUTION EXPENSES

Sales and distribution expenses include expenses of related lottery organizations in the amount of \$4,488,000 (1986—\$4,633,000) which represent provincial costs related to the distribution of lottery tickets to retailers.

5. FIXED ASSETS

Fixed assets are comprised of:

	Cost	Accumulated Depreciation	1987 Net	1986 Net
(in thousands of dollars)				
Computer systems and other related game equipment	\$23,137	\$15,156	\$ 7,981	\$ 6,630
Office furniture and fixtures	1,035	207	828	1,017
Leasehold improvements	4,767	1,312	3,455	3,694
Retailer fixtures and signage	<u>4,538</u>	<u>3,028</u>	<u>1,510</u>	<u>1,192</u>
	<u>\$33,477</u>	<u>\$19,703</u>	<u>\$13,774</u>	<u>\$12,533</u>

Western Canada Lottery Corporation and its related lottery organizations

6. 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

to December 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 1987. The cost is allocated between each member province based on their share of lottery ticket sales.

7. 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.

8. NON-CASH CHARGES LESS CREDITS

Adjustments reflecting non-cash charges (or credits) included in net income are as follows:

	1987 (in thousands of dollars)	1986 (in thousands of dollars)
Depreciation	\$ 3,387	\$ 3,837
Increase (decrease) in—		
Prizes payable	(577)	(1,506)
Payable to Interprovincial Lottery Corporation	(289)	(3,535)
Accounts payable and accrued charges	(2,365)	770
Deferred revenue	(291)	3,139
Decrease (increase) in—		
Accounts receivable	1,916	(1,489)
Prepaid expenses and deposits on equipment	(985)	279
	<u>\$ 796</u>	<u>\$ 1,495</u>

