

WESTERN CANADA
LOTTERY CORPORATION

ANNUAL REPORT



1992



CONTENTS

MISSION STATEMENT

Western Canada Lottery Corporation (WCLC) acts as agents on behalf of the governments of Alberta, Saskatchewan and Manitoba to manage and conduct gaming and related activities in cooperation with the Provincial Marketing Organizations (PMOs) to maximize long-term economic return to the governments while maintaining a high level of business integrity and social responsibility.

The Yukon Territory and the Northwest Territories participate as associate members in the sale of gaming and related products.

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BOARD OF DIRECTORS

Western Canada Lottery Corporation is guided by its Board of Directors. Two directors are appointed to represent each member province.

Jim Burnett, *Chairman*
Saskatchewan

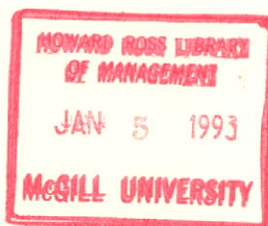
Gary Boddez
Alberta

Gerrie Hammond
Manitoba

Bill Funk
Manitoba

Bob Prestage
Alberta

Paul Robinson
Saskatchewan





MESSAGE FROM THE CHAIRMAN

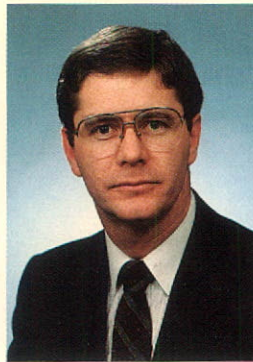
In the 18 years since Western Canada Lottery Corporation (WCLC) was formed, cooperation between Western provinces and the territories has spelled success for all Western Canadians.

Initially, until 1985 with the Province of British Columbia and since that time on their own, the Provinces of Manitoba, Saskatchewan and Alberta have forged a partnership in the lottery business which, in conjunction with the Yukon Territory and Northwest Territories, has produced a highly successful business in Western Canada.

Take a close look at the area WCLC's jurisdiction covers and you soon realize why the partnership is extremely important. The largest lottery jurisdiction in North America, WCLC has some inherent challenges when it comes to selling our product to the customer. The support and cooperation of the Provincial Marketing Organizations in each province is key to ensuring the sale is made.

Partnership is not only the instrument of success between WCLC and the Provincial Marketing Organizations, it is also important in fostering a positive relationship with retailers and players. Maintaining a strong partnership is challenging. With over 3600 retail locations across the jurisdiction, fast, efficient and labour-saving initiatives are essential to ensuring that the partnership continues to grow. And WCLC met that challenge head-on this year with the introduction of on-line validation and on-line accounting. This innovation frees retailers from completing weekly redemption forms and manually calculating prize amounts.

For the player, these new initiatives mean shorter line-ups and faster payout of prizes, all part of WCLC's commitment to offering exceptional customer service. And players enjoyed themselves, spending \$580.5 million this year, an increase of 4.9%. Enjoyment was further enhanced when



players won – a total of \$264.2 million was awarded in prizes this fiscal year. All Western Canadians are winners with the revenue realized by each provincial and territorial government. This year, WCLC returned \$223.9 million to the members of WCLC.

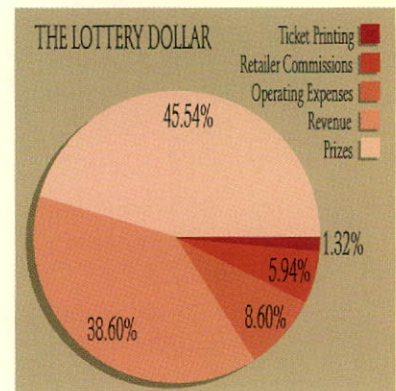
Every successful partnership requires common understanding.

Merging the ideas of all individuals involved in the lotteries in Western Canada to create challenging marketing schemes, while introducing new technology, has allowed the relationship to grow strong.

The partnership was also a factor in allowing WCLC to chart its course to success when personnel changes occurred. In an effort to distribute the economic benefit of the Corporation fairly, the Marketing Division was relocated to Stettler, Alberta in November, 1991 and the majority of the Winnipeg marketing staff decided to pursue different career paths. This set in motion the building of a new marketing team, eager to continue to build the relationships that have made the Corporation a success.

In the coming years, the partnership between the Provincial Marketing Organizations and WCLC will continue to develop and redefine itself, but the objective for the Corporation and its partners will remain the same – increased revenue to the provinces and territories for the benefit of all Western Canadians.

Jim Burnett, Chairman of the Board



MESSAGE FROM THE GENERAL MANAGER

Partnership is what Western Canada Lottery Corporation (WCLC) is all about. And partnership is what has made WCLC a success.

In partnership with the Provincial Marketing Organizations, WCLC launched a series of new gaming initiatives and bonuses.

LOTTO 6/49, the flagship of WCLC's games, charted a sure and steady course with a 1.2% increase in sales. Buoyed by several guaranteed bonus Jackpots, sales reached \$301.9 million. Also, a new record was set on June 29 when Irene Kangas, of Sault Ste. Marie, Ontario, claimed the largest LOTTO 6/49 Jackpot prize ever – a whopping \$13,964,107.40. Her prize broke a seven-year record.

THE PLUS continued to build a strong and loyal following, with sales of \$53.1 million, an increase of 19.4%. And for the first time since the game began, there were double and triple winners. On October 26 two winners each claimed \$100,000 and on March 25 three winning tickets were purchased, entitling the holders to \$100,000 each.

A new regional on-line game was introduced at the beginning of the fiscal year. POGO (Pick One, Get One) debuted with its first draw on April 3. The game offered something new for lottery players in Western Canada – two selections for \$1, and a new prize category – matching three regular numbers plus the bonus number. With a top prize of \$250,000, sales for POGO skyrocketed the first few months. The introduction of a POGO PAK Bonus in July and August helped quicken the sales pace. As a result, by year's end, POGO's sales were over \$20.8 million.

SPORT SELECT, the bastion of sports enthusiasts, earned the distinction of becoming WCLC's fastest growing product line. Tapping into a new market, Over/Under, which debuted in September, scored big with sales of \$21.6 million. Pro-Line, a sports enthusiasts' standard since the product was launched in the fall of 1990, led the product line with sales of \$25.8 million.

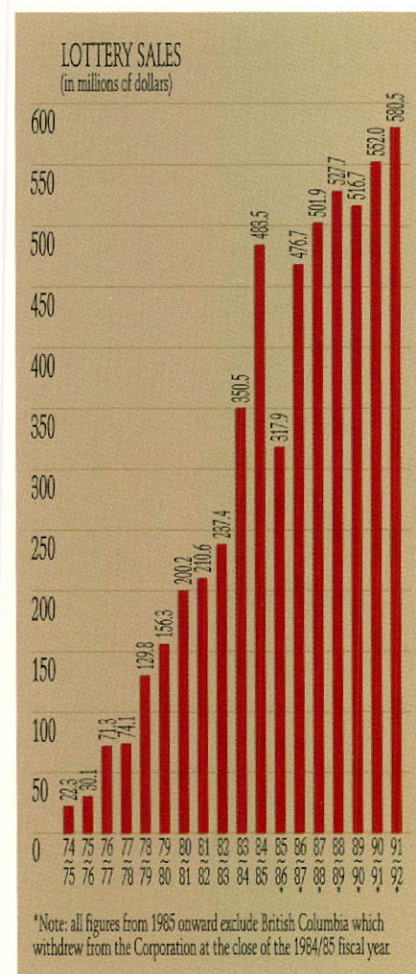
INSTANT fever continued unabated in Western Canada as WCLC launched a variety of \$1, \$2 and



\$5 games throughout the year. Separately, the \$1 INSTANT games accounted for sales of \$63.5 million, followed by \$34.1 million for the \$2 games and rounding out the total, \$5 INSTANT tickets tallied \$10.1 million in sales. Together, the INSTANT product mix accounted for 18.6% of total sales in Western Canada, proving that the love affair

between players and INSTANT tickets is still strong.

WESTERN EXPRESS, the veteran of WCLC's games, turned in a consistent performance with sales of \$26.7 million. With the advent of a prize





structure change in June, players were now vying for two prizes of \$50,000 on the game. A successful bonus in November helped fuel sales by offering WESTERN EXPRESS players the opportunity to win LOTTO 6/49 subscriptions.

PROVINCIAL turned in sales of \$11.5 million, helped in part by a redesigned prize structure that was implemented towards the end of the fiscal year.

SPECIAL EVENT games were again offered with SPECIAL EDITION 91 in July. Months later, CELEBRATION 92 kicked off the new year. Sales for both \$20 games totaled \$7.6 million.

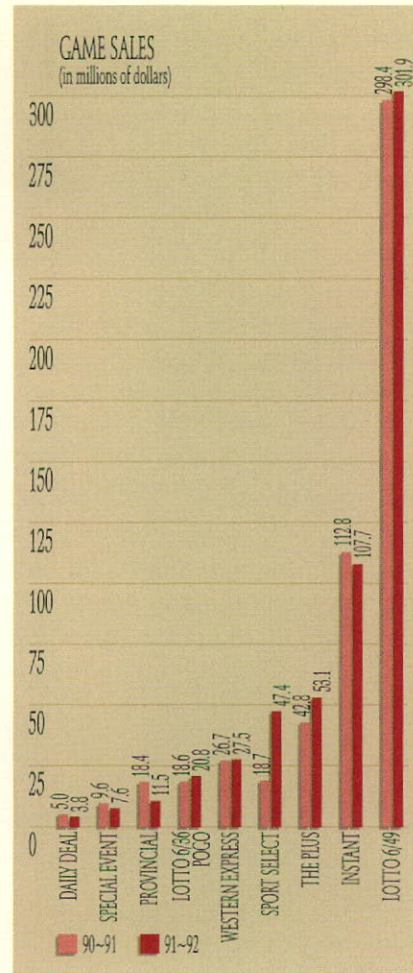
DAILY DEAL, WCLC's regional daily on-line game contributed a disappointing \$3.8 million to sales. Plans to address this opportunity are in development for the next fiscal year.

Niche marketing is becoming more and more important in the evolution of the lottery industry. To appeal to these markets, WCLC has launched several new ventures, SPORT SELECT in 1990, and this year's addition of Instant BINGO. A two dollar product,

BINGO was launched during the last two months of the fiscal year and is an INSTANT game with a twist. Rather than simply scratching the play area and matching symbols or adding coins, BINGO requires the player to actually "play" the game – resulting in normal play lasting anywhere from five to 10 minutes. The payoff is obvious. The pleasure of playing a game that isn't over "instantaneously" allows the suspense to build as players gradually uncover their numbers and hope to find the winning pattern. Sales, the best indicator of success for a new venture, bore witness to BINGO's appeal as sales reached \$7.6 million for the last two months in the fiscal year.

Forging stronger ties and examining new markets led WCLC and Alberta Lotteries to launch a pilot project for Video Lotteries in July. The three month test was extended until Alberta

IN PARTNERSHIP WITH THE
PROVINCIAL MARKETING
ORGANIZATIONS, WCLC
LAUNCHED A SERIES OF
NEW GAMING INITIATIVES
AND BONUSES



Lotteries announced their plans to go ahead and launch Video Lotteries across the province. Just another example of the partnership that has made the business of lotteries so successful.

I would like to thank everyone who has contributed to the growth of WCLC as well as the partnership. The efforts of their work can be found throughout Western Canada.

Garth Manness

Garth Manness, General Manager

WINNERS



Walter & Molly Pidwerbsky
Saskatoon, Saskatchewan
THE PLUS - \$100,000.00

It's a dream all lottery players share – the dream of winning! Whether it's \$2 or \$2 million, there's excitement and a certain giddiness to the experience – you've beaten the odds.

Winners come from all walks of life, with different experiences and different reactions. Their hopes and dreams vary but the one common thread they have is they have been able to realize their dream of winning a lottery prize.

We are interested in all lottery winners. For those who have won in excess of \$10,000, we want

to know a little more about them: how they discovered their win; how they felt; what their plans are. And, as research has proven over the years, they are a conservative lot, with the majority of winners banking at least a portion of their windfall. The dreams are realized when they take a portion of their prize money and have some fun.



Pauline Paupanekis
Grand Rapids, Manitoba
POGO - \$250,000.00

"My wife and I finally fulfilled a dream of a cruise to the Caribbean," recalled one winner. "Because of the winning we were able to throw a large catered party for my Dad, family and friends, on the occasion of his retirement. It was an occasion we'll never forget." "I had my mother from Prince Edward Island come to Calgary for a month to spend Christmas with us." "Everyone's dream – we purchased a home of our own."

During the fiscal year 481 winners walked away from WCLC with prize cheques of

\$10,000 or more in their hand. Over \$84.4 million was given away just in major prizes. Overall, an astounding \$264.2 million was returned to players.

The family that plays together, wins together – at least so it seems for Saskatchewan's Pidwerbesky

clan. Their dedication to THE PLUS paid off in a big way this year when both Joe and younger brother Walter said "yes" to \$100,000 by saying "yes" to THE PLUS.

Joe and wife Marie, self-professed dabblers in lottery play, took a \$100,000 plunge on the July 13 THE PLUS draw. "I never dreamt anything like this could happen to me," said Marie.

Three months later, Walter exclaimed "I couldn't believe it," upon discovering he had won \$100,000 on the October 9 draw. Both brothers are retired and planned to do some traveling with their windfalls.

In Manitoba, Pauline Paupanekis was "just passing through" Fairford when she decided to spring for a POGO ticket on the October 19 draw. Her sister picked one set of num-



Owen Grimes
Rimby, Alberta
WESTERN EXPRESS - \$50,000.00

bers; her son and her daughter's friend each chose another and she picked three sets of numbers. One of her sets matched all six numbers drawn to earn her the \$250,000 Jackpot.

The prize was shared with the rest of the Paupanekis family: a new van for husband Reginald, a snowmobile and four-wheeler for her son Ryan, and clothes and a microwave for herself.

WINNERS COME
FROM ALL
WALKS OF LIFE
WITH DIFFERENT
EXPERIENCES AND
REACTIONS

Mary Rose Drygeese of Yellowknife, Northwest Territories, was looking for cab fare and found herself with enough cash to purchase a fleet of them.

While visiting Edmonton with a school group, the mother of three needed to change a \$100 bill and decided eight LOTTO 6/49 Quick Picks would do the job. The \$8 purchase turned into a \$243,477.20 windfall when one of her six-number selections matched five regular numbers plus the Bonus number on the August 14 draw.



Mary Rose Drygeese
Yellowknife, N.W.T.
LOTTO 6/49 - \$243,477.20

Whitehorse, watched the numbers come up on Channel 12 and soon realized one of his selections matched five regular numbers plus the Bonus number.

He admitted to being "very cool" as he signed the back of his winning ticket, but noticed the following day that he'd misspelled his name. "I missed the 's' on Nicholas," he laughed.

A few things he didn't miss as a result of the windfall: paying down the mortgage on his home, buying furniture and jetting to Madeira, Portugal for a holiday.



Nicholas Smart
Whitehorse, Yukon
LOTTO 6/49 - \$99,944.60

The prize enabled Mary Rose and husband Brian to pay off their bills, renovate their home and invest the remainder.

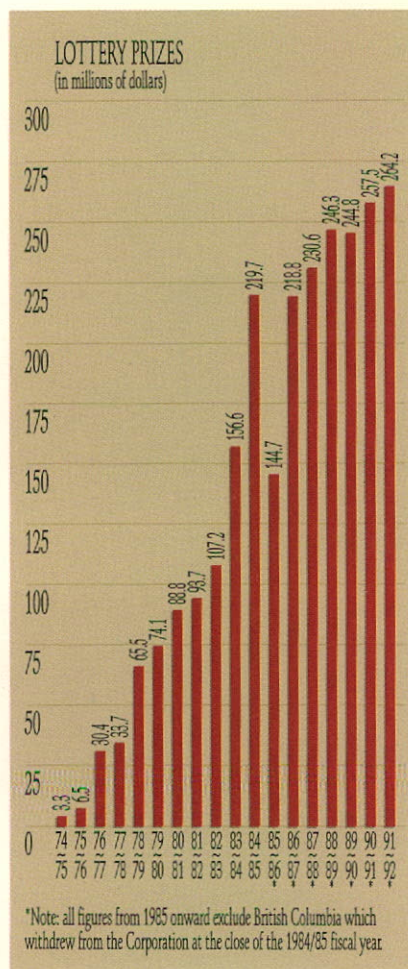
When Owen Grimes of Alberta cashed in his WESTERN EXPRESS ticket for \$5, he had no idea that there were a few zeroes missing in the transaction. The day, July 2, is one he and his wife Jane won't soon forget.

"Quit fooling around,"

Jane told the excited IDA Pharmacy clerk who called her at work a few hours later to tell her that they had paid the wrong prize on Owen's ticket. "If you're serious, phone the house - Owen's home - and tell him."

"He came in later and said 'I've got to go to Edmonton. I won \$50,000!'" Jane recalled. The windfall paid off bills and bought the couple a new vehicle along with a promise of a vacation together, once Owen got some time off work.

A Yukon Territory entrepreneur invested in 10 LOTTO 6/49 Quick Picks and saw a \$99,944.60 return on the October 19 draw. Nicholas Smart, the 46-year-old owner of Smart's Services in



PEOPLE AND THEIR JOBS

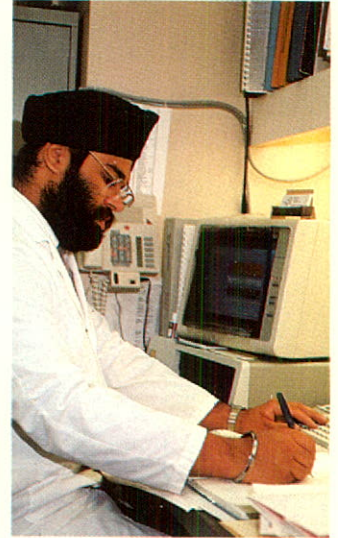
It's people that have made Western Canada Lottery Corporation (WCLC) a success. The Corporation recognizes that its employees play a major role and are the key resource for future success.

WCLC employs approximately 220 people, on a full-time, part-time, and a temporary basis at its offices. The divisions in which they work include: Finance and Administration, Information Systems, Internal Audit and Marketing.

To better serve the people in WCLC's jurisdiction, which is the largest geographical jurisdiction in North America, the offices span three provinces. Head office is in Winnipeg, Manitoba. The Marketing office is in Stettler, Alberta. And there are five distribution offices, one in each of Edmonton, Calgary, Regina, Saskatoon and Winnipeg.

Serving the people also means providing better service. The new fiscal year will see the distribution offices become part of the Provincial Marketing Offices and in their place, Prize Payout offices will open in Edmonton and Saskatoon. Along with the prize office in Winnipeg, players will soon be able to cash their major winning tickets in their own province.

The distance between these offices creates a unique communication challenge for WCLC staff, particularly in the case of the Marketing office located in a small prairie community. WCLC has successfully met this challenge to bridge the distance between this office and the others with Meridian voice mail and a video conference link between the Stettler and Winnipeg offices.



SERVING
THE PEOPLE
ALSO MEANS
PROVIDING
BETTER SERVICE



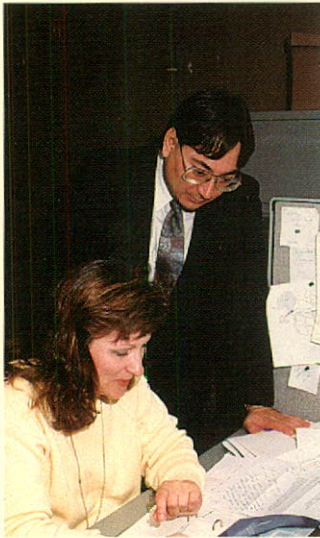


Western Canada Lottery Corporation's (WCLC's) employees are dedicated to meeting the challenges the lottery industry faces and to maintain sales growth in the changing market place of the '90's. WCLC staff are among the leading experts in the lottery industry and share their expertise with each other, with employees of the Provincial Marketing Organizations and with our counterparts across Canada.

As a result of its expertise, WCLC does many tasks in-house that would normally be contracted to other businesses. Some of these functions include the design of publications, media buying, and software and telecommunications development. Changes and additions to the on-line games and computer system are made possible through the efforts of WCLC's Information Systems personnel.

Important direction comes from the Marketing personnel who conduct market evaluations, and based on these evaluations develop new products and implement advertising and consumer support for these products.

To ensure the security of lottery games, WCLC employs several staff members whose function is to guarantee the integrity of the games.



The successful implementation of Bar Codes was accomplished through the coordinated efforts of our technical and administrative departments. Bar Codes have streamlined operations at the retail level by eliminating much of the paper work involved in validation and prize redemption.

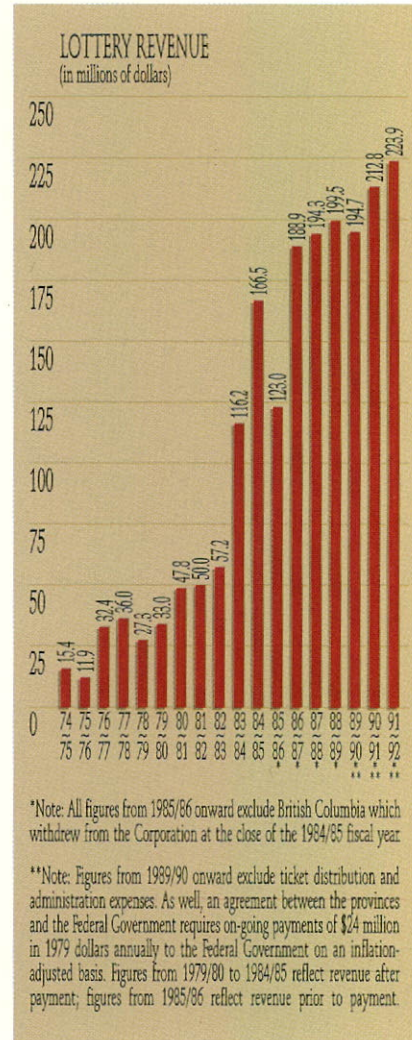


PARTNERSHIP AND PMO's

The lottery and gaming business is strong in Western Canada as a result of the partnership between Western Canada Lottery Corporation (WCLC) and its member provinces of Alberta, Saskatchewan, Manitoba, and associate members the Yukon and Northwest Territories.

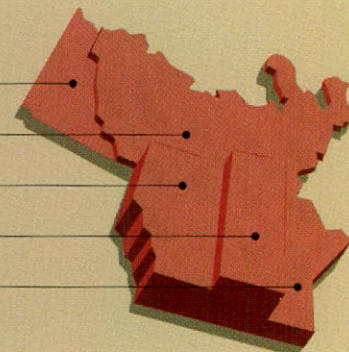
WCLC is also committed to working in a close partnership with the Provincial Marketing Organizations to ensure that the Provincial Governments receive the benefits of our respective knowledge and expertise in this field. Throughout the coming years WCLC will continue to identify areas where this expertise can be of value to the provinces and try to meet as many of their needs as possible.

It is WCLC's goal to fortify this 18-year-old partnership by meeting the on-going and changing needs of our member provinces in order to ensure continued financial growth.



LOTTERY REVENUE
(in millions of dollars)

	91-92	90-91
YUKON TERRITORY	1.4	1.4
NORTHWEST TERRITORIES	1.8	1.7
ALBERTA	128.4	121.5
SASKATCHEWAN	42.6	39.6
MANITOBA	49.7	48.6



ALBERTA

Revenues from the sale of lottery products in Alberta continue to further enhance the quality of life enjoyed by all Albertans.

Lottery proceeds annually support a number of organizations, foundations and programs, such as the Alberta Foundation for the Arts, the Alberta Historical Resources Foundation, the Alberta Multiculturalism Commission, the Alberta Sport Council, the Recreation, Parks and Wildlife

Foundation and the Wild Rose Foundation. These organizations act as granting agencies, each with their own application and evaluation procedures, for the allocation of lottery funds at the community level. The Government of Alberta is particularly proud to support, through the Lottery Fund, the contributions made toward such initiatives by community-minded volunteers and non-profit groups.

Every year, local agricultural societies, agricultural fairs and exhibitions also receive lottery revenues through various grant programs, to help improve even further agriculture and rural family and community life in Alberta. Other beneficiaries of Lottery Fund assistance include regional libraries, tourism projects, and environmental and conservation related initiatives. The successful three-year Community Facility Enhancement Program that recently ended also made great strides in restoring, renovating and enhancing more than 2,900 community "people places" throughout Alberta.

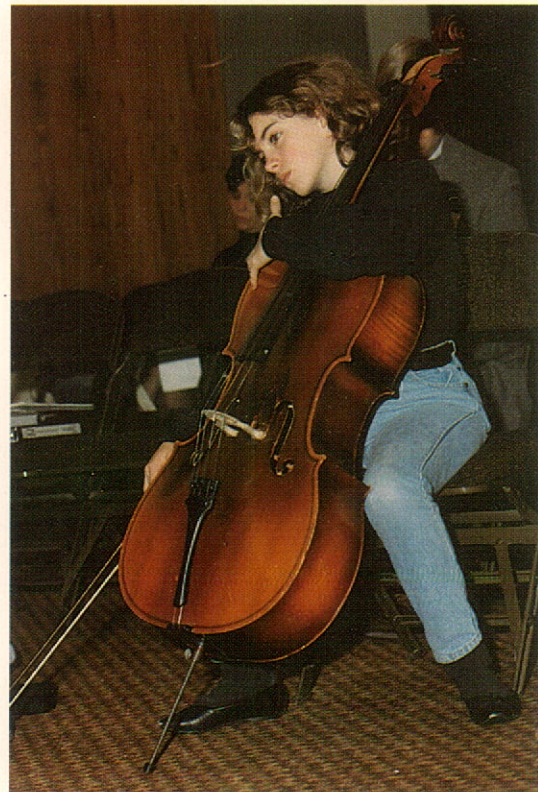
Several special initiatives received financial support this past year from the Alberta Lottery Fund. An example is the purchase of advanced technology medical equipment for a number of



Alberta hospitals with \$5 million in lottery funding, helping to ensure that Albertans have ready access to the latest and most effective methods of diagnosis and treatment. A lottery grant was provided to help with the

preparations for the 1994 Arctic Winter Games to be staged in Slave Lake. Lottery funds also made possible the "School Toxic Roundup" in Alberta schools, as well as the exciting and innovative projects developed by the Science Alberta Foundation to spark young Albertans' interest in science and technology.

The Government of Alberta puts lottery funds to work in ways that respond to the changing needs of Albertans, and positively impact on community and family life in every corner of the province. Alberta's Lottery Fund truly is "The Source of Many Benefits."





SASKATCHEWAN

Saskatchewan Lotteries is operated by Sask Sport Inc., a non-profit federation of sport governing bodies. We are proud of Saskatchewan's unique system whereby culture, recreation and sport share the benefits of lottery proceeds. In total, there are now over 12,000 volunteer groups in communities throughout the province which receive lottery funding. These diverse groups have one common quality – they enhance the lives of Saskatchewan residents.



Positive activity is a critical step in the development of our young people. In addition to cultivating writers, artists and athletes, lottery-funded programs teach valuable life-skills such as responsibility, self-discipline, commitment and patience. A cornerstone of our organization is to provide opportunities for everyone – regardless of sex, race, religion, ability, age or economic status – to participate in healthy activities.



In addition to the many social benefits, recreation, culture and sport means major dividends for the economy. Every year in Saskatchewan lottery-assisted activities and events create an estimated \$1 billion in economic impact.

With the help of Saskatchewan Lotteries, the volunteer community is laying the foundation of a better tomorrow for everyone in Saskatchewan.



MANITOBA

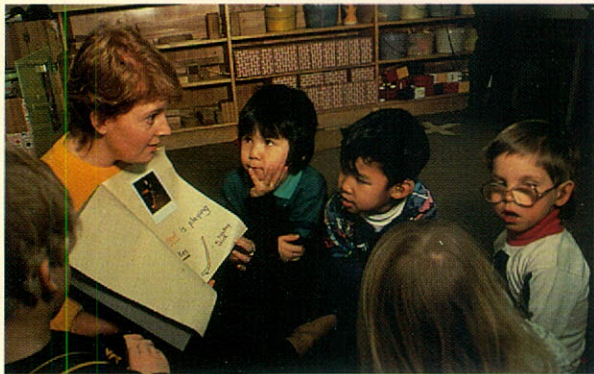
The Manitoba Lotteries Foundation (MLF) is the crown agency of the Government of Manitoba responsible for lottery and gaming activities in Manitoba. Fiscal year 1991-92 was an exciting year for the MLF. Video Lottery Terminals (VLT's) were introduced into age-controlled



The Lotteries Distribution System is a flexible, accountable and accessible mechanism for the coordination of funding. It represents a cooperative effort of government departments, funding Umbrellas and Community Support Programs. Funding Umbrellas are representative bodies which distribute

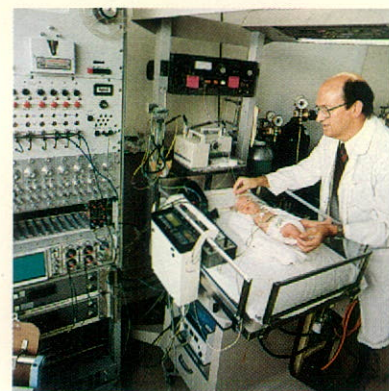
gaming revenue to non-profit groups within their jurisdiction. These groups may access gaming revenue by contacting funding Umbrellas such as the Manitoba Arts Council, Multicultural Grants Advisory Council, Manitoba Community Services Council, the Manitoba Heritage Federation and the Manitoba Sports Federation.

Gaming revenue is hard at work in a variety of vital ways throughout Manitoba virtually every day of the year. The sale of breakopen and lottery tickets, MLF-managed bingo halls, the Crystal Casino, Video Lottery Terminals, and the licensing of gaming activities, all provide funds which ultimately enrich the lives of Manitobans.



rural hotels and lounges. The revenues from these rural VLT's support new rural economic development initiatives through the REDI program, administered by the Department of Rural Development in Manitoba. This new MLF initiative will also boost tourism and provide rural Manitobans with a more complete range of entertainment options.

Manitoba's gaming revenue continues to support a wide range of non-profit community organizations including the arts, community service, conservation, heritage, multiculturalism, recreation, amateur sport, community support, rural economic development and health related programs through the Lotteries Distribution System.



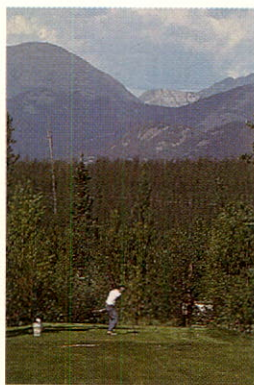


YUKON AND NORTHWEST TERRITORIES

The Yukon Lottery Commission distributed \$1.35 million in 1991/92 through programs established to meet the evolving recreational needs of Yukoners. Each of Yukon's 17 communities received funds for discretionary use for recreation events or projects relating specifically to the needs of local volunteer groups. Funds were accessed by 105 groups for special projects or capital equipment acquisition through an applications process.

Through a newly established agreement, a percentage of revenue was available for distribution by the Yukon Recreation Advisory Committee for administration by the Government of Yukon. Groups which benefitted from this revenue distribution agreement included the umbrella organizations for Sport and Arts; Territorial Arts Groups, Sport Governing Bodies, Special Recreation Groups, and Elite funding assistance programs for Athletes, Coaches and Artists.

Lottery revenues contribute significantly to recreational and economic opportunities of all Yukon communities.



Sport North Lotteries is operated by the Sport North Federation, a non-profit organization dedicated to the promotion and development of amateur sport in the Northwest Territories.

Funding from lotteries goes a long way in assisting amateur sport, recreational and cultural groups to operate their programs and activities across the Territories. Besides this basic support, lottery dollars were also earmarked by

the Federation to specific program areas which included the Arctic Winter Games, Canada Games, Winter Regional Games, Territorial Competitions, Scholarships, Elite Athlete Assistance and player development clinics.





AUDITORS' REPORT

To the Members of the
Western Canada Lottery Corporation:

We have audited the balance sheet of the Western Canada Lottery Corporation as at March 31, 1992 and the statements of revenue and expense, and changes in amounts due to Provincial Governments or appointed organizations for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Western Canada Lottery Corporation as at March 31, 1992 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. As required by Section 132 (2) of the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Ernst & Young

Winnipeg, Canada
August 17, 1992
Chartered Accountants

STATEMENT 1

STATEMENT OF REVENUE AND EXPENSE

YEAR ENDED MARCH 31, 1992

	1992	1991
	<i>(in thousands of dollars)</i>	
Lottery sales (note 3)	\$ 580,533	\$ 551,991
Direct expenses:		
Prizes	264,160	257,518
Retailer commissions	34,458	33,035
Ticket printing	7,654	8,534
	306,272	299,087
Gross income	274,261	252,904
Operating expenses:		
Finance, operations and security	13,001	9,408
Marketing	19,104	18,790
Computer information and gaming systems	12,602	12,488
Depreciation and amortization	5,202	4,940
	49,909	45,626
Operating income	224,352	207,278
Other income (expense):		
Interest and other income	4,907	6,881
Federal tax expense (note 5)	(5,360)	(1,376)
	(453)	5,505
Net income for the year	\$ 223,899	\$ 212,783
Net income allocated to the following provinces or territories:		
Alberta	\$ 128,373	\$ 121,452
Saskatchewan	42,586	39,633
Manitoba	49,727	48,608
Yukon	1,452	1,367
Northwest Territories	1,761	1,723
	\$ 223,899	\$ 212,783

(see accompanying notes)

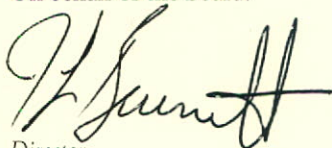
STATEMENT 2

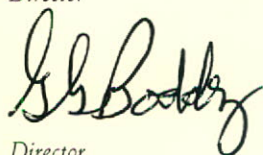
BALANCE SHEET

MARCH 31, 1992

	<u>1992</u>	<u>1991</u>
	<i>(in thousands of dollars)</i>	
ASSETS		
Cash:		
Prize funds	\$ 12,701	\$ 26,221
Other	<u>17,268</u>	<u>13,183</u>
	29,969	39,404
Accounts receivable	8,466	6,650
Prepaid expenses	1,998	2,252
Fixed assets (note 4)	<u>10,396</u>	<u>8,921</u>
	<u>\$ 50,829</u>	<u>\$ 57,227</u>
LIABILITIES		
Prizes payable	\$ 12,701	\$ 26,221
Payable to Interprovincial Lottery Corporation	2,633	1,776
Accounts payable and accrued charges	4,917	8,468
Deferred revenue	5,259	3,596
Due to Provincial Governments or appointed organizations	<u>25,319</u>	<u>17,166</u>
	<u>\$ 50,829</u>	<u>\$ 57,227</u>

On behalf of the Board:


Director


Director

(see accompanying notes)

STATEMENT 3

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

YEAR ENDED MARCH 31, 1992

	1992	1991
	<i>(in thousands of dollars)</i>	
Due to Provincial Governments or appointed organizations, beginning of year	\$ 17,166	\$ 14,588
Add:		
Net income for the year	223,899	212,783
	241,065	227,371
Deduct:		
Distributions during the year	207,259	202,039
Payment to the Federal Government on behalf of the Provincial Governments (note 5)	8,487	8,166
	215,746	210,205
Due to Provincial Governments or appointed organizations, end of year	\$ 25,319	\$ 17,166
Due as follows:		
Alberta	\$ 14,299	\$ 11,478
Saskatchewan	6,023	3,223
Manitoba	4,492	2,242
Yukon	228	103
Northwest Territories	277	120
	\$ 25,319	\$ 17,166

(see accompanying notes)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1992

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 gaming and related products. Each province and territory has appointed a lottery organization to assist the Corporation with the distribution of gaming and related products in its jurisdiction.

The Corporation is responsible for the conduct and management of lottery games in Western Canada. It solely conducts the WESTERN EXPRESS, POGO, THE PLUS, DAILY DEAL, SPORT SELECT and INSTANT lottery games and participates in the conduct of the PROVINCIAL, SPECIAL EVENT GAMES and LOTTO 6/49 lotteries through the Interprovincial Lottery Corporation. In addition, the Corporation manages projects of gaming products for member provinces such as the video lottery terminal test in the Province of Alberta.

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 a Regional Marketing Organization for the PROVINCIAL, SPECIAL EVENT GAMES 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 other Regional Marketing Organizations.

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) ACCOUNTING FOR THE EXPENSES OF THE PROVINCIAL, SPECIAL EVENT GAMES AND LOTTO 6/49

As the Corporation is a Regional Marketing Organization for the PROVINCIAL, SPECIAL EVENT GAMES 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 SPECIAL EVENT GAMES. These costs (\$149,379,000; 1991 - \$151,526,000), and the Corporation's share of the Interprovincial Lottery Corporation's operating expenses (\$532,000; 1991 - \$593,000), and interest revenues (\$809,000; 1991 - \$1,070,000) are reflected in the expenses and interest revenues in the statement of revenue and expense.

b) INCOME RECOGNITION

Lottery revenue is recorded as of the date of the draw with the exception of INSTANT game revenue which is recorded at the time of sale to the retailer. For lotteries with draws subsequent to March 31, 1992, the receipts, net of direct expenditures, as at March 31 are recorded as deferred revenue.

c) 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%
Building and leasehold improvements	10%
Retailer fixtures and signage	20%

d) 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.

e) PENSION COSTS AND OBLIGATIONS

The Corporation accounts for pension costs and obligations using the recommendations of The Canadian Institute of Chartered Accountants with prospective application from April 1, 1987. Pension costs are actuarially determined based on the value of pension plan assets and management's best estimate of the effects of future events on the actuarial present value of accrued pension obligations. Adjustments arising from plan amendments, experience gains and losses, changes in actuarial assumptions and the pension plan surplus at April 1, 1987 are amortized on a straight line basis over the employees' average remaining service life of 12 years.

The Corporation contributes to the pension plan based on the latest actuarial valuation of the plan. The cumulative difference between amounts expensed and the Corporation's funding contributions is included in prepaid expenses on the balance sheet.

f) ACCOUNTING FOR PROJECT OPERATIONS

The revenues and expenses of projects carried out on behalf of specific provinces are not included in these financial statements.

3. LOTTERY SALES

Sales revenue by product is as follows:

	1992	1991
	<i>(in thousands of dollars)</i>	
LOTTO 6/49	\$ 301,959	\$ 298,401
INSTANT	107,679	112,842
THE PLUS	53,106	42,788
SPORT SELECT	47,387	18,734
WESTERN EXPRESS	26,692	27,480
POGO/LOTTO 6/36	20,829	18,642
PROVINCIAL	11,469	18,427
SPECIAL EVENTS	7,645	9,645
DAILY DEAL	3,767	5,032
	<u>\$ 580,533</u>	<u>\$ 551,991</u>

4. FIXED ASSETS

Fixed assets are comprised of:

	Cost	Accumulated Depreciation	1992 Net	1991 Net
	<i>(in thousands of dollars)</i>			
Computer systems and other related game equipment	\$ 33,070	\$ 30,051	\$ 3,019	\$ 4,673
Office furniture and fixtures	1,542	773	769	412
Building and leasehold improvements	7,367	3,646	3,721	1,812
Retailer fixtures and signage	9,796	6,909	2,887	2,024
	<u>\$ 51,775</u>	<u>\$ 41,379</u>	<u>\$ 10,396</u>	<u>\$ 8,921</u>

5. COMMITMENTS TO THE FEDERAL GOVERNMENT

The Corporation is responsible for the following commitments to the Federal Government in respect to lottery profits:

a) PAYMENT TO THE FEDERAL GOVERNMENT ON BEHALF OF THE PROVINCIAL GOVERNMENTS

The Interprovincial Lottery Corporation makes payments to the Government of Canada as a result of an agreement between the Provincial Governments and the Federal Government on the withdrawal of the Federal Government from the lottery field. The agreement requires the provinces, on a combined basis, to make ongoing payments of \$24 million in 1979 dollars annually on an inflation adjusted basis (currently \$48 million).

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% of the total in 1992. The cost is allocated between each member province based on their share of lottery ticket sales.

b) FEDERAL TAX EXPENSE

Taxes are paid to the Federal Government by the Western Canada Lottery Corporation based on a specific formula. This payment is in lieu of the collection of GST on lottery ticket sales to the consumers and is in addition to the GST paid on goods and services purchased by the Corporation.

6. LEASE COMMITMENTS

The Corporation leases its various premises under operating lease agreements expiring at various dates to 1996. Future minimum lease payments, including an estimate of operating costs, are as follows:

	<i>(in thousands of dollars)</i>
1993	\$ 1,102
1994	1,096
1995	1,052
1996	459
	<hr/>
	\$ 3,709

7. PENSION COSTS AND OBLIGATIONS

The Corporation maintains a defined benefit pension plan covering substantially all of its employees. Based on the latest actuarial report the estimated present value of accrued pension benefits as at March 31, 1992 amounted to \$3,354,000 (1991 - \$2,895,000). The market value of the net assets available to provide these benefits was \$4,603,000 (1991 - \$3,877,000). The pension expense recorded in the accounts during 1992 amounted to \$237,000 (1991 - \$165,000).

8. STATEMENT OF CASH FLOWS

A statement of cash flows has not been included with the financial statements as it would provide no additional information.

9. COMPARATIVE FIGURES

Certain of the comparative figures have been restated to conform with the presentation of the current year.



Western Canada
Lottery Corporation (WCLC)
manages and conducts lottery
schemes in the three prairie
provinces and two territories.

For further information
on lotteries, contact:

**Western Canada
Lottery Corporation**

9th Floor, 125 Garry Street
Winnipeg, Manitoba
R3C 4J1
(204) 942-8217

Each provincial and territorial
government has their own
criteria for the disbursement
of lottery revenue. For
further information on
lottery revenue
disbursements, contact:

**Government of Alberta
Lotteries and Financial Assistance to Major Exhibitions and Fairs**

14th Floor, Royal LePage Building
10130-103rd Street
Edmonton, Alberta
T5J 3R2

Sask Trust for Sport, Culture and Recreation

1870 Lorne Street
Regina, Saskatchewan
S4P 2L7

(Manitoba) Lotteries Distribution System

204-177 Lombard Avenue
Winnipeg, Manitoba
R3B 0W5

LotteriesYukon

312 Wood Street
Whitehorse, Yukon Territory
Y1A 2E6

Sport North

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



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