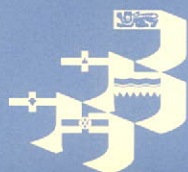


WESTERN CANADA LOTTERY CORPORATION
1995 ANNUAL REPORT



MISSION STATEMENT

Western Canada Lottery Corporation acts as an agent 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 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.

BOARD OF DIRECTORS

Jim L. Burnett, Chair
Saskatchewan

Bob King, Second Vice Chair
Alberta

Marvelle McPherson, First Vice Chair
Manitoba

George Hughes, Director
Alberta

Ian McKay, Director
Saskatchewan

Bill Funk, Director
Manitoba

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CHAIR'S MESSAGE

Lotteries have become an established, popular form of entertainment, witnessed by the progressive growth of the lottery industry in Western Canada over the past twenty years. For the third straight year, sales topped \$600 million on the Prairies and Territories. Fiscal 1995 saw sales of \$612 million, even as Western Canada Lottery Corporation (WCLC) faced an ever-increasing competitive marketplace.

The challenges were never greater than in the sports product line. Beginning with a baseball strike in August, followed by a delay in the hockey season by four months, Sport Select sales were down by \$9 million. Sales quickly rebounded in the final quarter of the fiscal year as players resumed wagering on their favourite sport — hockey. By the time the year was over, Sport Select had scored an impressive \$48.2 million in sales.

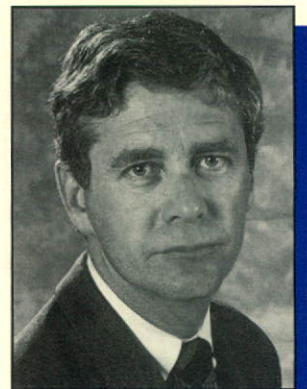
While the professional sports labour disputes may have been disruptive for the sports fan, WCLC was busy planning new features, including the highly successful expansion of the game list and the introduction of Combo Play.

Player interest in Instant games waned slightly, while still holding steady as the number two product line for WCLC with sales of \$140.4 million. An exciting new brand marketing strategy is planned to reintroduce the fun of Instant games. The refrain "Scratch 'N Win" will be a popular phrase for Western Canadians as they discover the added benefits of an increased prize payout, new play formats, the addition of more merchandise prizes and new advertising.

Despite the sports product challenge and the increasingly competitive gaming marketplace, for the fifth year in a row, WCLC returned over \$200 million as revenue to our members. The final total was \$233 million, which will be used to fund many worthwhile programs across the Prairies and Territories.

WCLC looks forward to favourable sales increases in the future. We hope to provide the citizens of Western Canada with enjoyable, entertaining and fun lottery games in a socially responsible manner.


JIM BURNETT
CHAIR



PRESIDENT'S MESSAGE

Western Canada Lottery Corporation (WCLC) scored an impressive \$612 million in sales for 1995. New games were launched and new ways of playing old favourites were introduced, providing expanded play opportunities for lottery players throughout the jurisdictions.

One of the year's highlights was the much anticipated introduction of the national SUPER 7 game. Twelve years after the launch of LOTTO 6/49, the nation's first on-line lottery game, players were given a second opportunity at big jackpots in 1994. SUPER 7 mega-jackpots were not realized in year one, much like LOTTO 6/49's first year. But the outlook is strong for this game which has the potential for unprecedented jackpot growth.

Along with the introduction of SUPER 7, WCLC introduced a regional spiel game called EXTRA. The two games contributed over \$24.1 million in incremental sales. In addition, POINT SPREAD, a new game to the SPORT SELECT slate, was introduced into a limited marketplace during the fourth quarter.

SPORT SELECT continued to offer sports fans more by introducing Combo Play, an easy way to play multiple match-ups. As well, the game list was expanded to offer even more selections for fans to wager on their favourite professional hockey, basketball, baseball, and football teams.

Steady performers included THE PLUS, which enjoys the distinction of having one of the highest transaction rates (65%) of any spiel game in the world while the daily PICK 3 game continued on a steady pace. LOTTO 6/49, the preeminent lottery game in Canada, continued to generate positive sales of \$293.4 million. SCRATCH 'N WIN games, including the popular THE WESTERN, BLACKJACK and BINGO, added an additional \$140.4 million in sales, to end the year as the second most popular product offering in Western Canada.

Winning is the name of the game and hundreds of thousands of Western Canadians benefited. Over \$233 million was returned to our members as revenue with an additional \$35 million paid to retailers in the form of commissions. Finally, players claimed over \$276 million in prizes which ranged from free tickets to \$5.7 million. I would like to take this opportunity to thank the Board, staff and our retailers for making this achievement possible.

In closing, I look with optimism to the upcoming fiscal year. POINT SPREAD, a third game to the highly successful SPORT SELECT product line, will invigorate the entire market in September. Ten dollar and \$3 price points will be made available to our SCRATCH 'N WIN players. And an exciting new On-Line Bingo game will continue development for in-market testing next spring.

Our goals in Fiscal '96 will remain consistent: to provide fun and entertaining products for our players in a socially responsible manner; to generate significant revenues for our Members; and to exercise strong fiscal management at all times.



DAVID N. LOEB
ACTING PRESIDENT



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, 1995 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, 1995 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
May 19, 1995
Chartered Accountants

STATEMENT OF REVENUE AND EXPENSE

WESTERN CANADA LOTTERY CORPORATION
YEAR ENDED MARCH 31, 1995

	1995	1994
	(in thousands of dollars)	
Lottery sales (note 3)	\$612,071	\$641,982
Direct expenses:		
Prizes (note 6)	276,907	310,126
Retailer commissions	35,143	36,644
Ticket printing	8,094	8,384
	<u>320,144</u>	<u>355,154</u>
Gross income	291,927	286,828
Operating expenses:		
Administration and operations	38,686	36,599
Depreciation and amortization	8,881	8,841
	<u>47,567</u>	<u>45,440</u>
Operating income	244,360	241,388
Other income (expense):		
Interest and other income	1,784	4,221
Federal tax expense (note 5)	<u>(4,928)</u>	<u>(6,401)</u>
	<u>(3,144)</u>	<u>(2,180)</u>
Net income for the year	<u>\$241,216</u>	<u>\$239,208</u>
Net income allocated to the following provinces or territories:		
Alberta	\$148,082	\$142,152
Saskatchewan	44,034	44,430
Manitoba	44,811	48,805
Yukon Territory	1,611	1,578
Northwest Territories	2,678	2,243
	<u>\$241,216</u>	<u>\$239,208</u>

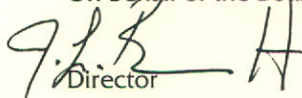
(see accompanying notes)

BALANCE SHEET

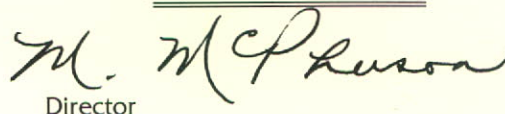
WESTERN CANADA LOTTERY CORPORATION
MARCH 31, 1995

	1995	1994
	(in thousands of dollars)	
ASSETS		
Cash	\$14,863	\$ 5,683
Receivable from Interprovincial Lottery Corporation	-	379
Accounts receivable	4,343	8,915
Prepaid expenses	3,214	4,593
Fixed assets (note 4)	21,608	29,246
	<u>\$44,028</u>	<u>\$48,816</u>
LIABILITIES		
Prizes payable (note 6)	\$ 8,801	\$20,769
Payable to Interprovincial Lottery Corporation	499	-
Accounts payable and accrued charges	7,278	4,888
Deferred revenue	4,185	4,366
Due to Provincial Governments or appointed organizations	23,265	18,793
	<u>\$44,028</u>	<u>\$48,816</u>

On behalf of the Board:


Director

(see accompanying notes)


Director

STATEMENT OF CHANGES

IN AMOUNTS DUE TO PROVINCIAL GOVERNMENTS OR APPOINTED ORGANIZATIONS
WESTERN CANADA LOTTERY CORPORATION
YEAR ENDED MARCH 31, 1995

	1995	1994
	(in thousands of dollars)	
Due to Provincial Governments or appointed organizations, beginning of year	\$ 18,793	\$ 9,773
Add:		
Net income for the year	241,216	239,208
	<u>260,009</u>	<u>248,981</u>
Deduct:		
Distributions during the year	228,252	221,644
Payment to the Federal Government on behalf of the Provincial Governments (note 5)	8,492	8,544
	<u>236,744</u>	<u>230,188</u>
Due to Provincial Governments or appointed organizations, end of year	<u>\$ 23,265</u>	<u>\$ 18,793</u>
Due as follows:		
Alberta	\$ 15,650	\$ 12,718
Saskatchewan	5,764	3,216
Manitoba	1,455	2,450
Yukon Territory	172	155
Northwest Territories	224	254
	<u>\$ 23,265</u>	<u>\$ 18,793</u>

(see accompanying notes)

NOTES TO FINANCIAL STATEMENTS

WESTERN CANADA LOTTERY CORPORATION

MARCH 31, 1995

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

The Corporation is responsible for the conduct and management of lottery games in Western Canada. It solely conducts the POGO, THE PLUS, PICK 3, SPORT SELECT, PRAIRIE BANCO, EXTRA and INSTANT lottery games and participates in the conduct of the SPECIAL EVENTS, LOTTO 6/49 and SUPER 7 lotteries through the Interprovincial Lottery Corporation. In addition, the Corporation manages projects of gaming products for member provinces such as the operation of video lottery terminals in the Province of Saskatchewan. The revenues and expenses of these projects are not included in these financial statements.

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 SPECIAL EVENTS, LOTTO 6/49 and SUPER 7 lotteries in its members' jurisdictions. The Ontario Lottery Corporation, Loto Quebec, 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 SPECIAL EVENTS, LOTTO 6/49 and SUPER 7 lotteries

As the Corporation is a Regional Marketing Organization for the SPECIAL EVENTS, LOTTO 6/49 and SUPER 7 lotteries, 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 SPECIAL EVENTS. These costs, amounting to \$153,242,000 (1994 - \$155,269,000), and the Corporation's share of the Interprovincial Lottery Corporation's operating expenses, amounting to \$533,000 (1994 - \$519,000), and interest revenues, amounting to \$651,000 (1994 - \$482,000) are included in the Western Canada Lottery Corporation's expenses and interest revenue.

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.

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%

NOTES TO FINANCIAL STATEMENTS

(continued)

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, and 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 13 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.

3. Lottery sales

Sales revenue by product is as follows:

	1995	1994
	(in thousands of dollars)	
LOTTO 6/49	\$293,422	\$321,483
INSTANT	140,399	163,671
THE PLUS	67,293	69,351
SPORT SELECT	48,258	57,632
SUPER 7	30,313	-
POGO	11,227	13,414
PICK 3	8,319	7,805
EXTRA	8,063	-
SPECIAL EVENTS	3,695	5,020
PRAIRIE BANCO	1,082	733
PROVINCIAL	-	2,873
	<u>\$612,071</u>	<u>\$641,982</u>

4. Fixed assets

Fixed assets are comprised of:

	Cost	Accumulated Depreciation	1995 Net	1994 Net
	(in thousands of dollars)			
Computer systems and other related game equipment	\$40,859	\$23,243	\$17,616	\$24,636
Office furniture and fixtures	1,259	1,115	144	270
Building and leasehold improvements	7,800	5,961	1,839	2,572
Retailer fixtures and signage	11,247	9,238	2,009	1,768
	<u>\$61,165</u>	<u>\$39,557</u>	<u>\$21,608</u>	<u>\$29,246</u>

NOTES TO FINANCIAL STATEMENTS

(continued)

5. Payments to the Federal Government

The Corporation made the following payments to the Federal Government:

	1995	1994
	(in thousands of dollars)	
Payment on behalf of the Provinces	\$ 8,492	\$ 8,544
Federal tax expense	<u>4,928</u>	<u>6,401</u>
	<u>\$13,420</u>	<u>\$14,945</u>

The Corporation's payments to the Federal Government are described as follows:

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 \$49.6 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 17.1% of the total in 1995. 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. Prizes payable

There were \$6,281,000 of expired prizes in prizes payable at March 31, 1994. Prize expense in the current year was reduced by these and all prizes which expired during the year.

7. Lease commitments

The Corporation leases its various premises under operating lease agreements expiring at various dates to 1998. Future minimum lease payments, including an estimate of operating costs, are as follows:

(in thousands of dollars)

1996	\$1,094
1997	1,066
1998	<u>461</u>
	<u>\$2,621</u>

8. 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, 1995 amounted to \$5,138,000 (1994 - \$4,203,000). The market value of the net assets available to provide these benefits was \$7,230,000 (1994 - \$6,281,000).

9. Statement of cash flows

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

Western Canada Lottery Corporation 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
Phone: (204) 942-8217
Fax: (204) 946-1921

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

Alberta Gaming & Liquor Commission
50 Corriveau Avenue
St. Albert, Alberta
T8N 3T5
Phone: (403) 447-8600
Fax: (403) 447-8917

Saskatchewan Lotteries Trust
1870 Lorne Street
Regina, Saskatchewan
S4P 2L7
Phone: (306) 780-9300
Fax: (306) 781-6021

Manitoba Lotteries Distribution System
3rd Floor, 213 Notre Dame Avenue
Winnipeg, Manitoba
R3B 1N3
Phone: (204) 945-0216
Fax: (204) 945-1675

Lotteries Yukon
312 Wood Street
Whitehorse, Yukon Territory
Y1A 2E6
Phone: (403) 668-6798
Fax: (403) 668-7561

Sport North Lottery Authority
P.O. Box 504
Yellowknife, NWT
X1A 2N4
Phone: (403) 873-3032
Fax: (403) 920-4047

