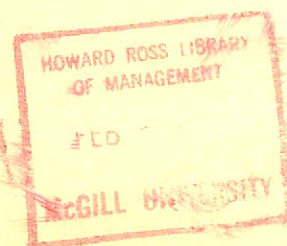
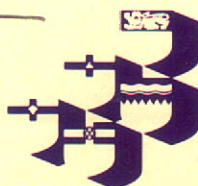


ANNUAL REPORT 1991



WESTERN CANADA LOTTERY CORPORATION



OUR MISSION AND STRUCTURE

Western Canada Lottery Corporation (WCLC) acts on behalf of the governments of Alberta, Saskatchewan and Manitoba to manage and conduct gaming and related activities to maximize long-term economic returns 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.

Each province and territory has appointed a marketing organization to work cooperatively with WCLC through the sale and distribution of gaming and related products in its jurisdiction. Those organizations are Alberta Lotteries, Sask Sport, Manitoba Lotteries Foundation, Lotteries Yukon and Sport North.

Table of Contents

1	FROM THE CHAIRMAN
2-3	FROM THE GENERAL MANAGER
4-5	PRIZES
6	REVENUE
7	ALBERTA
8	SASKATCHEWAN
9	MANITOBA
10	YUKON AND NORTHWEST TERRITORIES
11	OPERATING EXPENSES
12	RETAILER COMMISSIONS
13	TICKET PRINTING
14	AUDITORS' REPORT
15-17	FINANCIAL STATEMENTS
18-20	NOTES TO FINANCIAL STATEMENTS

Board of Directors

JIM BURNETT
CHAIRMAN
SASKATCHEWAN

GARY BODDEZ
ALBERTA

BILL FUNK
MANITOBA

GLEND A RUSSELL/GERRIE HAMMOND
MANITOBA

HOWARD MACDONALD/BOB PRESTAGE
ALBERTA

PAUL ROBINSON
SASKATCHEWAN

FROM THE CHAIRMAN

The Lottery is big business. With record sales of \$552.3 million, Western Canada Lottery Corporation (WCLC) remains a presence of note within the business community, quietly but significantly contributing to the economic vitality of our prairies and territories.

WCLC also remains friendly and approachable.

That's because this business is people. By the thousands. People like the 296 WCLC employees, working



JIM BURNETT
CHAIRMAN
OF THE
BOARD

through eight locations across the three prairie provinces, who develop and administer the games we play. People like the 115 provincial marketing organization professionals — employees of Alberta Lotteries, Sask Sport and Manitoba Lotteries Foundation — who sell those games to every corner of this vast marketplace, the largest lottery jurisdiction in North America. People like the Lottery Ticket Centre Retailers dedicated to providing us with the best in customer service throughout 2,737 locations stretching from Emerson, Manitoba, to Inuvik, Northwest Territories. People like ticket printers, telephone company technicians, television commercial producers, LUCK printers, postal workers, travel agents and auditors. People whose talents are so necessary to Lottery operations. People by the thousands. Your neighbours and mine.

The Lottery is not just big business, it's good business. Business operated to an impressive expense to sales ratio of 8.2 percent; prospering by the tremendous economies of scale its unique coalition of

provinces and territories affords. Always striving to maintain the highest levels of integrity and social responsibility, WCLC aims to maximize long-term economic returns to its shareholders. Ultimately, those shareholders are you and I, members of the community. This year, the revenue return tallied \$212.9 million.

The Lottery is not just big business, it's good business.

The Lottery is also fun business. Thousands of smiles crossed our miles again this year. Winning smiles. The smiles of waitresses, engineers, truck drivers, teachers, social workers and homemakers. Moms, sons, grandpas and nieces. Winners. All of them. Enjoying their share of the year's \$257.8 million prize cheque. And if they bear any likeness to winners before them, their "share" will most certainly be shared with countless significant others.

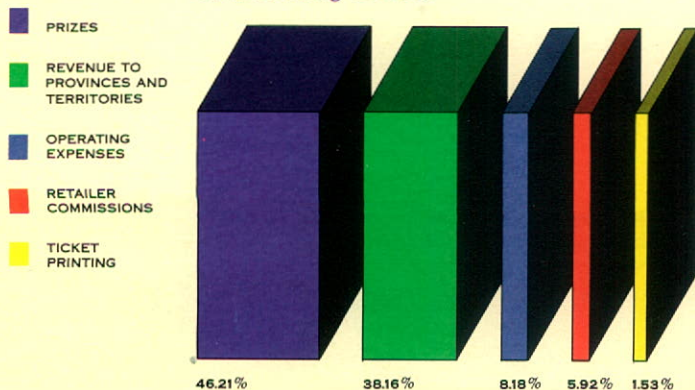
Sharing. That's what it's all about. It's not always easy. But it's important to be fair. In January, WCLC announced it would relocate its Marketing Division to Stettler, Alberta, as a way to more equitably distribute the economic benefits that accrue from the business of lotteries between its members. The challenge of decentralized operations will be great; but, it will be met. WCLC has a long history of successfully tackling challenges head on. It will, however, be met through a new team. It was with great sadness that we, as a result of our announcement to decentralize, accepted the resignations of 47 dedicated employees.

We thank those departing staff plus all other staff of WCLC for their contributions to a year which saw sales increase by \$35.7 million and revenue increase by \$18.2 million.

Jim Burnett

Jim Burnett
Chairman of the Board

The Lottery Dollar



FROM THE GENERAL MANAGER

"Into the '90s" ... that was the theme of my opening year as General Manager of Western Canada Lottery Corporation (WCLC). With it came a score of challenges. The mature market challenge was and is the greatest of all. Lottery games are playing to near peak capacity. The discretionary dollar is limited. And, with the pinch of inflation, that dollar is showing diminishing returns.

Incremental increases result when the established player base ups spending of their discretionary dollar. Incremental growth initiatives were many and varied this year. Some hit the mark. Others fell flat. Hitting the mark were innovations in game design, Bonus structuring and marketing approach.

WESTERN EXPRESS, to the delight of players, became a completely Instant game in September. Game design research prepared the Lottery for that success. But the success of Bonus innovation on this, our longest-running game of chance, was another matter altogether. It was nothing short of staggering! Innovation took the form of a "guaranteed win" feature, not once, but three times over the course of the fiscal year. And a guaranteed win it was, for player and Lottery alike. For example, February's "Either You Win or You Win" Bonus delivered a sales increase over baseline of 249.2 percent. In total, WESTERN EXPRESS quickened its pace

13.8 percent this year to total receipts of \$27.5 million. Not bad for an old-timer!

Another old-timer to quicken its pace through game design innovation was PROVINCIAL. Beginning with the January 11th transitional ticket, innovation meant more chances to win, from five draw chances per ticket to 88. While well-received by players, its fourth quarter introduction was too late coming to turn around this game's overall decline. PROVINCIAL closed the year on sales of \$18.4 million, an 11.9 percent decrease.

Direct mail was the new wave in marketing approach. It contributed to incremental growth of four established games: SPECIAL EVENT, LOTTO 6/49, LOTTO 6/36 and WESTERN EXPRESS. The first campaign kicked off in May. It introduced the \$20 SPECIAL EDITION game and tested the waters for credit card play. The result was strong through-the-mail sales and a policy change enabling on-going Subscription purchases through major credit cards.

Incremental increases result when the established player base ups spending of their discretionary dollar.

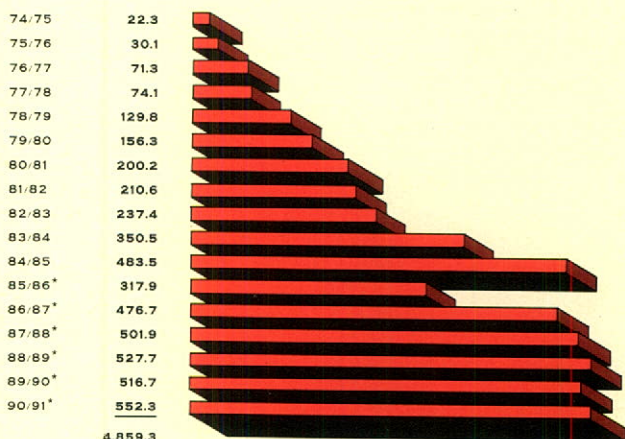
The third campaign saw the October fielding of 1.7 million direct mail packages. All households within our jurisdiction had the chance to benefit from this mailer with its introduction of premiums and couponing. Players subscribing to the 104-draw LOTTO 6/49 plan as a result of the premium offer received limited edition sweatshirts. While WCLC personnel were packaging and posting a seemingly endless stream of sweatshirts, WESTERN EXPRESS players were flocking to Retail, "Double Your Cash" coupons in hand. The reason? Those coupons doubled the redemption value of all winning WESTERN EXPRESS tickets.

In the On-Line game category, incremental sales increases, while influenced by the marketing approach, were driven more by the luck of the draw. JACKPOT fever was on and running high throughout the year.



GARTH
MANNESS
GENERAL
MANAGER

Lottery sales
(IN MILLIONS OF DOLLARS)



*Note: all figures from 1985 onward exclude British Columbia which withdrew from the Corporation at the close of the 1984/85 fiscal year.

Thirteen LOTTO 6/49 JACKPOTS swelled to \$10 million or more. And players were quick to cut themselves in on the action. Of those playing within the prairies and territories, 16 found themselves recipients of prize cheques valued at over \$1 million.

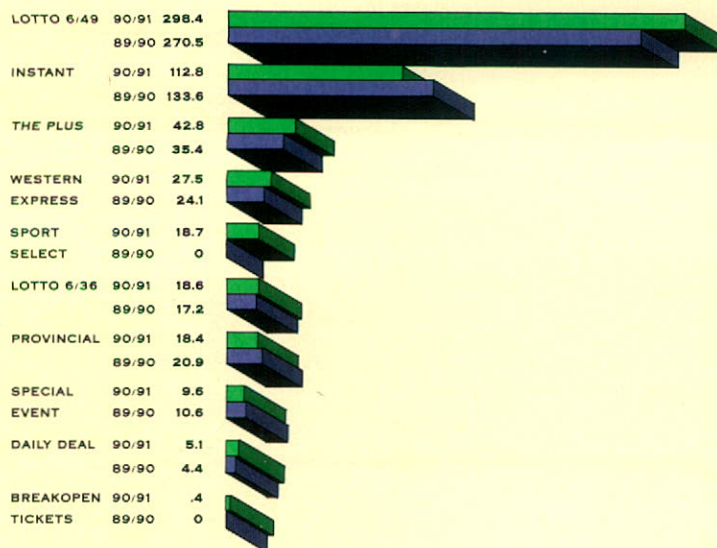
October 27th marked the largest JACKPOT pool in Canadian history. A record \$19.7 million was up for grabs. Players flocked to the Ticket Terminals in droves. The result was precedent-setting nation-wide.

Dynamic sales growth results from broadening the player base.

Draw sales tallied \$64 million, the highest since the game went to its twice-a-week draw format; weekly sales tallied \$97.6 million, another new standard; 18 ticket holders shared the JACKPOT pool, a Canadian record; and THE PLUS sales topped \$1.1 million, a WCLC first!

On-Line lotto play peaked at \$364.9 million this year, an increase of 11.4 percent. At over 66.1 percent of total WCLC sales, it is unquestionably the most significant category within the entire gaming matrix. All four games within this category — LOTTO 6/49, THE PLUS, LOTTO 6/36 and DAILY DEAL — recorded sales increases. The respective increases were 10.3 percent, 20.9 percent, 8.0 percent and 14.1 percent.

Game Sales
(IN MILLIONS OF DOLLARS)



Despite the innovation and creativity driving the INSTANT game mix, initiatives to stimulate incremental growth fell flat. This category — comprised of thirteen \$1 games, six \$2 games and three \$5 games — slipped 15.5 percent to combined receipts of \$112.8 million.

Dynamic growth initiatives, as opposed to incremental growth initiatives, must target beyond the familiar profile and its limited discretionary dollar. Dynamic sales growth results from broadening the player base.

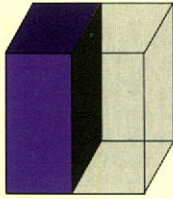
Dynamic sales growth this year was made possible through the third quarter introduction of SPORT SELECT, a game line of great appeal to a new niche within our marketplace — the sports enthusiast. Preceded by a 10-week operational test to assess the viability of a sports betting initiative within our region, SPORT SELECT met with positive player response. Sales for week one tallied \$250,000, followed by \$450,000 for week two and \$544,000 for week three. With weekly sales averaging \$721,000, the rest is history. Through two games, PRO LINE and EXCEL HOCKEY, receipts of \$18.7 million were realized. A test of skill and knowledge versus a chance encounter with Lady Luck, SPORT SELECT represents a bold divergence from the traditional product mix. More importantly, it represents dynamic growth potential for the future.

To work to potential is our on-going corporate goal. Throughout the 1990/91 fiscal year, we did exactly that. And in recording an overall sales increase of 6.9 percent, we set a new standard upon which to measure our success in the year to come. For sales of \$552.3 million and a revenue return of \$212.9 million, thanks are due. We thank and congratulate each and every member of our 1990/91 team for their contribution to this, the most successful financial year in the history of WCLC.

Garth Manness

Garth Manness
General Manager

PRIZES



PRIZES AS PERCENT
OF SALES DOLLAR:
46.21%

What's it take to win the lottery? In a word — luck. A tiny word composed of just four letters, it paid a huge community dividend this year — \$257.8 million in prizes.

Gracing LUCK's pages over the course of the year were 500 radiant smiles. These were the smiles of those who beat the odds to become major lottery winners, winners of prizes valued at \$10,000 and up. Their stories in the Lottery's newspaper focused on the immediate, the here and now. But what about the before . . . and after?

"Before" questions usually seek "edge-giving" common threads. And at first glance, there appear to be enough common threads to sew up any number of major wins at will.

Consider geography. A quick scan of LUCK's 500 smiles suggests you are more likely to be a winner if you are from Alberta. To a certain extent, that's true. And predictably so. The percentage of wins per province and territory nears the percentage of total sales per province and territory — 53.4 percent of published photographs were of Alberta players, 26.2 percent were of Manitoba players, 18.8 percent were of Saskatchewan players, and the remaining 1.6 percent were of territory players.

Consider occupation. Major winners' demographic data yields some interesting finds. Labourers, skilled and unskilled, were the luckiest among us. These blue

collar workers scooped 21.7 percent of the year's major wins and, with a combined prize pool tallying \$28.8 million, moved into the black. Next luckiest, at 16.7 percent of total major wins, were the retired who over the course of the year added \$16.7 million to their "golden years" funds. While at the middle of the volume index with claims of just 7.8 percent, the service sector helped themselves to the third largest slice of the lottery pie — an order worth \$14.3 million.

Consider age. This year, Lady Luck "appeared to favour" players ranging in age from 35 to 64. At over 65 percent of the major prize cheques written, that favour tallied \$55 million plus change. "Appeared to favour" is the operative phrase. Luck is, after all, a random event.

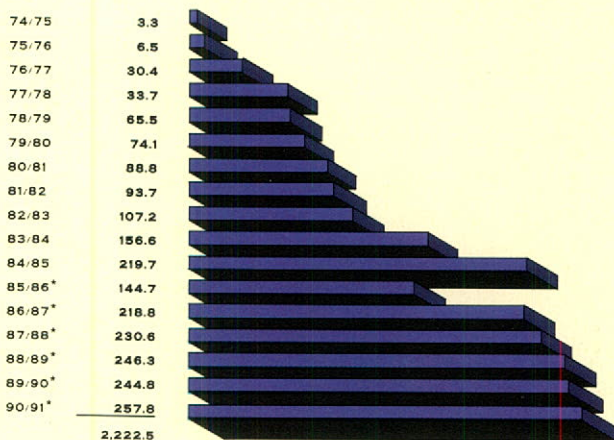
"After" questions usually seek to compare notes — dream versus reality. That's because when we buy a lottery ticket, we're buying into a dream. And dream we do, from the grandiose to the practical.

We dream of our golden years, fret over rainy days and do our best to sock away a little something for both. So do winners. In fact, investments of one sort or another, from bank deposits to bond purchases, top the "done" list of 95 percent of major winners from past to present. We also dream of putting an unexpected sparkle in someone special's eyes. Not surprisingly then, sharing with others ranks second on the "done" list for 78 percent of all major winners. It takes the form of cash, education assistance and gifts. However it's dispensed, it's a gift of the heart to those most cared about — immediate family and relatives.

Bills are a fact of day-to-day life and, without a doubt, it's a fact we would all wish away if we could. Winners also have loans and mortgages to pay out or pay down . . . or had. "Had" is perhaps the better word as easement or elimination of debt ranks third on the "done" list for 60 percent.

A gift to the self is high on anyone's dream wish list. Lottery winners make it happen. The driveways of 44 percent sport new vehicles and memories of travel enrich the lives of 31 percent. From "wish you were

Lottery Prizes
(IN MILLIONS OF DOLLARS)



*Note: all figures from 1985/86 onward exclude British Columbia which withdrew from the Corporation at the close of the 1984/85 fiscal year.

here" postcards to "home sweet home," over 60 percent of major winners invest in their personal spaces. Twenty-two percent renovate existing homes, 15 percent purchase new homes and 25 percent buy new appliances.

Unquestionably, winning the lottery does enhance lifestyle. Yet, with just 12 percent of major winners giving up their jobs, life continues much as before. Winners keep their feet on the ground. Winners also keep heart. Touched by the many good causes surrounding them, 14 percent donate a portion of their windfalls for the benefit of others. Consider Albert Scott, chief of Saskatchewan's Kinistin band, chief of the Saulteaux tribe.

Albert, a soft-spoken father of four, says he leads best by setting a good example. His philosophy? "Drop a petal in calm water and you will see a ripple effect." After winning a \$2.5 million LOTTO 6/49 JACKPOT on February 16th, he did just that. To his community of 225 people, he brought buckets of fried chicken and a private screening of *Dances With Wolves*. By the end

of May, he had given some \$300,000 in cash and cars to those close to heart on the reserve.

Consider Scott and Lena Thatcher of Edmonton. Two years after making headlines for winning a \$10 million

LOTTO 6/49 JACKPOT, they made headlines again — for donating \$65,000 to Edmonton's Royal Alexandra Hospital for the construction of two Parenting Suites and \$250,000 for the start of a neonatal research fund. The Thatchers know the anxiety associated with separation from special needs infants. Four years ago, Lena delivered premature twins at the Royal Alexandra. The twins, a boy and a girl, spent 20 weeks in the hospital's intensive care unit. Nearly three years later, Lena delivered another baby and the intensive care ordeal began anew. Thanks to the Thatchers' gener-

osity, other parents can be spared the anxiety of separation. They can remain alongside their newborns while familiarizing themselves with special care needs.

It seems the majority of winners' experiences are stories within stories, with each leading to a happy ending. Of the 16 woven this year from regional LOTTO 6/49 wins of \$1 million or more, one stands out as the ultimate *Cinderella* story. This Cinderella's name is Suzanne Kristie. The 42-year-old Edmontonian, who raised two children while struggling to get an education and off welfare, clicked with all six numbers July 11th for a \$10 million windfall.

Suzanne was almost too late. A mere 15 minutes before sales cut-off, the outreach worker for Boyle Street Co-op realized she hadn't bought any LOTTO 6/49 tickets. Quickly setting dinner preparations aside, she drew some numbers from a brown Safeway lunch bag and dashed to the nearest 7-Eleven for the buy of her life.

Recalling her humble past at a news conference announcing her win, the grandmother of one said, "In one fell swoop, as long as it took me to read those lottery numbers, all the doors I'd ever dreamed of flew wide open."

Travel is the door she most wants to open, and will. "I want to see a duck-billed platypus right in person." But while Suzanne wants to open doors to experiences she thought she could only dream of, she won't close the door on her past. She intends to dedicate a portion of her windfall to charity and the Boyle Street Co-op is top-of-mind.



FRANCES
AND
ALBERT
SCOTT



SUZANNE
KRISTIE
AND DAUGHTER
KELLY

REVENUE

What's the Lottery all about? It's about taking a chance . . . and winning!

For players, "winning" means prizes. For Lottery Retailers, it means commissions. For business, it means contracts. For government, it means revenue. And government means us.

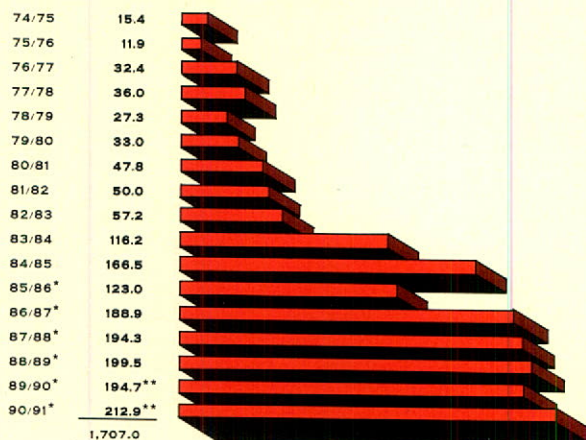
Lottery revenue is our "community chest." At 38.16 percent of income, this year's return tallied \$212.9 million. With it, many important regional causes will benefit.

Each province and territory enjoys an equitable return on the lottery dollar; it's proportionate to the dollars played. As the communities within each region have different priorities, revenue disbursements are government decisions. For information on your government's disbursement priorities, write to one of the addresses listed on the inside back cover.

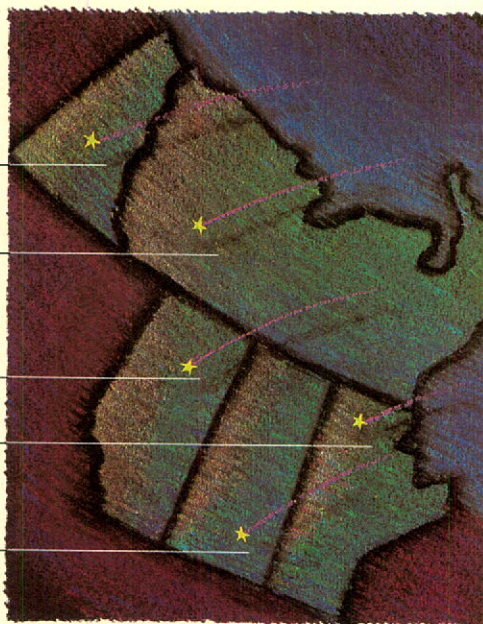
Lottery Revenue

	1991	1990
	(IN MILLIONS OF DOLLARS)	
YUKON TERRITORY	\$1,367	\$1,369
NORTHWEST TERRITORIES	\$1,723	\$1,445
ALBERTA	\$121,452	\$109,578
MANITOBA	\$48,678	\$47,679
SASKATCHEWAN	\$39,633	\$34,628
TOTAL REVENUE:	\$212.9	\$194.7
	(38.16% OF TOTAL SALES)	

Lottery Revenue (IN MILLIONS OF DOLLARS)



*Note: all figures from 1985/86 onward exclude British Columbia which withdrew from the Corporation at the close of the 1984/85 fiscal year and **figures from 1989/90 onward exclude ticket distribution and administration expenses. As well, an agreement between the provinces and the Federal Government requires on-going payments of \$24 million in 1979 dollars annually to the Federal Government on an inflation-adjusted basis. Figures from 1979/80 to 1984/85 reflect revenue after payment; figures from 1985/86 onward reflect revenue prior to payment.



ALBERTA

The sale of lottery tickets in Alberta makes all Albertans winners. Using revenues generated by lottery operations in our province, the Government of Alberta supports a variety of sport, artistic, cultural, recreational, health and wellness, agricultural, tourism and family and community-related initiatives.

More than 2,500 grants totalling over \$100 million from the Alberta Lottery Fund were used to enhance and enrich the quality of community and family life in Alberta this year. Lottery funds are designated to respond to a wide variety of evolving community needs, with priorities for the beneficiary use of the Lottery Fund set in accordance with Alberta's lottery legislation, the Interprovincial Lottery Act, as amended.

Funds from lottery operations are allocated to programs and organizations such as the Recreation,

Parks and Wildlife Foundation, the Wild Rose Foundation, the Alberta Sport Council, the Community Facility Enhancement Program and the Alberta Foundation for the Literary Arts, among others. This year's new financial commitments included the Municipal Advisory Recognition Program, and the national IMAGINE

campaign to encourage greater volunteer participation and a greater commitment of time and/or money by the corporate sector to volunteerism and charities.

The Government of Alberta's use of lottery revenues proudly supports programs and projects administered by non-profit and volunteer organizations throughout all regions of the province.

Lottery revenues continue to be the source of many benefits for all Albertans.



SASKATCHEWAN

Saskatchewan Lotteries is dedicated to providing healthy alternatives. Over 1,200 sport, culture and recreation programs from all over the province receive lottery funding, touching the life of every Saskatchewan resident.



In community halls, skating rinks, gymnasiums, theatres, parks, playgrounds and seniors' centres, people are opting for a healthier and happier today by getting involved in every activity imaginable. The sale of lottery tickets supports this wide variety of opportunities, making life better for the people of Saskatchewan.

Saskatchewan Lotteries is operated by Sask Sport Inc., a non-profit organization run by volunteers. Sport, culture and recreation thrive in Saskatchewan because of the generous people who donate valuable time and effort. Volunteers are essential, making the system work in the most cost-effective

manner possible. Every dollar saved is one more dollar of funding for groups which are essential to the social fabric of the province.

The activities supported by the Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation play a vital role in the economy and make every rural district, village, town and city a great place to call home.



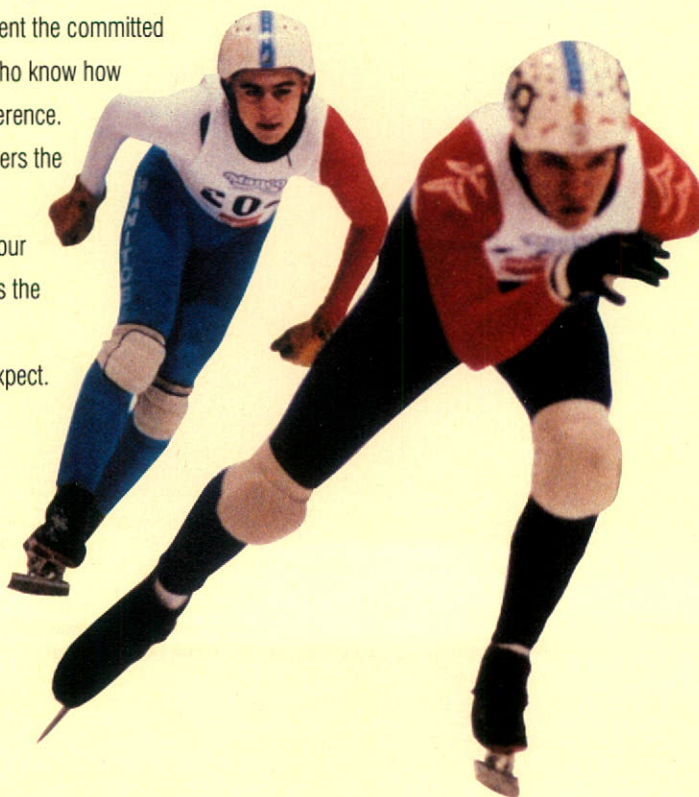
MANITOBA

The 1990/91 fiscal year saw the completion of the first full year of operation of the Lotteries Distribution System. Manitoba's unique Lotteries Distribution System was revised in 1989 to ensure that it could be flexible enough to respond to the province's changing needs and priorities. The ongoing commitment to art, sport, multi-cultural, conservation, heritage, community service and health care programs continued to enrich the lives of all Manitobans.



Lottery revenue assists in a wide variety of exciting and important organizations. These volunteer-based groups represent the committed Manitobans who know how to make a difference.

Each year offers the opportunity of ensuring that our province offers the quality of life Manitobans expect.



YUKON AND NORTHWEST TERRITORIES

The economic benefits of revenues generated from the sale of lottery tickets reach every community in the Yukon Territory. In response to the changing needs of Yukoners, the Yukon Lottery Commission makes funds available in a variety of ways. In 1990/91, \$1.4 million was distributed to recreational activities throughout the Yukon.

Volunteer and non-profit organizations received contributions towards a total of 104 cultural, heritage, sports, arts and community recreational projects through an application process.



Community Local Authorities receive discretionary funding calculated on a base rate plus per capita formula for use in recreational pursuits within their community.

Special programs administered through Government of Yukon for Elite Athletes and Advanced Artists receive their funding directly from lottery revenues. As well, 27 Sport Governing Bodies, 14 Territorial Arts Groups and seven special recreation groups receive funding from lotteries dollars to accomplish their annual programs. Art and Sport umbrella organizations receive their core funding from lotteries allowing Yukoners to benefit from arts programs and various sports development activities.

The Yukon Lottery Commission maintains a special reserve to support major recreational projects with territorial relevance. In 1990, \$200,000 was contributed to support community participation in the 1992 Alaska

Highway 50th Anniversary Celebrations and \$75,000 was committed to assist in the 1992 Arctic Winter Games activities.

1992 will be a year of celebration in the Canadian North and lotteries dollars will assist to bring economic benefit to all. You are invited to Yukon in summer, 1992, to celebrate the 50th anniversary of the construction of the Alaska Highway.

In the Northwest Territories the revenue generated from lotteries goes towards the development of



Amateur Sport, cultural and recreational organizations. In the past year, Sport North provided funding from lotteries to help finance the Arctic Winter Games, Canada Games, Western Canada Games, Winter Regional Games, Territorial Competitions, Summer Sport Assistance and player development clinics.



OPERATING EXPENSES

It takes money to make money. This year, operating expenses tallied \$45.6 million. That's a huge pool of money to funnel into finance, operations and security, marketing, computer information and gaming systems, depreciation and amortization. But it needs to be put into context. That sum represents an enviable 8.2 percent of income and shows operating expenses are in line with fiscal objectives. When all the numbers from Canada's five lottery jurisdictions are crunched, it may also show WCLC posting the highest ratio of government revenues to sales once again.

Operating expenses are in line with fiscal objectives.

WCLC's jurisdiction is, geographically speaking, the largest in North America. From northwest to southeast it stretches some 2,600 kilometers. Scattered across that vast expanse are a mere 4.5 million residents. Not concentrated in major urban centers, they're a tough-to-reach market. Operating expenses reflect that fact.

Consider ticket distribution. It takes five separate sales organizations, working year-round, to deliver product and supports to market. People, trucks, couriers, contracts. It's a vast undertaking, a boost of note for the business sector. The goal is to develop the distribution network to enable the broadest possible player base. We're nearly there. Indeed, the vast majority of players — 75 percent — describe the current setup as "very convenient." Yet through listening to players, we know convenience can be further enhanced. An innovative "how," identified by 30 percent, is through placement of automatic ticket vending machines in malls and other public places.

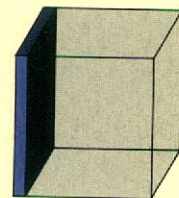
Players are the source of much innovation. No game is launched or revised without considerable market research. To get a clear picture of players' preferences, a segmentation analysis was done which focused on three dynamics — societal, market and product. The societal dynamic included basic core

values, demographic characteristics and psychographics. The market dynamic probed attitudes towards lotteries, desired product benefits and perceptions of the "ideal" game. The product dynamic measured actual playing experience. Taken together, these dynamics yield an actionable and meaningful segmentation. This means of "getting to know you" pays off. You get the games you want to play. And, because regional firms are used to gather and process market information, research costs translate into economic benefits.

Unless you know what's available, market research and game development are for naught. Advertising plays a huge role in creating and sustaining game awareness and puts a proportionate bite on the operating dollar. Creation represents 35 to 40 cents of the advertising dollar; placement represents 60 to 65 cents.

Awareness is also front-line. Up to \$3,000 is invested in a single Retail location for signs and fixtures communicating "this is the place for lottery tickets." Add to that package the cost of one Ticket Terminal, and the investment in a Lottery Ticket Centre (LTC) approaches \$10,000. The LTC network is 2,737-strong.

Ticket Terminals are not "stand alones." An intricate web of telecommunications technology, provided through regional telephone systems, connects the network to WCLC's Central Computer. That's the ultimate link. Like other equipment, it depreciates with time. This year, a new Central Computer was installed. Capable of containing and processing considerably more data, it's ready to drive the necessary information and gaming systems of tomorrow.



OPERATING
EXPENSES AS
PERCENT OF
SALES DOLLAR:
8.18%

RETAILER COMMISSIONS

When the Lottery talks "front-line," it's referring to the 3,783 Lottery Retailers who this year delivered record receipts of \$552.3 million. The front-line benefit, commissions totalling \$33.1 million, has never been greater. Nor has it been harder earned.

To provide optimal service to lottery players, Retailers must keep pace with rapid change. That's no small feat. During the year, "keeping pace" meant handling encashments for 650 draws, becoming familiar with the details of two game revisions and 22 new INSTANT games, participating in a host of promotions and in the launches of a new game and a new game line. The demands are great yet consistently met, thanks to on-going Retailer dedication and enthusiasm. Those qualities are evidenced by sales achievements, by player loyalty and by player feedback.

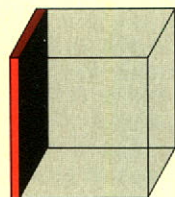
Sixty percent of the playing public frequent just one Retail location. And they give their Retailers sterling ratings. The statistics speak for themselves. When asked to rank Retailers on a seven-point scale where seven represents "excellent" and one represents

"poor," 80 percent gave scores from "good" through "excellent" on the attributes of friendliness, speed of service and helpfulness. Roughly the same percentage awarded positive ratings for Retailer knowledge and enthusiasm. What a report card!

The front-line benefit, commissions totalling \$33.1 million, has never been greater. Nor has it been harder earned.

The report card is all the more impressive when front-line profile is considered. For the most part, it consists of business people whose scope of operations includes far more than just lottery tickets. In descending order of point of ticket purchase, the profile includes grocery and convenience stores, drug-stores, shopping mall booths, and newsstands or smokeshops. The profile illustrates a Retail network with a vast range of consumer goods to keep up-to-date on. And many Retailers would add the comment that those goods move a little faster, thanks to the availability of in-store traffic-builders — game tickets.

Another traffic-builder is luck. Retail locations known as "winning locations" attract good followings. And WCLC does its best to promote these locations through provision of "major winner" posters. Where were the "winning locations" this year? A quick scan of statistics shows 18 locations selling tickets valued at \$1 million or more with the richest being a \$10 million LOTTO 6/49 ticket printed at 7-Eleven on 109 Street in Edmonton. Of perhaps greater interest are locations selling more than one big winner. Scan the stats for yourself. Among the winning locations may be the one you frequent . . . or soon will!



RETAILER
COMMISSIONS AS
PERCENT OF
SALES DOLLAR
5.92%

"Winning" Retail Locations

Total Value
of Major Wins

Number of
Major Wins

SASK SPORT KIOSK NO. 42		
THE GALLERIA MALL, REGINA	\$5,100,000.00	2
ASHCROFT GROCERY, GARFIELD STREET, WINNIPEG	\$2,884,140.30	2
VILLAGE RED ROOSTER, OLD AIRPORT ROAD, YELLOWKNIFE, NWT	\$1,118,899.60	2
IDA PHARMACY, 10 STREET, WAINWRIGHT, ALTA.	\$847,540.80	3
HAZEL'S LOTTERY, RICHMOND ROAD SW, CALGARY	\$346,210.00	4
FRANKEL ENTERPRISES INC., NO. 2 LOMBARD CONCOURSE, WINNIPEG	\$306,913.70	4
DEER VALLEY LOTTERY SALE, DEER VALLEY SHOPPING CENTRE, CANYON MEADOWS DRIVE, CALGARY	\$263,541.90	3
INFO & TICKET KOUNTER, NORTH HILL SHOPPING CENTRE, 14 AVENUE NW, CALGARY	\$237,836.40	3
FALHER PHARMACY LTD., FALHER, ALBERTA	\$234,205.80	3
CHARITABLE TICKET BOOTH, 111 STREET, EDMONTON	\$119,484.00	3

While a total of 26 Retail locations sold two winning tickets worth \$10,000 or more, just the top three are listed. As well, only On-Line game wins are referred to.

TICKET PRINTING

WCLC's \$8.5 million tab for ticket printing represents one of the region's best bargains. For less than two pennies on the sales dollar, it completes the playability equation for player and Lottery alike. The basic equation is the triangle upon which the lottery definition is based: chance, prize, consideration. But you want and get more than that basic guarantee with every lottery ticket you play.

Game integrity factors into the playability equation in a big way.

Consider On-Line games and your menu of play options. There's Advance Play, Subscription Play, Combination Play and The Great Divide. You can pick your own numbers or ask for a Quick Pick. And when you ask for a Quick Pick, you get it. Quick. In the time it takes to slide the loonie out of your wallet, there it is. Like magic.

In a sense, it is magic . . . the magic of telecommunications technology. Imagine microwaves, forget cooking. Imagine satellite dishes, forget television. Imagine fibre optics, forget sci-fi. Imagine telephone lines, forget long distance. Now imagine a Retailer entering your On-Line Selection Slip into the Ticket Terminal. You hear the hum of your ticket being processed. Thanks to technology, you get your ticket. Thanks to technology, you get game integrity.

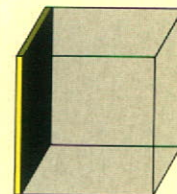
In the time it takes to process your ticket, the Ticket Terminal has relayed a "request" to WCLC's Central Computer System to print your selection and that System has relayed back its "approval." The ticket is just what you asked for and more. "More" is a centrally logged three-way record of every component of your transaction, from selection specifics to selling Retailer. That record helps ensure game and prize redemption integrity.

Game integrity factors into the playability equation in a big way. It scratches deep beneath the surface of every ticket you buy. Consider INSTANT games. State-of-the-art computerized production, independent audits and elaborate lab testing guarantee winning tickets will be indistinguishable from non-winners and ensure all will be tamper-proof. A myriad of security features are built into each and every ticket to rule out the possibility of optical, mechanical or chemical tampering. There is more to a ticket than meets the eye.

What does meet the eye is, however, vitally important. Graphics count. So too do prize structures, play formats and ticket prices. Thanks to your input through focus group research, telephone surveys, letters and telephone calls, the Lottery is able to produce the games you want to play, games so good they are "shared" with lottery jurisdictions far and wide.

There is more to a ticket than meets the eye.

Among lottery jurisdictions, inflation is a shared concern. It drives up costs. Without working "smarter," it erodes profitability. To minimize ticket printing costs, much consideration is given to paper conservation. A balance is struck between aesthetics and practicality. Often, the result is optimal on all counts. Consider the plans for reformatting WESTERN EXPRESS tickets. Bigger and featuring larger type to enhance readability, they will make such efficient use of paper and press that printing costs should decrease over 15 percent. That kind of "working smarter" is not only an environmentally friendly means of taking the pinch out of inflation, it's also a means for allowing ticket prices to remain constant.



TICKET PRINTING
AS PERCENT OF
SALES DOLLAR
1.53 %

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, 1991, 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 state-

ments. 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, 1991, 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, after giving retroactive effect to the change in accounting principles as explained in Note 2a to the financial statements, on a basis consistent with that of the preceding year.

Winnipeg, Canada,
June 11, 1991

Ernst + Young
Chartered Accountants.

STATEMENT OF REVENUE AND EXPENSE

YEAR ENDED MARCH 31, 1991

	1991	1990
	(IN THOUSANDS OF DOLLARS)	
<i>Lottery sales (note 3)</i>	<u>\$552,343</u>	<u>\$516,674</u>
DIRECT EXPENSES:		
PRIZES	257,762	244,829
RETAILER COMMISSIONS	33,061	30,853
TICKET PRINTING	<u>8,546</u>	<u>9,199</u>
	<u>\$299,369</u>	<u>284,881</u>
<i>Gross income</i>	252,974	231,793
OPERATING EXPENSES:		
FINANCE, OPERATIONS AND SECURITY	9,357	9,038
MARKETING	18,841	15,938
COMPUTER INFORMATION AND GAMING SYSTEMS	12,488	11,813
DEPRECIATION AND AMORTIZATION	<u>4,940</u>	<u>6,220</u>
	<u>45,626</u>	<u>43,009</u>
<i>Operating income</i>	\$207,348	\$188,784
OTHER INCOME (EXPENSE):		
INTEREST AND OTHER INCOME	6,881	5,915
FEDERAL TAX EXPENSE (NOTE 5)	<u>(1,376)</u>	<u>—</u>
	<u>5,505</u>	<u>5,915</u>
<i>Net income for the year</i>	<u>\$212,853</u>	<u>\$194,699</u>
<i>Net income allocated to the following provinces or territories:</i>		
ALBERTA	\$121,452	\$109,578
SASKATCHEWAN	39,633	34,628
MANITOBA	48,678	47,679
YUKON TERRITORY	1,367	1,369
NORTHWEST TERRITORIES	<u>1,723</u>	<u>1,445</u>
	<u>\$212,853</u>	<u>\$194,699</u>

(SEE ACCOMPANYING NOTES)

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

YEAR ENDED MARCH 31, 1991

	1991	1990
	(IN THOUSANDS OF DOLLARS)	
<i>Due to Provincial Governments or appointed organizations, beginning of year</i>	\$ 14,588	\$ 14,694
ADD:		
NET INCOME	212,853	194,699
	<u>227,441</u>	<u>209,393</u>
DEDUCT:		
DISTRIBUTIONS DURING THE YEAR	202,109	186,969
PAYMENT TO THE FEDERAL GOVERNMENT ON BEHALF OF THE PROVINCIAL GOVERNMENTS (NOTE 5)	8,166	7,836
	<u>210,275</u>	<u>194,805</u>
DUE TO PROVINCIAL GOVERNMENTS OR APPOINTED ORGANIZATIONS, END OF YEAR	<u>\$ 17,166</u>	<u>\$ 14,588</u>
DUE AS FOLLOWS:		
ALBERTA	\$ 11,478	\$ 8,594
SASKATCHEWAN	3,223	2,702
MANITOBA	2,242	3,090
YUKON TERRITORY	103	80
NORTHWEST TERRITORIES	120	122
	<u>\$ 17,166</u>	<u>\$ 14,588</u>

(SEE ACCOMPANYING NOTES)

BALANCE SHEET

MARCH 31, 1991

1991 1990
(IN THOUSANDS OF DOLLARS)

Assets

CASH -

PRIZE FUNDS

\$26,221

\$22,825

OTHER

13,183

10,231

39,404

33,056

ACCOUNTS RECEIVABLE

6,650

5,149

PREPAID EXPENSES

2,252

1,416

FIXED ASSETS (NOTE 4)

8,921

10,266

\$57,227

\$49,889

Liabilities

PRIZES PAYABLE

\$26,221

\$22,825

PAYABLE TO INTERPROVINCIAL LOTTERY CORPORATION

1,776

4,958

ACCOUNTS PAYABLE AND ACCRUED CHARGES

8,468

3,569

DEFERRED REVENUE

3,596

3,929

DUE TO PROVINCIAL GOVERNMENTS OR
APPOINTED ORGANIZATIONS

17,166

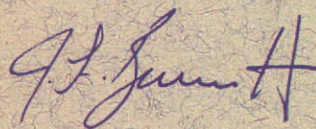
14,588

\$57,227

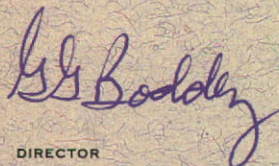
\$49,889

(SEE ACCOMPANYING NOTES)

ON BEHALF OF THE BOARD:



DIRECTOR



DIRECTOR

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 1991

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.

Under the terms of its incorporation, the Corporation is responsible for the conduct and management of lottery games in Western Canada. The WESTERN EXPRESS, LOTTO 6/36, THE PLUS, DAILY DEAL, SPORT SELECT and INSTANT lottery games are conducted solely by the Corporation. The Corporation participates in the conduct of the PROVINCIAL, SPECIAL EVENT games and LOTTO 6/49 lotteries through the Interprovincial Lottery Corporation. 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) *Basis of presentation*

In prior years, the Corporation presented combined financial statements. The combined financial statements included the cost of sales and distribution of lottery tickets incurred by the related lottery organizations and the assets and liabilities which related to these activities. These financial statements are presented on an uncombined basis as management believes this to be a more meaningful presentation. The effect of this change in presentation is to increase net income by approximately \$5,034,000 (1990 - \$4,646,000) and to decrease total assets and liabilities by approximately \$494,000 (1990 - \$892,000).

b) *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 (\$151,526,000), and the Corporation's share of the Interprovincial Lottery Corporation's operating expenses (\$593,000), and interest revenues (\$1,070,000) are reflected in the expenses and interest revenues in the statement of revenue and expense.

c) *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, 1991, the receipts, net of direct expenditures, as at March 31 are 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.

f) *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.

3. LOTTERY SALES

Sales revenue by product is as follows:

	1991	1990
	(IN THOUSANDS OF DOLLARS)	
LOTTO 6/49	\$298,401	\$270,470
INSTANT	112,842	133,565
THE PLUS	42,788	35,373
WESTERN EXPRESS	27,480	24,148
SPORT SELECT	18,734	—
LOTTO 6/36	18,642	17,254
PROVINCIAL	18,427	20,901
SPECIAL EVENT	9,645	10,551
DAILY DEAL	5,032	4,412
BREAKOPEN TICKETS	352	—
	<u>552,343</u>	<u>516,674</u>

4. FIXED ASSETS

Fixed assets are comprised of:

	COST	ACCUMULATED DEPRECIATION	1991 NET	1990 NET
	(IN THOUSANDS OF DOLLARS)			
COMPUTER SYSTEMS AND OTHER RELATED GAME EQUIPMENT	\$31,186	\$26,513	\$ 4,673	\$ 5,976
OFFICE FURNITURE AND FIXTURES	1,031	619	412	515
LEASEHOLD IMPROVEMENTS	5,030	3,218	1,812	2,254
RETAILER FIXTURES AND SIGNAGE	<u>7,886</u>	<u>5,862</u>	<u>2,024</u>	<u>1,523</u>
	<u>\$45,133</u>	<u>\$36,212</u>	<u>\$ 8,921</u>	<u>\$10,268</u>

5. COMMITMENTS TO THE FEDERAL GOVERNMENT

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

a) Payment to Federal Government

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 on-going payments of \$24 million in 1979 dollars annually on an inflation adjusted basis (currently \$46 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 1991. 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:

(IN THOUSANDS OF DOLLARS)

1992	1,366
1993	1,148
1994	1,060
1995	1,029
1996	489
	<u>\$5,092</u>

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, 1991 amounted to \$2,895,000 (1990 - \$2,450,000). The market value of the net assets available to provide these benefits was \$3,877,000 (1990 - \$2,938,000).

The pension expense recorded in the accounts during 1991 amounted to \$165,000 (1990 - \$390,000).

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.

For Further Information on Lotteries . . .

Administered by a six-member Board of Directors appointed from the community, Western Canada Lottery Corporation is the organization responsible for game development and conduct, ticket printing, game marketing, determination and dissemination of winning numbers, payment of prizes and other administrative functions as determined by its shareholders. For further information on lotteries, contact:

WESTERN CANADA LOTTERY CORPORATION
9TH FLOOR, 125 GARRY STREET
WINNIPEG, MANITOBA
R3C 4J1
(204) 942-8217

For Further Information on Lottery Revenue Disbursements . . .

Lottery revenue disbursement is a responsibility of the governments comprising the membership and associate membership of Western Canada Lottery Corporation. For further information on lottery revenue disbursements, contact:

GOVERNMENT OF ALBERTA CANADA
LOTTERIES AND FINANCIAL ASSISTANCE
TO MAJOR EXHIBITIONS AND FAIRS
14TH FLOOR, ROYAL LEPAGE BUILDING
10130-103RD STREET
EDMONTON, ALBERTA
T5J 3R2

SASK SPORT FOR SPORT, CULTURE AND RECREATION
1870 LORNE STREET
REGINA, SASKATCHEWAN
S4P 2L7

(MANITOBA) LOTTERIES DISTRIBUTION SYSTEM
201-379 BROADWAY
WINNIPEG, MANITOBA
R3C 0T9

LOTTERIES YUKON
312 WOOD STREET
WHITEHORSE, YUKON TERRITORY
Y1A 2E6

SPORT NORTH
P.O. Box 504
YELLOWKNIFE, NORTHWEST TERRITORIES
X1A 1H0



This annual report is printed on EcoGloss,
a Canadian made paper containing 50%
recycled fibre including 10% post-
consumer fibre and 10% mechanical pulp.

Printed with Vegetable-Based Ink.