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Western Canada Lottery  
Alberta Division

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Annual Report

Board Of Directors

**Chairman**

*Howard MacDonald*  
Calgary Exhibition  
and Stampede  
Limited

**Vice-Chairman**

*Michael Savage*  
Government of Alberta

**Secretary-Treasurer**

*Jack Berthelsen*  
Calgary Exhibition  
and Stampede  
Limited

**Directors**

*Graham O'Connor*  
Calgary Exhibition  
and Stampede  
Limited

*Bob Westbury*

*Don Jackson*

*George Hughes*  
Edmonton  
Northlands

*John McCarthy*

*Bob Prestage*

*Pat Healy*

Public

General Manager

*Albert Lottendes*

*Jack Rutherford*



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• Chairman's Message

**F**iscal 1988, was a year of many challenges and many successes for Alberta Lotteries. Overall sales in excess of \$276 million, with per capita sales of \$115, were reached through initiative, innovation and hard work.

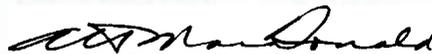
1988 was a year of firsts. A changing marketplace was the initial challenge addressed by Alberta Lotteries. New games, new prize structures and new pricing strategies were introduced. Creative merchandising supported every retailer in an increasingly, competitive marketplace.

The dedication displayed by the employees of Alberta Lotteries and the retailers resulted in the many achievements during this crossroads year. We strengthened our retailer network through training programs, product distribution and innovations in games played. These will act as the foundation blocks upon which future successes will rest.

The costs of distribution, the competition in the marketplace and new levels of product sophistication and innovation, were the focus of the year. To meet the challenge of the future, the renewed commitment and increased effort of Alberta Lotteries will continue.

During 1988, we were appreciative of the cooperation and commitment demonstrated by the Board and staff of the Western Canada Lottery Corporation in Winnipeg and by our associates in Saskatchewan and Manitoba.

I would like to take this opportunity to thank my fellow Board members for their support in a most exciting year. The genuine enthusiasm, innovation, dedication and the integrity of Alberta Lotteries will preserve the valued contribution to the quality of life for all Albertans.



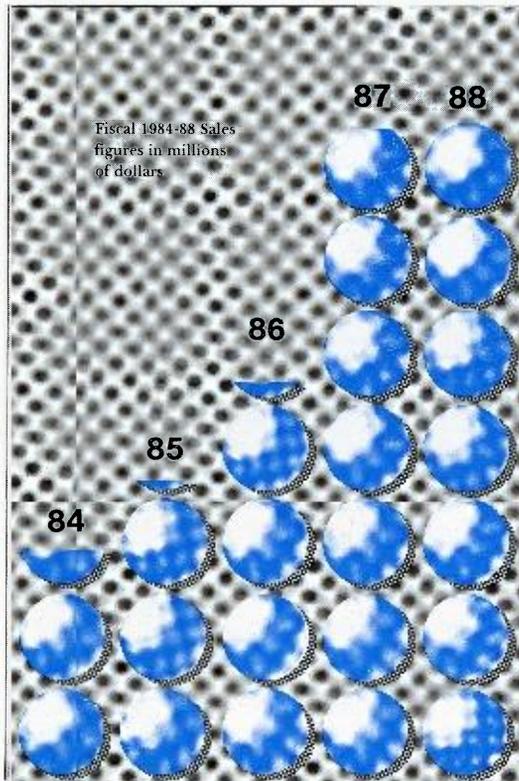
Howard MacDonald

## • The Year's Highlights

Overall sales reached a record total of \$276,398,967.

Lotto 6/49 continued its lead in ticket sales, generating in excess of \$138 million in sales.

Lotto 6/36 was successfully introduced into the marketplace April 1st, 1987 and the popularity for this game continues. One of the first major jackpot winners of \$575,302 was from Alberta.



The province-wide retailer base increased to 1,920.

- 280 Updating of all Alberta lottery terminals prepared lottery ticket retailers for new and innovative software programs.

- 240 In September 1987, the Board of Directors for Alberta Lotteries expanded to include three members from the public at large and a Vice Chairman's position appointed by the Alberta Government.

- 200 In August, 1987, the sales office in Calgary relocated to new facilities.

- 160 March, 1988 was the launch of a major, multi-media Winner's Campaign by Alberta Lotteries.

- 120 New horizons in the marketplace were reached with innovative instant games which included a

new \$2 feature product line -- "First and Goal" and "Double Dare" -- along with a variety of \$1 Instant theme products such as "Lost Pyramids", "Birthstones", "Lucky Stars" and "The 12 Days Of Christmas".

During this Olympic Year, a feature \$1 Instant was launched in recognition of this exciting event. It was called "Go For The Gold".

Our new training facilities in both Calgary and Edmonton hosted 4,300 employees of Alberta Lottery Ticket Centres.

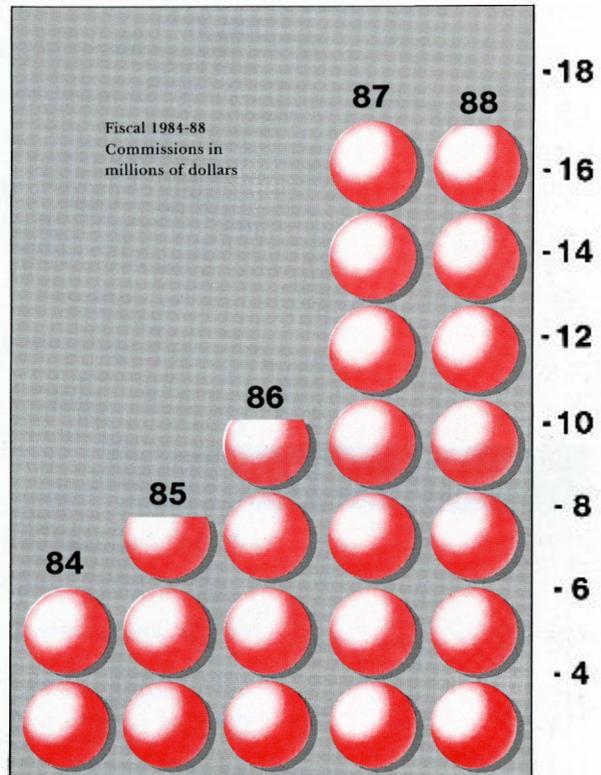
The Dunwoody Management Study of Fiscal 1988 highlighted Alberta's contribution of 55% of lottery sales to Western Canada Lottery Corporation.

**A**lberta Lotteries continues to meet the challenges of the marketplace in its role as a major player in Alberta's commerce.

The retailers have greatly contributed to a stabilized, mature base for the marketing of Alberta Lotteries products. Through the commitment and support shown by the retailers, Alberta Lotteries has been able to come full circle turning buyers into winners and winners into loyal customers. Province-wide, in over 1,920 retail outlets time and again, Albertans have shared in the excitement of "The Winning Feeling".

Alberta Lottery Ticket Centres help build customer traffic giving independent businesses a measure of security with a reliable source of income. In 1988, Alberta Lotteries retailers received more than \$16 million in commissions from lottery ticket sales and redemption commissions for winning tickets cashed. The number of winners continues to grow every year -- the success story of Alberta Lotteries and lottery retailers across the province.

Alberta Lotteries relies upon the enthusiasm and the expertise of retailers to support the marketing efforts and new product launches. Future merchandising challenges such as utilization of counter space, product knowledge, more games, more features, and the competition in the marketplace will require further commitment and dedication as currently demonstrated by retailers throughout Alberta.



## • Winners

Over \$100 million was won in Alberta. Winning - a dream shared at one time by only a few - has become a reality for an ever increasing number of Albertans.

Whether large cash winners, small cash winners or Instant bonus winners, Albertans win everyday. Across the province -- Hinton, Taber, Brooks, Hanna, Calgary and Edmonton -- everywhere lottery games are played, winners are found. The opportunity to share in the excitement of having dreams come true is that much greater with more games to play and more prizes to win.

The thrill of winning millions of dollars in prizes is shared by Albertans from all corners of the province and, while few undergo dramatic changes in lifestyle, each participates in the greatest feeling of all... "The Winning Feeling" of Alberta Lotteries.

## • Beneficiaries

Proceeds from lotteries enhance the quality of life and create important benefits for all Albertans. In addition to Agricultural Exhibitions and Fairs throughout the province, The Government of Alberta puts lottery revenues to work on behalf of a far-reaching number of recreational, cultural, sports and community initiatives. Books read, teams cheered, community events hosted, fairs, parks and museums enjoyed, are all evidence of lottery funds at work in Alberta.

## The Western Canada Lottery Corporation

The Western Canada Lottery Foundation was incorporated under the Canada Corporations Act in 1974 by the Provinces of British Columbia, Alberta, Saskatchewan and Manitoba. On March 31, 1985, British Columbia withdrew its membership from Western Canada Lottery Foundation. The provincial governments of Alberta, Saskatchewan and Manitoba and associate members, the Yukon and Northwest Territories, continued to operate together in the sale of lottery tickets.

During the 1986 fiscal year, the organization changed its name to “Corporation” to reflect more accurately the nature of its operations.

The Corporation’s head office is in Winnipeg, Manitoba and serves as a central organization for the creation of lottery games, the production of lottery tickets, and other centralized functions such as advertising and publishing winning numbers.

### Alberta Lotteries (Western Canada Lottery Alberta Division)

Alberta Lotteries, a partnership of Edmonton Northlands and the Calgary Exhibition and Stampede Limited, has operated since June, 1974, under the licence granted by the Provincial Minister responsible for the Interprovincial Lottery Act. The partnership is licenced as agent of the Government of Alberta to act as the Provincial Marketing Office to assist the Corporation as may be authorized by the Minister for Alberta.

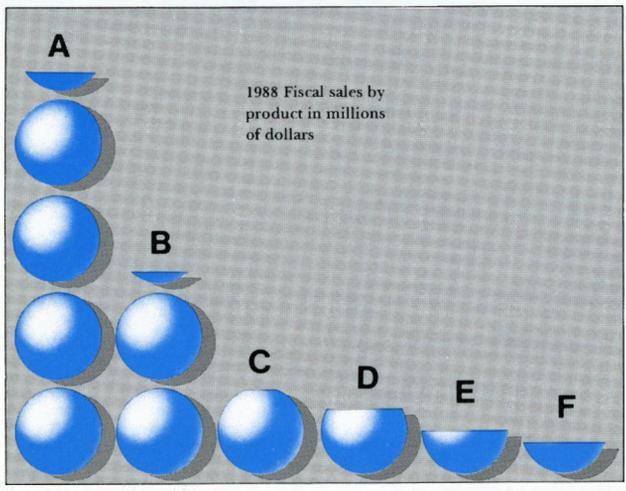
The structure of the Board of Directors for Alberta Lotteries changed in September, 1987. The new, ten person Board of Directors is made up of three members from Edmonton Northlands, three members from the Calgary Exhibition and Stampede Limited, three members from the public at large, and a Vice Chairman’s position appointed by the Government of Alberta.

The Board of Alberta Lotteries administers all lottery functions related to the sale and distribution of tickets. Alberta Lotteries has headquarters in Edmonton and sales offices in Edmonton and Calgary.

• **Product Highlights**

**D**uring fiscal 1988, Alberta Lotteries offered the following products for sale.

- A. Lotto 6/49 generated \$138,087,468 \*(50% of total sales) with \*\*major prizes of \$18,747,028 awarded.
- B. \$1 and \$2 Instants generated \$65,997,346 (23.8% of total sales) with major prizes of \$1,580,000 in the \$1 Instant and \$1,544,000 in the \$2 Instant awarded.
- C. Western Express generated \$27,211,891 (9.8% of total sales) with major prizes of \$1,995,000 awarded.
- D. Lotto 6/36 generated \$20,398,201 (7.4% of total sales) with major prizes of \$6,289,544.50 awarded.
- E. Provincial generated \$13,476,780 (4.9% of total sales) with major prizes of \$2,490,000 awarded.
- F. Super Loto generated \$11,227,281 (4.1% of total sales) with major prizes of \$570,000 awarded.



\* Percentages are rounded off to the nearest decimal point.  
 \*\* Major prizes include cash prizes of \$5,000 plus.

To the Partners of the

Western Canada Lottery Alberta Division:

**W**e have examined the balance sheet of the Western Canada Lottery Alberta Division as at March 31, 1988 and the statement of changes in financial position for the year then ended. We have also examined the statement of lottery operations in Alberta as derived from the financial statements of the Western Canada Lottery Corporation for the year ended March 31, 1988. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Western Canada Lottery Alberta Division as at March 31, 1988, the changes in its financial position and the results of lottery operations in Alberta for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

**Clarkson Gordon**

Chartered Accountants

Edmonton, Canada

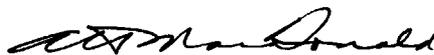
June 10, 1988

**Balance Sheet**  
**March 31, 1988**  
*(with comparative*  
*figures at March 31, 1987)*

<b>Assets</b>	<b>1988</b>	<b>1987</b>
<b>Current assets:</b>		
Cash	\$ 892,603	\$ 900,760
Term deposits (Note 4)	79,208	93,133
Accounts receivable	757,932	444,555
Due from Western Canada Lottery Corporation	49,579	62,535
Prepaid expenses and deposits	410,910	23,864
Inventory of tickets at distributors	<u>648,532</u>	<u>613,123</u>
	<u>2,838,764</u>	<u>2,137,970</u>
<b>Non-current assets:</b>		
Fixed assets at cost less accumulated depreciation (Note 5)	<u>175,931</u>	<u>190,817</u>
<b>Total assets</b>	<u><u>\$ 3,014,695</u></u>	<u><u>\$ 2,328,787</u></u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accruals	\$ 577,988	\$ 140,977
Due to Western Canada Lottery Corporation		
Inventory of tickets	648,532	613,123
Tickets sold to retailers	171,585	83,464
Other payables	<u>8,531</u>	<u>26,614</u>
	<u>1,406,636</u>	<u>864,178</u>
Obligation under capital lease	42,952	34,628
Excess of advances from Western Canada Lottery Corporation over net operating expenses (Note 6)	<u>1,565,107</u>	<u>1,429,981</u>
<b>Total liabilities</b>	<u><u>\$ 3,014,695</u></u>	<u><u>\$ 2,328,787</u></u>

*(See accompanying notes)*

Approved by the Board:



Director



Director

Statement of  
Changes in  
Financial Position  
for the year ended  
March 31, 1988  
(with comparative  
figures for the year  
ended March 31, 1987)

	1988	1987
Cash provided by (used in) operating activities:		
Advances from Western Canada Lottery Corporation	\$ 3,995,000	\$ 3,436,000
Net operating expenses (Schedule A)	(3,859,874)	(2,593,862)
Charges (credits) to operations not involving cash:		
Depreciation	83,291	65,169
Gain on sale of fixed assets		(2,508)
Change in non-cash working capital balances:		
Accounts receivable	(313,377)	(125,736)
Due from Western Canada Lottery Corporation	12,956	(9,257)
Prepaid expenses and deposits	(387,046)	(20,106)
Accounts payable	437,011	35,725
Due to Western Canada Lottery Corporation	70,038	106,592
	<u>37,999</u>	<u>892,017</u>
Cash provided by (used in) investment activities:		
Fixed asset additions	(70,320)	(124,728)
Proceeds of sale of fixed assets	1,915	16,000
	<u>(68,405)</u>	<u>(108,728)</u>
Cash provided by (used in) financing activities:		
Capital lease financing	8,324	34,628
Net increase (decrease) in cash during the year	(22,082)	817,917
Cash, beginning of year	993,893	175,976
Cash and term deposits, end of year	<u>\$ 971,811</u>	<u>\$ 993,893</u>

(See accompanying notes)

**Statement of  
Lottery Operations  
in Alberta (Note 2)  
for the year ended  
March 31, 1988**  
*(with comparative  
figures for the year  
ended March 31, 1987)*

	<b>1988</b>	<b>1987</b>
Revenue:		
Lotto 649 ticket sales	\$138,087,468	\$149,331,520
Instant ticket sales	65,997,346	43,903,000
Western Express ticket sales	27,211,891	37,089,609
Lotto 636	20,398,201	
Provincial ticket sales	13,476,780	14,374,308
Super Loto ticket sales	11,227,281	17,872,233
Other income	1,707,058	1,798,235
Lotto West ticket sales		9,811,576
	<u>278,106,025</u>	<u>274,180,481</u>
Direct expenses:		
Share of the cost of prizes, tickets and administration	151,844,404	146,559,983
Distribution expenses	16,898,013	17,096,784
Payment to Federal government	7,415,935	7,563,188
	<u>176,158,352</u>	<u>171,219,955</u>
Income before net operating expenses of Western Canada Lottery Alberta Division	101,947,673	102,960,526
Net operating expenses (Schedule A)	<u>3,859,874</u>	<u>2,593,862</u>
Net income from lottery operations in Alberta available for distribution pursuant to the Interprovincial Lottery Licence	98,087,799	100,366,664
Net income paid to the partners (Note 1)	<u>9,750,000</u>	<u>9,750,000</u>
Remaining income available for distribution	<u>\$ 88,337,799</u>	<u>\$ 90,616,664</u>

*(See accompanying notes)*

Schedule A  
 Net Operating Expenses  
 for the year ended  
 March 31, 1988  
 (with comparative  
 figures for the year  
 ended March 31, 1987)

	1988	1987
Salaries and benefits	\$ 1,636,838	\$ 1,364,092
Advertising and promotion	1,271,301	496,860
Travel	427,775	382,126
Maintenance utilities and rent	176,456	119,195
Retailer relations	99,186	17,608
Depreciation	83,291	65,169
Postage and office supplies	67,307	61,828
Telephone and telex	54,555	58,947
Directors' meetings and expenses	52,000	36,159
Special retailers (Note 7)	49,642	144,904
Management report	48,858	
Professional fees	47,391	21,994
Ticket losses		33,304
Ticket loss provision	45,000	
Miscellaneous	40,586	22,320
Employee training programs	18,421	8,117
Sales seminars and meetings	12,239	14,181
Relocation	11,924	15,337
Redemption expenses	11,226	16,337
Repairs and maintenance	10,982	10,475
Insurance and bonding	8,510	13,307
Finance charges	7,579	3,359
Security systems	4,859	2,509
Bad debt expenses	2,128	483
	<u>4,188,054</u>	<u>2,908,611</u>
Less:		
Retailer fees net of related expenses of \$ 67,639 (1987 - \$ 41,986)	(294,562)	(277,242)
Interest income	(33,618)	(34,999)
Gain on sale of fixed assets		(2,508)
Net operating expenses	<u>\$ 3,859,874</u>	<u>\$ 2,593,862</u>

(See accompanying notes)

**Notes to the Financial Statements**  
**March 31, 1988**

**1. Nature of the Partnership**

Effective May 15, 1974, Edmonton Northlands and the Calgary Exhibition and Stampede Ltd. formed a partnership for the purpose of conducting and operating a continuing lottery to be marketed throughout the Province of Alberta. The Alberta Division operates under the authority of the Interprovincial Lottery Licence issued by the Minister of the Province of Alberta responsible for the Interprovincial Lottery Act.

The Alberta Division acts as agent of the Government of Alberta which is a member of the Western Canada Lottery Corporation. The Corporation provides, without financial gain, in Manitoba, Saskatchewan and Alberta, services concerning the conduct and management of lotteries.

The Interprovincial Lottery Licences require the Corporation to manage and operate in Alberta as the agent of the Government of Alberta such lottery schemes as authorized by the Minister. The Alberta Division is licenced as agent of the Government to act as the Provincial Marketing Organization and to assist the Corporation in the conduct and management of the authorized lottery schemes. The lottery schemes designated by the Minister pursuant to the licence are "Express", "Provincial", "Super Loto", "Lotto 649", "Lotto 636", "Lotto West" and "Instant". The Corporation distributes the net profits arising from the sales of authorized lottery schemes in Alberta in the manner prescribed in the licence.

Under the terms of the licence in effect to March 31, 1988, the partners, Edmonton Northlands and Calgary Exhibition and Stampede Ltd., received \$5,000,000 and \$4,750,000, respectively (1987 - \$5,000,000 and \$4,750,000).

**2. Statement of Lottery Operations in Alberta**

The statement of Lottery Operations in Alberta is derived from the financial statements of the Western Canada Lottery Corporation. It reflects total lottery ticket sales in Alberta and the direct expenses related thereto such as the cost of prizes, tickets, administration and distribution. Net operating expenses represent the costs incurred by the Alberta Division in its capacity as Provincial Marketing Organization together with other costs relating to the conduct of its business less interest income, retailer fees and other income. The Corporation reimburses the Alberta Division for these costs which are deducted in arriving at the net income from lottery operations in Alberta available for distribution pursuant to the Interprovincial Lottery Licence.

**3. Significant accounting policies**

a) Fixed assets

Fixed assets are recorded at cost and are depreciated at rates designed to write off the cost of the asset over its estimated useful life. The principal rates and methods used are:

Furniture, office equipment and leasehold improvements	20%	Declining balance
Hot airship	25%	Straight line

In the year of acquisition, depreciation is prorated from the month of purchase.

b) Leases

Leases are classified as either capital or operating. Those leases which transfer substantially all of the benefits and risks of ownership of property to the organization are accounted for as capital leases. The capitalized lease obligation reflects the present value of the future rental payments, discounted at the appropriate interest rate. The amount capitalized as the cost of the asset is depreciated on a straight-line basis. Rental payments under operating leases are expensed as incurred.

c) These financial statements do not include any assets, liabilities, revenues and expenses of the partners.

**4. Term deposits**

Term deposits include an amount of \$35,000 which represents a deposit received from a retailer. This amount is only available to the Alberta Division should the retailer default on ticket payments. All interest on this amount accrues to the benefit of the retailer.

**5. Fixed assets**

Fixed assets are comprised as follows:

	Cost March 31, 1988	Accumulated depreciation March 31, 1988	Net book value March 31, 1988	Net book value March 31, 1987
Hot airship	\$ 120,000	\$ 120,000		
Community service vehicles	22,155	5,539	\$ 16,616	
Furniture and office equipment	224,374	66,677	\$ 157,697	\$ 153,059
Leasehold improvements	2,206	588	1,618	37,758
	<u>\$ 368,735</u>	<u>\$ 192,804</u>	<u>\$ 175,931</u>	<u>\$ 190,817</u>

**6. Excess of advances from Western Canada Lottery Corporation over net operating expenses**

This includes advances from Western Canada Lottery Corporation in excess of operating expenses, together with interest income, retailer fees and other income as follows:

	1988	1987
Balance beginning of year	\$ 1,429,981	\$ 587,843
Advances from Western Canada Lottery Corporation	3,995,000	3,436,000
Operating expenses	(4,188,054)	(2,908,611)
Interest income	33,618	34,999
Retailer fees net of expenses	294,562	277,242
Gain on sale of fixed assets		2,508
Balance, end of year	<u>\$ 1,565,107</u>	<u>\$ 1,429,981</u>

**7. Special retailers**

Special retailers are charitable organizations that buy and sell tickets in the same manner as regular retailers. Special retailers are paid an additional amount equal to the commission earned by regular retailers less any administrative expenses incurred in selling lottery tickets.

**8. Lease commitments**

The Alberta Division is committed to total minimum lease payments in the amount of \$746,000 under operating leases over the next five years.



For further information contact:  
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WESTERN CANADA LOTTERY ALBERTA  
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