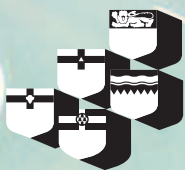


2011 ANNUAL REPORT



WESTERN
CANADA
LOTTERY
CORPORATION

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Western Canada Lottery Corporation Structure

Western Canada Lottery Corporation (WCLC) is a non-profit organization authorized to manage, conduct and operate lottery and gaming-related activities for its members, the Governments of Alberta, Saskatchewan and Manitoba. The Yukon Territory, the Northwest Territories and Nunavut participate as associate members.

The Corporation works in conjunction with the provincial and territorial organizations in its region: Alberta Gaming and Liquor Commission, Saskatchewan Lotteries, Manitoba Lotteries Corporation, Lotteries Yukon and NWT Sport and Recreation Council.

WCLC is a participating member of the Interprovincial Lottery Corporation (ILC). ILC is incorporated to manage and conduct lotteries on behalf of her Majesty the Queen in right of all provinces.

WCLC's affairs are governed by a Board of Directors, comprised of two representatives from each of the participating provincial governments.

BOARD OF DIRECTORS

Jim Burnett, Chair
Saskatchewan

Scott Langen
Saskatchewan

Al Evans
Alberta

Muriel Grimble
Alberta

Winston Hodgins
Manitoba

Tim Valgardson
Manitoba

Message from the Chair

To say “this was one for the record books” is cliché. But there is really no better description of Fiscal 2011. It was an outstanding year for Western Canada Lottery Corporation with cumulative sales of \$1,267,649,000.

While celebrating the success and hard work that went into this accomplishment, we must recognize the special circumstances which created the perfect environment for this to happen and acknowledge that some of these conditions will likely never be seen again. One of those special circumstances was LOTTO MAX’s incredible summer run in June and July of 2010. For weeks, the Jackpot was \$50 million, while the number of available MAXMILLIONS grew. This happened not once, but twice. Western Canadians responded by enthusiastically forming lottery groups and buying tickets. It was the first time that players in Canada had seen those kinds of jackpots for that length of time and the “first time” can only happen once.

Fiscal 2011 was also a banner year for our players. Across the region, lottery players brought home prizes ranging from \$2 to over \$40 million. LOTTO MAX alone created 36 new millionaires across WCLC’s jurisdiction. In all, our games resulted in the distribution of more than \$655 million in prizes to players across the region – more than \$100 million above last year’s record-breaking total.

It was also a record-breaking year for our retailers. The excitement generated by LOTTO MAX translated into additional income for the thousands of lottery retailers in cities, towns and rural areas across our region. Retailer commissions rose by more than \$17 million to \$82.9 million, an amount which contributed significantly to local economies.

Perhaps most importantly, it was an outstanding year in terms of WCLC’s contribution to our beneficiaries. Almost \$432 million was returned to the Provinces of Alberta, Saskatchewan and Manitoba, and the Territories of Yukon, Nunavut and Northwest Territories. These funds are used by the Provinces and Territories to support priority programs and services, community initiatives, and non-profit sport, culture and recreation groups throughout the region.

The unexpected financial result attained by LOTTO MAX was just one element in a solid year of achievement. If LOTTO MAX was the superstar, the supporting cast of players also performed extremely well. POOLS and PROPS, the new SPORT SELECT games, were introduced in the fall of 2010 building on the strong player base of existing products. The successful introduction of these games was the culmination of hundreds of hours of work and coordination between WCLC and the provincial and territorial organizations.

It was a year to be remembered. On behalf of the Board of Directors of Western Canada Lottery Corporation, I offer congratulations on the accomplishments of Fiscal 2011 and sincere appreciation to the staff and management of WCLC and the provincial and territorial lottery organizations.

A handwritten signature in black ink, appearing to read 'Jim Burnett', followed by a large, stylized star symbol.

Jim Burnett
Chair of the Board

AUDITORS' REPORT

To the Members and the Board of Directors of
Western Canada Lottery Corporation

We have audited the accompanying financial statements of Western Canada Lottery Corporation (the Corporation), which comprise the balance sheet as at March 31, 2011, and the statements of revenue and expense, changes in amounts due provincial governments or appointed organizations, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements presented fairly, in all material respects, the financial position of the Corporation as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP.

Chartered Accountants
May 18, 2011
Winnipeg, Manitoba

Western Canada Lottery Corporation
STATEMENT OF REVENUE AND EXPENSE

Year ended March 31

	2011 \$ [000's]	2010 \$
LOTTERY SALES <i>(Note 3)</i>	1,267,649	1,017,149
DIRECT EXPENSES		
Prizes	655,054	518,791
Retailer commissions	82,948	65,279
Ticket printing	13,321	14,162
	751,323	598,232
GROSS INCOME	516,326	418,917
OPERATING EXPENSES		
Administration and operations	51,768	52,991
Amortization - Property, Plant and Equipment	6,148	5,932
Amortization - Intangible Assets	566	610
	58,482	59,533
OPERATING INCOME	457,844	359,384
OTHER INCOME (EXPENSE)		
Interest and other income	1,299	933
Federal tax expense <i>(Note 7)</i>	(6,820)	(5,954)
	(5,521)	(5,021)
NET INCOME AND COMPREHENSIVE INCOME FOR THE YEAR	452,323	354,363
Net income allocated to the following provinces or territories		
Alberta	292,362	227,554
Saskatchewan	72,071	56,694
Manitoba	79,305	63,468
Yukon Territory	2,880	2,299
Northwest Territories and Nunavut	5,705	4,348
	452,323	354,363

See accompanying notes

Western Canada Lottery Corporation
BALANCE SHEET

As at March 31

	2011	2010
	\$	[000's] \$
ASSETS		
CURRENT		
Cash	58,780	20,444
Accounts receivable	6,990	2,813
Inventories (Note 4)	3,307	3,709
Prepaid expenses	11,188	30,156
	80,265	57,122
PROPERTY, PLANT AND EQUIPMENT (Note 5)	20,368	23,749
INTANGIBLE ASSETS (Note 6)	7,641	6,503
	108,274	87,374

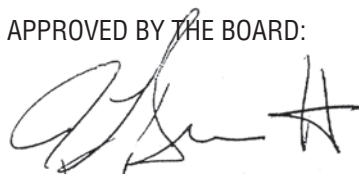
LIABILITIES

CURRENT

Prizes payable	21,874	24,400
Accounts payable and accrued charges	14,810	12,054
Payable to Interprovincial Lottery Corporation	7,745	1,559
Deferred revenue	14,777	8,652
Due to Provincial Governments or appointed organizations	49,068	40,709
	108,274	87,374

See accompanying notes

APPROVED BY THE BOARD:



Director



Director

Western Canada Lottery Corporation
STATEMENT OF CHANGES IN AMOUNTS DUE TO PROVINCIAL
GOVERNMENTS OR APPOINTED ORGANIZATIONS

Year ended March 31

	2011	2010
	\$	[000's] \$
<hr/>		
Due to Provincial Governments or appointed organizations, beginning of year	40,709	40,790
Add net income for the year	452,323	354,363
	<hr/>	<hr/>
	493,032	395,153
<hr/>		
Deduct		
Distributions during the year	431,936	342,687
Payment to the Federal Government on behalf of the Provincial Governments (<i>Note 7</i>)	12,028	11,757
	<hr/>	<hr/>
	443,964	354,444
<hr/>		
Due to Provincial Governments or appointed organizations, end of year	49,068	40,709
<hr/>		
Due as follows		
Alberta	28,841	25,446
Saskatchewan	11,409	9,166
Manitoba	7,538	5,152
Yukon Territory	444	363
Northwest Territories and Nunavut	836	582
	<hr/>	<hr/>
	49,068	40,709
<hr/>		

See accompanying notes

Western Canada Lottery Corporation
STATEMENT OF CASH FLOWS

Year ended March 31

	2011	2010
	\$ [000's]	\$
OPERATING ACTIVITIES		
Net income for the year	452,323	354,363
Item not affecting cash		
Amortization - Property, Plant and Equipment	6,148	5,932
Amortization - Intangible Assets	566	610
	459,037	360,905
 Changes in non-cash operating working capital items (<i>Note 10</i>)	 27,778	 (10,420)
	486,815	350,485
 FINANCING ACTIVITIES		
Distributions to Provincial Governments or appointed organizations	(431,936)	(342,687)
Payment to Federal Government (<i>Note 7</i>)	(12,028)	(11,757)
	(443,964)	(354,444)
 INVESTING ACTIVITIES		
Purchase of capital assets - net of disposals		
Property, Plant and Equipment	(1,962)	(1,083)
Intangible Assets	(2,553)	(1,483)
	(4,515)	(2,566)
 INCREASE IN CASH DURING THE YEAR	 38,336	 (6,525)
CASH POSITION, BEGINNING OF YEAR	20,444	26,969
CASH POSITION, END OF YEAR	58,780	20,444

See accompanying notes

Western Canada Lottery Corporation

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

1. NATURE OF THE CORPORATION

The Western Canada Lottery Corporation (The 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, the Northwest Territories and Nunavut, 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 WESTERN 649, PICK 3, SPORT SELECT, KENO, PAYDAY, EXTRA and SCRATCH 'N WIN lottery games and participates in the conduct of the LOTTO 6/49, LOTTO MAX, SUPER 7, SPECIAL EVENT (MILLIONAIRE LIFE) and NATIONAL SCRATCH 'N WIN lotteries through the Interprovincial Lottery Corporation. In addition, the Corporation manages projects 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 LOTTO 6/49, LOTTO MAX, SUPER 7, SPECIAL EVENT (MILLIONAIRE LIFE) and NATIONAL SCRATCH 'N WIN lotteries in its members' jurisdictions. The Ontario Lottery and Gaming Corporation, Loto Quebec, the Atlantic Lottery Corporation and the British Columbia Lottery Corporation are the other Regional Marketing Organizations.

All figures contained in the following financial statements are in Canadian dollars.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared in accordance with accounting principles generally accepted in Canada. 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 LOTTO 6/49, LOTTO MAX, SUPER 7, SPECIAL EVENT (MILLIONAIRE LIFE) and NATIONAL SCRATCH 'N WIN lotteries

As the Corporation is a Regional Marketing Organization for the LOTTO 6/49, LOTTO MAX, SUPER 7, SPECIAL EVENT (MILLIONAIRE LIFE) and NATIONAL SCRATCH 'N WIN lotteries, it pays the Interprovincial Lottery Corporation its share of the cost of prizes for these games as well as its share of ticket printing costs for the NATIONAL SCRATCH 'N WIN lotteries. These costs amount to \$367,003,000 (2010 - \$234,806,000) and are included in Western Canada Lottery Corporation's expenses.

Western Canada Lottery Corporation

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

In addition, the Corporation's share of the Interprovincial Lottery Corporation's operating expenses, amounting to \$1,104,100 (2010 - \$1,036,000), and interest revenues, amounting to \$426,000 (2010 - \$369,000) are included in the Western Canada Lottery Corporation's expenses and interest and other income respectively.

[b] Revenue recognition

Lottery revenue is recorded as of the date of the draw with the exception of SCRATCH 'N WIN game revenue which is recorded at the time the retailer activates a specific book of tickets via the on-line accounting system for sale to customers.

[c] Inventories

Inventory values are reported in accordance with Section 3031 "Inventories", which establishes standards on the definition of 'cost' to include all costs of purchase (net of supplier payment discounts), costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In addition, this standard requires companies to assess the recoverability of inventory costs in comparison to net realizable value. Declines in replacement cost below carrying values for raw material inventories do not require write downs if the finished goods in which they will be utilized are expected to be sold at or above cost. This standard requires disclosing, in the current period, the amount recognized as an expense and the amount recognized as a reversal of previous write-downs.

[d] Property, Plant and Equipment

Expenditures for property, plant and equipment are recorded at cost and are amortized over their estimated useful lives. Expenditures for repairs and maintenance are charged to income when incurred. When assets are sold or retired, their costs and related accumulated amortization are removed from the accounts and any gain or loss resulting from their disposal is included in income.

Accordingly, amortization is provided on a straight-line basis using the following rates:

Central gaming system hardware	Over the period to 2012
Other computer and game equipment	Over the period from 2006 to 2016
Retailer fixtures and signage	20%
Building and leasehold improvements	10%
Office furniture and fixtures	10%

Western Canada Lottery Corporation
NOTES TO FINANCIAL STATEMENTS

March 31, 2011

[e] Intangible Assets

Intangible assets are valued according to the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064, Goodwill and Intangible Assets, which establishes standards for the recognition and measurement of intangible assets and goodwill.

Accordingly, amortization is provided on a straight-line basis using the following rates:

Central gaming systems Over the period to 2015
Other computer systems Over the period from 2006 to 2020

[f] 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.

[g] Employee future benefits

The cost of the Corporation's defined benefit pension plans are determined periodically by independent actuaries. The actuarial valuation is based on the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). For the purpose of calculating the expected return on plan assets, the underlying plan assets are valued at fair value.

Actuarial gains or losses arise from the difference between actual and the expected long-term rate of return on plan assets, from changes in actuarial assumptions used or from any deviation between the assumptions used and the actual experience. The excess of the net accumulated actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the remaining service period of active employees, being 12 years.

Past service costs, if any, arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendments.

The Corporation is amortizing the transitional obligation on a straight-line basis over 13 years, which was the average remaining service period of employees expected to receive benefits under the benefit plans as of January 1, 2000.

Western Canada Lottery Corporation

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

[h] Financial Instruments

The Corporation accounts for financial instruments using CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement, which establishes the standards for recognizing and measuring financial instruments in the financial statements. The Corporation’s financial instruments consist of cash, accounts receivable, prizes payable, accounts payable and accrued charges, payable to Interprovincial Lottery Corporation and due to Provincial Governments or appointed organizations.

CICA Section 3862, Financial Instruments - Disclosures (“Section 3862”), establishes disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures, specifically, a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy under Sections 3862 are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- Level 3 - inputs for assets or liabilities that are not based on observable market data.

Cash is measured at fair value and classified within Level 1 of the fair value hierarchy. All other financial instruments are measured at amortized cost.

[i] Comprehensive income

CICA Handbook Section 1530, Comprehensive Income establishes the standards for the reporting and display of comprehensive income. The Corporation has adopted this section; however, it does not have any items that required separate recognition in Other Comprehensive Income.

[j] Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the use of management estimates and assumptions. The assets and liabilities which require management to make significant estimates and assumptions in determining carrying values include property, plant and equipment, intangible assets, as well as the accrued benefit obligation. Actual results could differ from these estimates.

Western Canada Lottery Corporation
NOTES TO FINANCIAL STATEMENTS

March 31, 2011

[k] Future Accounting Standards

The Accounting Standards Board of Canada (“AcSB”) has announced plans that will require the convergence of Canadian GAAP with International Financial Reporting Standards (“IFRS”) for publicly accountable enterprises. The changeover date from Canadian GAAP to IFRS is for annual and interim financial statements relating to fiscal years beginning on or after January 1, 2011, with comparative figures presented on the same basis. The Corporation plans to adopt IFRS standards for its 2012 fiscal year and is currently evaluating the impact of adopting these standards.

3. LOTTERY SALES

Sales revenue by product is as follows:

	2011 \$ [000's]	2010 \$
LOTTO 6/49	225,953	305,885
SCRATCH 'N WIN	285,496	262,745
LOTTO MAX	466,052	128,948
SPECIAL EVENT (MILLIONAIRE LIFE)	4,902	—
SPORT SELECT	86,138	80,089
SUPER 7	—	55,944
WESTERN 649	47,859	47,250
EXTRA	117,907	101,647
PICK 3	21,150	20,613
KENO	7,903	8,002
PAYDAY	4,289	6,026
	1,267,649	1,017,149

NATIONAL SCRATCH 'N WIN revenue is included in SCRATCH 'N WIN.

4. INVENTORIES

	March 31, 2011 \$ [000's]	March 31, 2010 \$
Office Supplies Inventory	12	4
Offline Ticket Inventory	2,865	2,845
Online Ticket Inventory	430	860
	3,307	3,709

During the fiscal year ended March 31, 2011, \$13,224 (2010 - \$14,035) of ticket inventory was recognized as an expense.

Western Canada Lottery Corporation
NOTES TO FINANCIAL STATEMENTS

March 31, 2011

5. PROPERTY, PLANT AND EQUIPMENT

	2011			2010		
	Cost \$	Accumulated Amortization \$	Net book value \$	Cost \$	Accumulated Amortization \$	Net book value \$
[000's]						
Central gaming system hardware	4,000	4,000	–	3,267	2,985	282
Other Computer systems hardware	41,412	22,475	18,937	39,615	17,548	22,067
Retailer fixtures and signage	15,849	14,474	1,375	15,471	14,071	1,400
Building and leasehold improvements	6,532	6,476	56	6,469	6,469	–
Other furniture and fixtures	1,125	1,125	–	1,125	1,125	–
	68,918	48,550	20,368	65,947	42,198	23,749

6. INTANGIBLE ASSETS

	2011			2010		
	Cost \$	Accumulated Amortization \$	Net book value \$	Cost \$	Accumulated Amortization \$	Net book value \$
[000's]						
Central gaming systems	14,631	12,529	2,102	13,749	11,895	1,854
Other Computer systems	9,386	3,847	5,539	8,455	3,806	4,649
	24,017	16,376	7,641	22,204	15,701	6,503

7. PAYMENTS TO FEDERAL GOVERNMENT

The Corporation made the following payments to the Federal Government:

	2011 \$ [000's]	2010 \$
Payment on behalf of the Provinces	12,028	11,757
Federal tax expense	6,820	5,954
	18,848	17,771

Western Canada Lottery Corporation
NOTES TO FINANCIAL STATEMENTS

March 31, 2011

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 on-going payments of \$24 million in 1979 dollars annually on an inflation adjusted basis (currently \$66.6 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 17.9% of the total in 2011 (2010 – 17.9%). 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.

8. COMMITMENTS

Leases

The Corporation leases its various premises under operating lease agreements expiring at various dates to 2013. Future minimum lease payments, including an estimate of operating costs, are as follows:

	\$ [000's]
2012	1,041
2013	840
	<hr/> 1,881 <hr/>

Western Canada Lottery Corporation
NOTES TO FINANCIAL STATEMENTS

March 31, 2011

9. EMPLOYEE FUTURE BENEFITS

The Corporation maintains defined benefit pension plans covering substantially all of its employees and employees in the Saskatchewan Video Lottery Division. The Corporation does not maintain any other retirement or post-employment benefit plans.

The Corporation measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at March 31 of each year. The most recent actuarial valuation of the pension plan for funding purposes was as of March 31, 2010 and the next required valuation will be as of March 31, 2013.

The net expense recorded for the Corporation's pension plan for the year is \$2,177,700 (2010 - \$289,200).

Information about the Corporation's defined benefit pension plan, as at year-end, is as follows:

	2011	2010
	\$ [000's]	\$
Accrued benefit obligation	(25,469)	(21,708)
Fair value of plan assets	19,919	15,372
Funded status – plan surplus (deficit)	(5,550)	(6,336)
Balance of unamortized amounts	7,707	8,199
Accrued pension asset (liability)	2,157	1,863

Plan assets consist of:

	Percentage of Plan Assets	
	2011	2010
Equity securities	55%	55%
Debt securities	45%	45%
Total	100%	100%

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows:

	2011	2010
Discount rate	5.25%	5.75%
Expected long-term rate of return on plan assets	6.50%	6.50%
Rate of compensation increase	4.50%	4.50%

Other information about the Corporation's defined benefit plan is as follows:

	2011	2010
	\$ [000's]	\$
Employers' contributions	2,326	1,803
Employees' contributions	384	341
Benefits paid	128	233

Western Canada Lottery Corporation
NOTES TO FINANCIAL STATEMENTS

March 31, 2011

10. SUPPLEMENTARY INFORMATION FOR STATEMENT OF CASH FLOWS

Net change in non-cash working capital balances related to operations:

	2011	2010
	\$ [000's]	\$
Accounts receivable	(4,177)	6,292
Receivable from		
Interprovincial Lottery Corporation	-	-
Prepaid expenses	19,012	(21,891)
Inventories	402	729
Accounts payable and accrued charges	2,756	550
Prizes payable	(2,526)	2,239
Payable to		
Interprovincial Lottery Corporation	6,186	1,499
Deferred revenue	6,125	162
	27,778	(10,420)

11. FINANCIAL INSTRUMENTS & RISK MANAGEMENT

Financial Instruments

The Corporation has made the following classifications:

Cash	Held-for-trading
Accounts Receivable	Loans and receivables
Receivable from Interprovincial Lottery	Loans and receivables
Prizes Payable	Other Liabilities
Accounts Payable and accrued charges	Other Liabilities
Payable to Interprovincial Lottery	Other Liabilities
Due to provincial governments or appointed organizations	Other Liabilities

Fair value of financial instruments

The carrying value of cash, accounts receivable, ILC receivable, prizes payable, payable to ILC, accounts payable and accrued charges approximates their fair value due to the short-term nature of these instruments.

Risk Management

(a) Credit Risk

Credit Risk represents the loss that would be recognized if parties holding financial assets of WCLC fail to honour their obligations under contract. The Corporation's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the Balance Sheet.

WCLC minimizes its credit risk on receivables by undertaking its sales transactions with a large number of retailers and requiring those retailers to remit any balance owing on a weekly basis.

Western Canada Lottery Corporation
NOTES TO FINANCIAL STATEMENTS

March 31, 2011

(b) Liquidity Risk

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations as they fall due. This risk is managed by cash flow planning and access to approved bank overdraft facilities. All of the Corporation's financial liabilities mature within one year of the balance sheet date.

(c) Interest Rate Risk

Interest rate risk is the risk that the Corporation will suffer a financial or economic opportunity loss due to an unfavourable change in interest rates. WCLC's exposures to such risks are not material due to the nature of its financial assets and liabilities.

(d) Capital Management

Section 1535 "Capital Disclosure" establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject, and, if not, the consequences of such non-compliance.

The Corporation's policy is to maintain a capital structure for the business which ensures sufficient liquidity and support for operations and positions the Corporation for future growth. The ongoing maintenance and pursuit of this policy is characterized by ongoing cash flow forecast analysis and budgeting processes directed at providing sound financial positioning for the Corporation's operations and financial management activities.

12. CONTINGENCIES

The Corporation is involved in various claims and litigation arising in the ordinary course and conduct of their business. Although such matters cannot be predicted with certainty, management does not consider the Corporation's exposure to such litigation to be material to these financial statements.

LOTTERY REVENUE DISBURSEMENT

Contact the following organizations for information regarding lottery revenue disbursement:

Alberta Gaming and Liquor Commission

50 Corriveau Avenue
St. Albert, Alberta T8N 3T5
Phone: (780) 447-8600
Fax: (780) 447-8903
albertalotteryfund.ca

Saskatchewan Lotteries

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

Manitoba Lotteries Corporation

830 Empress Street
Winnipeg, Manitoba R3G 3H3
Phone: (204) 957-2500
Fax: (204) 957-3991
mlc.mb.ca

Lotteries Yukon

101-205 Hawkins Street
Whitehorse, Yukon Y1A 1X3
Phone: (867) 633-7890
Fax: (867) 668-7561
lotteriesyukon.com

NWT Sport and Recreation Council

P.O. Box 1676
Yellowknife, Northwest Territories X1A 2P3
Phone: (867) 669-8383
Fax: (867) 669-8348
nwtsrc.com



For further information contact:

Western Canada Lottery Corporation
10th Floor, 125 Garry Street
Winnipeg, MB R3C 4J1

Phone (204) 942-8217
1-800-665-3313
Fax (204) 946-1921