

Overview Report: British Columbia Lottery Corporation Service Plans

I. Scope of Overview Report

1. This overview report attaches British Columbia Lottery Corporation (“BCLC”) Service Plans beginning with the fiscal 2002/03-2004/05 Service Plan

II. Appendices

- a. Appendix A: BCLC Service Plan Fiscal 2002/03-2004/05 (BCLC0012281).
- b. Appendix B: BCLC Service Plan Fiscal 2003/04-2005/06 (BCLC0012282).
- c. Appendix C: BCLC Service Plan Fiscal 2004/05-2006/07 (BCLC0016652) [DRAFT].
- d. Appendix D: BCLC Service Plan Fiscal 2005/06-2007/08 (BCLC0016653).
- e. Appendix E: BCLC Service Plan 2006/07-2008/09 (BCLC0016654).
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- t. Appendix T: BCLC Service Plan 2019/20-2021/22 (BCLC0016650).
- u. Appendix U: BCLC Service Plan 2020/21-2022/23 (BCLC0016651).

Appendix A

BCLC Service Plan Fiscal 2002/03-2004/05 (BCLC0012281).



File appears to be final but can not confirm -RAO 16/4/20

British Columbia Lottery Corporation

**Service Plan
Fiscal 2002/03 – 2004/05**

Appendix A

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MESSAGE FROM THE CEO

On behalf of the Board of Directors and employees of British Columbia Lottery Corporation (BCLC), I am pleased to present the Corporation's Fiscal 2002/03 – 2004/05 Service Plan.

After more than 25 years of providing high-quality gaming entertainment to British Columbians, the Corporation is facing new challenges and exciting opportunities. Our Service Plan is designed to meet these challenges in a rapidly evolving industry and increasingly competitive entertainment marketplace.

This Service Plan sets new benchmarks for high-quality gaming entertainment, economic development and social responsibility and renews our commitment to uphold the highest standards of fairness, honesty and integrity in our mandate to conduct and manage gaming in British Columbia.

BCLC employees are proud of the revenues generated for vital public services. In fiscal 2001/02 the Corporation will generate \$600 million in net income which is distributed to Government for public service programs. The Corporation's Service Plan will position the organization to increase our contribution to Government for health, social, charitable, municipal and other programs over the next three-year period within the policy framework for gaming established by Government.

We are equally proud of our contribution in supporting communities throughout British Columbia and this plan sets out our objectives in working with municipalities, communities and charitable organizations.

The Corporation will also continue to play a strong leadership role in the stewardship of the gaming business in British Columbia to ensure that gaming is presented in a socially responsible manner. This includes ensuring that appropriate problem gambling awareness, education and research programs are in place and that appropriate treatment programs are available for the small percentage of the adult population who experience problems with gambling.

In accordance with the requirements and spirit of the *Budget Transparency and Accountability Amendment Act*, BCLC is pleased to present our Service Plan for the period April 1, 2002 to March 31, 2005.

Vic Poleschuk



President and CEO

CORPORATE OVERVIEW

BCLC is responsible to conduct, manage and operate lotteries, casinos and commercial bingo in British Columbia. With its headquarters in Kamloops, a marketing office in Richmond and a branch office in Victoria, the Corporation employs a full-time equivalent (FTE) of 640 people. This includes employees based in our three offices, as well as lottery territory sales managers, casino gaming control managers, slot technicians and bingo support staff supporting gaming operations throughout the province.

The Corporation is projecting sales of \$1.6 billion and net income of \$600 million in fiscal 2001/02.

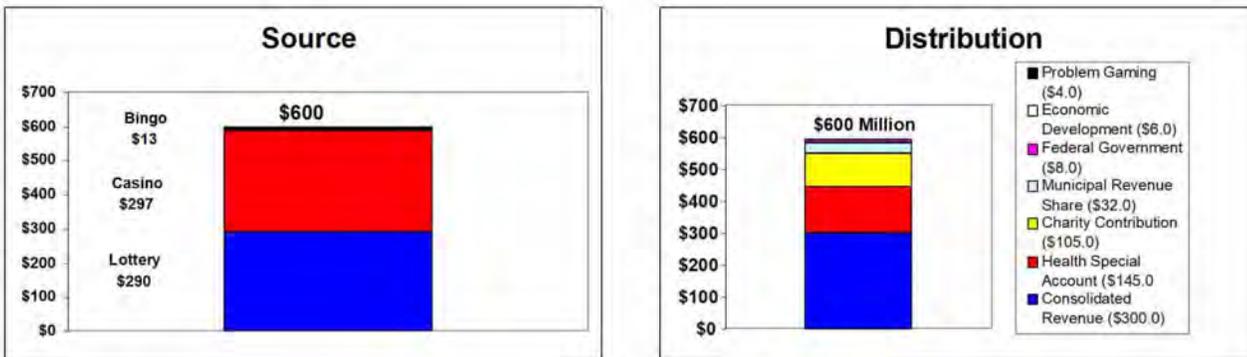
The Corporation contracts for the sale of its products through a private sector network of about 3,800 lottery retailers, 19 casinos, and 37 commercial bingo halls. The Corporation also markets linked bingo (SuperStar) through independent bingo halls. Lottery retailers receive an industry-standard commission rate to sell the Corporation's online and traditional lottery products. The Corporation has partnered with eight private sector casino service companies who provide, under contract, both casino facilities and day-to-day operational services, including casino staffing, for a service fee based on revenue generated. The Corporation has contractual agreements with about 80 commercial, independent and charitable bingo service providers who receive a service fee based on sales.

In fiscal 2001/02, BCLC will make significant economic contributions to British Columbia communities and the Government of British Columbia. These benefits include more than \$560 million in prizes to British Columbians, \$270 million in commissions and service fees to lottery, casino and bingo service business partners, \$85 million in purchase of goods and services, and \$600 million in net income reflected in the Government of British Columbia's summary financial accounts.

These funds are used to support a variety of public service programs including health, social, charitable, municipal and other Government programs as noted in Figure 1.

Gaming has also created significant direct and indirect employment opportunities in British Columbia. It is estimated that the gaming industry is responsible for the direct employment of more than 8,500 people and more than 5,000 indirect jobs.

Figure 1: Fiscal 2001/02 Sources of Gaming Income and Distribution



STRATEGIC CONTEXT

OUR MANDATE

Pursuant to amendments to the Criminal Code of Canada in 1969 and enabling legislation, British Columbia Lottery Corporation was incorporated on October 25, 1984 and is continued under the Lottery Corporation Act of British Columbia (1985). Prior to 1985, the Province of British Columbia was a partner in the Western Canada Lottery Foundation.

As an agent of the Crown, the Province has designated the Corporation as the authority to conduct and manage lottery schemes within British Columbia, including the marketing of nationwide and regional lottery games in association with other provinces of Canada. Under current provincial gaming policy, the Corporation's mandate includes responsibility to:

- Conduct, manage and operate lottery gaming
- Conduct, manage and operate casino gaming
- Conduct, manage and operate commercial bingo gaming

In September 2001, the Corporation's responsibilities were expanded to include the management of horse racing in British Columbia. The Corporation's specific role is yet to be determined.

BCLC is currently responsible to the Minister of Public Safety and Solicitor General, through a Board of Directors appointed by Government.

OUR VISION STATEMENT

TO BE A WORLD-CLASS GAMING CORPORATION

This vision entails the following:

- Provide world-class gaming products that are fun and entertaining and that meet or exceed customer expectations
- Provide exceptional service to customers, business partners and each other
- Be a responsible corporate citizen
- Exceed stakeholder expectations and deliver tangible benefits for British Columbians
- Be a flexible, innovative and learning-focused organization
- Be one of the best businesses in British Columbia, recognized by our practices and reputation

STRATEGIC CONTEXT

OUR MISSION STATEMENT

THE MISSION OF BRITISH COLUMBIA LOTTERY CORPORATION IS TO PROVIDE HIGH-QUALITY GAMING ENTERTAINMENT IN A SOCIALLY RESPONSIBLE MANNER FOR THE BENEFIT OF ALL BRITISH COLUMBIANS.

OUR VALUES

INTEGRITY

WE ARE FAIR, HONEST AND TRUSTWORTHY IN THE GAMES WE OFFER AND THE WAY WE CONDUCT BUSINESS

SOCIAL

WE GIVE CAREFUL CONSIDERATION TO THE SOCIAL VALUES AND IMPACTS ON THE PEOPLE AND COMMUNITIES OF BRITISH COLUMBIA IN ALL WE DO

EXCELLENCE

WE STRIVE FOR EXCELLENCE IN OUR WORK PRACTICES, PRODUCTS AND RELATIONSHIPS

RESPECT

OUR WORKPLACE FOSTERS OPENNESS, MUTUAL RESPECT AND INDIVIDUAL DEVELOPMENT

PLANNING CONTEXT AND KEY STRATEGIC ISSUES

Macro Trends – Scanning Ahead

BCLC, like other major businesses, is experiencing significant changes in the environment and marketplace in which it operates. Rapidly evolving technology, increasing competition from both within and outside of British Columbia's borders, the Internet, changing demographics and changes in political and social attitudes are impacting how gaming is conducted and managed in British Columbia.

Perhaps most significantly, the responsibility to conduct and manage casino gaming in the province places the Corporation's business at the centre of one of British Columbia's most sensitive public policy issues.

The following environmental scan identifies the critical issues, opportunities and challenges ahead and guides strategic management of the Corporation to achieve the goals and objectives as identified in this Service Plan.

Corporate Mandate

On September 14, 2001, Government announced a change in the gaming regulatory and operational model for British Columbia. The five agencies responsible for gaming – Gaming Policy Secretariat, British Columbia Gaming Commission, B.C. Racing Commission, Gaming Audit and Investigation Office and BCLC were consolidated into two organizations – BCLC and Gaming Policy and Enforcement Branch (GPEB). Both organizations report to the Ministry of Public Safety and Solicitor General. GPEB is responsible for the development of policy, standards, regulation and enforcement for all gaming in British Columbia. BCLC is responsible to conduct, manage and operate lotteries, casinos, commercial bingo and horse racing in British Columbia. Commercial bingo and horse racing represent new responsibilities for the Corporation.

BCLC assumed responsibility for commercial bingo January 15, 2002. The Corporation's specific role for the management of horse racing is yet to be fully determined.

On January 16, 2002, Government announced its intentions for casino gaming in British Columbia, which will permit the relocation of a limited number of casinos to new full service facilities with slot machines in willing host municipalities. This decision balances Government's commitment to its New Era policy on expansion of gaming and legal considerations.

Core Services Review

In June 2001, Government identified the Core Services Review as one of the key initiatives in the new strategic vision for British Columbia. The Core Services Review is a comprehensive and rigorous examination of all provincial programs, activities and business units with the overall objective of ensuring government is efficient and effective. While the outcome of this comprehensive review on the Corporation is still under development, it is the organization's goal in fiscal 2002/03 to assume responsibility for commercial bingo and manage existing operations with a reduction in general operating costs.

This Service Plan may be amended based on further policy direction from Government and the outcome of the Core Services Review, which is expected to be completed in the Spring of 2002.

Products and Markets

The Corporation currently markets three major forms of gaming entertainment in British Columbia — lottery, casino and bingo. Lotteries have been part of the retail market in British Columbia for 28 years and are considered a mature product. Over the last five-year period, growth in lottery sales has roughly matched inflation.

While casinos have been part of the British Columbia marketplace for some time, only since the Government policy decision to introduce slot machines in 1997 have casinos become a significant generator of gaming revenue for the province. While there is still considerable growth opportunity for casino gaming in British Columbia, moderate growth is forecast and will be within the framework of Government's policy for casino gaming.

PLANNING CONTEXT AND KEY STRATEGIC ISSUES

Bingo is probably the oldest form of gaming in British Columbia. In recent years, the bingo market in British Columbia and Canada has been declining, primarily due to changing demographics, technology and competition from other forms of gaming entertainment. With the Corporation assuming responsibility for commercial bingo on January 15, 2002, the organization believes there are opportunities for growth through the upgrading of facilities and the development of innovative new products.

Technology

Rapidly evolving communications and entertainment technologies mean new competition, additional costs and changing customer expectations. The Internet is dissolving historical commercial and geographic barriers, but technology is also bringing new efficiencies, new markets and new products.

The Corporation is acting to ensure that enabling technologies and skills are in place to support new revenue opportunities, innovation and operational effectiveness. New technologies and e-business operations will be active by 2003/04, together with new in-house capacity to adopt and modify new technologies to meet the Corporation's business requirements.

Competition

Increasing competition for the discretionary dollars of British Columbians will continue to affect the Corporation's business environment. With globalization, e-commerce, and the advent of "big-box" retailers, consumer attitudes and expectations are shifting rapidly.

Consumers are becoming more sophisticated and knowledgeable about their options in the marketplace when it comes to pricing, brand loyalty and fulfilment in all discretionary spending. High-quality and larger gaming facilities in other jurisdictions will continue to set the competitive standard for British Columbia casinos.

Competing lotteries, expanded gaming in neighbouring jurisdictions and Internet gaming present strong new challenges. It is estimated current Internet gaming revenues are in the range of \$1 billion (U.S.) worldwide and will increase to more than \$6 billion in the next three to four years.

While the Corporation is facing increasing competition, the organization is well positioned to compete through new products, new or upgraded gaming facilities and a strong knowledge, expertise and skill advantage in the British Columbia entertainment marketplace.

Demographics

The Corporation will continually adapt to meet the changing demands of British Columbia consumers, whether they are new to gaming or part of a growing group of aging players.

A new generation of players is demanding excitement, adventure and an element of reality in their entertainment. At the same time, a growing segment of British Columbians are seeking high-quality entertainment that combines social and community responsibility with a positive gaming experience.

Globalization and the expanding New Economy are shifting traditional patterns of wealth in British Columbia to create an entertainment marketplace offering many options, along with players who demand greater entertainment value for every discretionary dollar spent.

Demographics and cultural shifts are not only changing public expectations of the Corporation's products and services. The changing nature of the workforce is resulting in stiffer competition when it comes to recruiting and keeping talented employees with specialized skills.

PLANNING CONTEXT AND KEY STRATEGIC ISSUES

Social Considerations

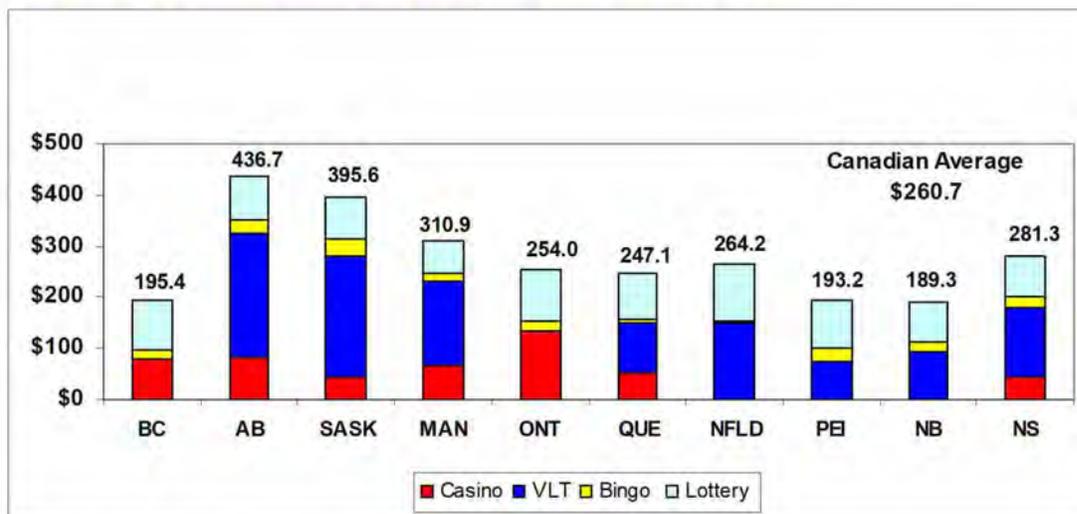
The Corporation and Government recognize that aspects of gaming policy are inherently controversial. Of the total adult population, it is estimated 96% do not have problems with gambling, and most that choose to participate, do so for social and recreational purposes. About 4% have varying degrees of gambling problems. In fiscal 2001/02, Government increased the annual funding for problem gambling programs to \$4 million from \$2 million. The Corporation recognizes the importance of ensuring that problem gambling issues are addressed through public awareness, education and treatment programs and will continue to play a strong leadership role in ensuring that an appropriate problem gambling risk management strategy and programs are in place.

Market Development – A Canadian Context

With the introduction of a new British Columbia gaming policy in 1997, the Corporation's sales have increased from \$867.5 million to a projected \$1.6 billion in fiscal 2001/02. The majority of the increase has resulted from the introduction of slot machines in community casinos and the opening of two new destination casinos.

While gaming in British Columbia has grown significantly over the last few years, relative to other provinces in Canada, the adult per capita levels of gaming are moderate. In 1992, on a per capita basis, British Columbia ranked fourth among the provinces. Only the Atlantic provinces that had introduced video-lottery terminals ranked ahead of British Columbia. Since this date, British Columbia's per capita gaming income has declined to eighth position among the provinces.

Figure 2: Per Capita Adult Gaming in Canada – March 31, 2000



Source: Canada West Foundation – August 2001

British Columbia's lower per capita gaming revenues reflect the more rapid expansion of gaming in other provinces, specifically gaming relating to the introduction of large-scale casinos and video-lottery terminals. Currently, British Columbia has less than one slot machine for every 1,000 adult residents. This compares to the Canadian average where there are about three slot machines or video-lottery terminals for every 1,000 adults. The Corporation's financial projections included in the Service Plan project moderate levels of gaming participation in the province consistent with Government's current gaming policy.

GOALS, OBJECTIVES, STRATEGIES AND PERFORMANCE MEASURES

In fiscal 2000/01, the Corporation developed a five-year strategic plan for the organization. This plan reflects expanded responsibilities and provides a longer-term vision for the development of lottery, casino and bingo gaming in British Columbia. The Corporation is continuing to develop and refine its strategic plan. Specifically, further work is required on developing the objectives, strategies and performance measures as they relate to the Corporation's business units.

The Corporation has six key goals that reflect our business plan and define critical elements moving towards our vision of being a "World-class Gaming Corporation."

1. To Provide High-Quality Gaming Entertainment

Focusing on products, services and distribution channels, the Corporation has set a target to produce 10 per cent of revenue through new products and improved availability of products by 2004/05.

The Corporation will establish new strategic alliances to facilitate the development and delivery of innovative lottery products and services, increase investment in new product research and development, and enhance distribution channels to provide higher levels of fun, entertainment and convenience to our customers.

The Corporation will also focus on enhancements to casino gaming to attract a broader player base, increase the entertainment value, compete more effectively with out-of-province casinos, and increase the economic and tourism benefits to communities. Development of competitive products, the establishment of new casino facilities through limited community casino relocations, and improved customer services will be a key focus over the next three years.

Bingo gaming will undergo a similar transformation as the Corporation and bingo industry develop and implement a joint strategic business plan, designed to build a strong and healthy industry in British Columbia. Our goal is an increased player base with higher levels of customer entertainment and satisfaction, and to build stronger relationships between the Corporation and bingo industry stakeholders.

Objectives				
<ul style="list-style-type: none"> Grow all business segments through the development of new innovative products and services. Broaden the overall customer base by increasing the entertainment value of products offered to the public. Develop a casino model that has long-term sustainability and maximizes the economic and tourism benefits for the province. Reposition bingo to attract a broader customer base and to increase the entertainment value of products offered. 				
Strategies				
<ul style="list-style-type: none"> Provide more interactive products to increase the level of entertainment. Develop and enhance distribution channels to make it more convenient for our customers to play and to provide a higher level of fun and entertainment. Upgrade and relocate existing gaming facilities to provide a greater entertainment experience. 				
Performance Measures	2001/02	2002/03	2003/04	2004/05
Revenue growth generated by new products	Baseline	1%	5%	10%
Customer satisfaction rating (lottery)	86%	90%	90%	95%
Relocate or open new casinos	Baseline	1 destination	2 relocations	2 relocations

GOALS, OBJECTIVES, STRATEGIES AND PERFORMANCE MEASURES

2. To be a Socially Responsible, Trustworthy, Community-Orientated Organization with a Broadened Base of Public Support

The Corporation will continue its positive role in the lives of British Columbians and their communities, with a target of continued involvement in and support for local and provincial community-service activities and programs.

We will continue fulfilling our responsibilities as a leading corporate citizen in British Columbia by building strong, mutually beneficial relationships with communities, charities and volunteer organizations.

The Corporation is also placing the highest priority on reducing the social harms of gaming over the course of this three-year plan. While the vast majority of our customers play responsibly, a small but significant number of individuals require assistance with gambling problems.

In 1996, the Corporation engaged an independent research firm to conduct a study on problem gambling. This survey found that the current proportion of pathological gamblers was 1.1% and potential problem gamblers was 2.8%, roughly equivalent to the benchmark estimates from a survey completed in 1993. In fiscal 2002/03, in conjunction with the Provincial Government, the Corporation will replicate the problem gambling survey to determine if there has been any change in the incidence of problem gambling in British Columbia.

In March 2001, funding from gaming revenues to the Ministry for Children and Families' Problem Gambling Program was increased to \$4 million annually. The Corporation will continue to support funding to the Problem Gambling Program that is now administered under the Ministry of Health Services.

In addition, the Corporation will continue to develop its Responsible Gambling Program with the goal of providing greater public awareness and understanding of gaming and its social and economic impacts in British Columbia — both positive and negative.

Our goal is to play a key role in managing the risks and encouraging a downward trend in the social costs related to gaming in British Columbia through awareness and responsible play initiatives and as the result of continued joint efforts with the Government of British Columbia and problem gambling organizations.

Objectives				
<ul style="list-style-type: none"> • Build a corporate image that reinforces the following attributes: social responsibility, community focus, collaborative relationships, integrity, fun and entertainment, and well managed. • To be a strong community-minded good corporate citizen. • Actively participate in improving education, awareness, and access to information and resources for problem gambling. • Support the appropriate funding of problem gambling programs. 				
Strategies				
<ul style="list-style-type: none"> • Create greater public awareness of the benefits and beneficiaries of gaming. • Support communities through select community event sponsorships. • Develop industry-leading risk management strategies and responsible gaming programs. • Support Government in the development and maintenance of an effective problem gambling program. 				
Performance Measures	2001/02	2002/03	2003/04	2004/05
Public support rating	52%	55%	60%	65%
Maintain problem gambling funding	\$4 million	\$4 million	\$4 million	\$4 million

GOALS, OBJECTIVES, STRATEGIES AND PERFORMANCE MEASURES

3. To be a Responsive, Customer-Focused Organization

The Corporation will continue to review the policies, processes and procedures that guide our relationships with business partners and customers, targeting the highest possible levels of consumer and business partner satisfaction.

Our goal is to make it easy and enjoyable for our customers and those who sell our products to do business with the Corporation. We will take steps to ensure our business partners have timely and accurate access to information and to provide greater involvement in our business and business decisions. We will also strengthen our ongoing relationships with business partners with a goal of increasing the value of being a BCLC business partner.

Objectives				
<ul style="list-style-type: none"> • Make it easy for customers to do business with us. • Make it easy for business partners to do business with us. • Foster loyalty among customers and business partners. 				
Strategies				
<ul style="list-style-type: none"> • Develop products and services with the customers' needs in mind. • Review all existing policies and processes from our business partners' perspective and make changes where necessary. • Develop a closer relationship with individual customers and business partners. 				
Performance Measures	2001/02	2002/03	2003/04	2004/05
Customer satisfaction rating (lottery)	86%	90%	90%	90%
Business partner satisfaction ratings (lottery)	91%	90%	95%	95%
Establish baseline customer and business partner satisfaction ratings for casino and bingo operations	N/A	Establish baselines	5% > baseline	10% > baseline

GOALS, OBJECTIVES, STRATEGIES AND PERFORMANCE MEASURES

4. To Maintain a Corporate Culture that Values Innovation and Excellence and is Committed to Employing the Best Possible People and Realizing their Potential

The Corporation is continuing to manage recent transition and change, with the objective of attaining the highest possible positive employee satisfaction ratings and creating opportunities for individual skill and career development.

Our goal is to create greater involvement by all employees, to implement the action plan developed through our employee surveys, and to provide all of our employees with enhanced training and development opportunities throughout their career with the Corporation.

We will attract, develop and retain the best possible people in a workplace that values and rewards leadership, innovation and excellence. Our target is measured progress toward a corporate culture of shared values in a positive climate that fosters innovation, is open to change, and remains committed to realizing the potential of every employee.

Objectives				
<ul style="list-style-type: none"> • Make measured progress towards our values and preferred culture by encouraging innovation and openness to change. • Attract, develop and retain the right people with the right skills. 				
Strategies				
<ul style="list-style-type: none"> • Pay fair compensation and recognize employees for their value. • Provide all employees with development and training opportunities. • Improve communication with employees to ensure they have a good understanding of the Corporation's goals, objectives and strategies. 				
Performance Measures	2001/02	2002/03	2003/04	2004/05
Maintain or increase employee satisfaction rating	74.0%	75%	75%	>75%
Maintain or reduce employee turnover rate	4.4%	<5%	<5%	<5%
Maintain or reduce employee absenteeism	2.2%	<2.5%	<2.5%	<2.5%

GOALS, OBJECTIVES, STRATEGIES AND PERFORMANCE MEASURES

5. To be an Efficient and Effective Business, Managing Our Resources Well and Delivering Tangible Results for British Columbians

As part of the Core Services Review, the Corporation is currently implementing business improvement initiatives designed to change or eliminate existing processes and procedures with the goal of improving the overall effectiveness of the organization and reducing costs. Our goal is to perform at or better than the best practices within our industry. The Corporation is currently examining best practices and determining performance benchmarks through evaluation of other gaming jurisdictions and similar industries.

As part of the Core Services Review, the Corporation is targeting to reduce operating expenses from a projected 5.8% of sales in fiscal 2001/02 to 5% of sales in fiscal 2002/03 and a further reduction to 4.7% of sales in fiscal 2003/04.

Objectives				
<ul style="list-style-type: none"> • Ensure enabling technologies and technical skills are in place to support revenue opportunities, innovation and operational effectiveness. • Perform strategic and core activities at or better than industry best practices. • Maximize operational effectiveness by reengineering business processes or divesting non-core, non-strategic functions that can be done more effectively and efficiently elsewhere. 				
Strategies				
<ul style="list-style-type: none"> • Invest in gaming and business technology to ensure sufficient capacity and capability when required. • Implement a business improvement project to evaluate all business processes with the goal of improving existing processes and eliminating redundant or unnecessary processes. 				
Performance Measures	2001/02	2002/03	2003/04	2004/05
Reduce operating costs as a percentage of sales	5.8%	5.0%	4.7%	4.7%
Implement business improvement opportunities identified in Core Services Review	Identify opportunities and benchmarks	In progress	Complete	Continuous improvement
Online game system availability	99.9%	99.9%	99.9%	99.9%

GOALS, OBJECTIVES, STRATEGIES AND PERFORMANCE MEASURES

6. To Generate Gaming Revenue and Continue Our Contributions to the Economic Development of British Columbia Communities

Revenue Growth

Fulfilment of the strategies and goals set out in the Strategic Business Plan will enable the Corporation to reach fiscal 2004/05 revenue projections of almost \$2 billion through growth of our existing business operations. Net income over this same planning period is targeted at \$765 million.

Lottery

Initiatives and strategies to develop and enhance our lottery network are under way, together with research and development toward new lottery products and distribution channels. Our target for lottery sales is just over \$1 billion in fiscal 2004/05 with net income of about \$305 million.

Casino

Growth in casino revenues over the three-year planning window will be driven by the continued upgrading of facilities, products and services within Government's current gaming policy. Our goal is to make British Columbia casinos the first gaming choice for residents and tourists by competing more effectively with gaming entertainment offered in neighbouring United States regions, other provinces and the Internet.

Revenues (after prizes) are targeted to reach \$755 million in fiscal 2004/05 with net income of about \$435 million.

Bingo

Initiatives to enhance existing bingo facilities, products and marketing are projected to increase bingo sales to \$215 million in fiscal 2004/05 with net income of more than \$25 million. Our focus will be to increase bingo revenues to charities, build stronger stakeholder relationships, and to increase the player base by adopting electronic gaming technologies and strengthening the social and economic benefits of bingo gaming for communities and local service organizations.

Objectives				
<ul style="list-style-type: none"> Improve operating results through the continued development and introduction of innovative new products and distribution channels that meet marketplace demand. 				
Strategies				
<ul style="list-style-type: none"> Continued upgrading of all gaming sectors to ensure products are competitive with neighbouring jurisdictions and meet marketplace demands. Invest in research to ensure e-business opportunities are identified and evaluated. 				
Performance Measures	2001/02	2002/03	2003/04	2004/05
Achieve revenue targets	\$1.6 billion	\$1.8 billion	\$1.9 billion	\$2.0 billion
Achieve income targets	\$600 million	\$660 million	\$715 million	\$765 million

SUMMARY FINANCIAL OUTLOOK

	Fiscal 2001/02 Forecast	Fiscal 2002/03 Budget	Fiscal 2003/04 Forecast	Fiscal 2004/05 Forecast
Revenue (\$ in thousands)				
Lottery	\$950,000	\$980,000	\$1,000,000	\$1,020,000
Casino	538,000	615,000	690,000	755,000
Bingo	92,800	205,000	210,000	215,000
Total Revenues	\$1,580,800	\$1,800,000	\$1,900,000	\$1,990,000
Total Expenses	980,800	1,140,000	1,185,000	1,225,000
Net Income	\$600,000	\$660,000	\$715,000	\$765,000

Key Assumptions

Enhance lottery network

Limited relocated community casinos

No new destination casinos beyond those approved in principle by Government

The Corporation assumes responsibility for commercial bingo operations January 15, 2002

Forecast Risks and Sensitivities

Assumes gaming revenues are not adversely impacted by a significant and prolonged economic downturn in British Columbia

Assumes the introduction of smoking regulations will not have a significant and long-term impact on gaming revenues

STRATEGIC INITIATIVES

The Corporation's goals will be achieved through the following strategic initiatives:

Enhancement of existing business to \$2 billion in revenues, focusing over the next 36 months on

- Upgrading and relocating a limited number of community casinos
- Developing and improving our lottery retail networks
- Continued development of the commercial bingo market

Preparing for future transformational growth in a changing marketplace

- Development of innovative entertainment products and distribution channels
- Development of a more competitive casino model to maximize long-term economic and tourism benefits to British Columbia

Building a stronger social contract with British Columbians and their communities

- Provide open and balanced information on gaming including communicating the benefits and beneficiaries of gaming
- Minimize the negative social impacts from gaming through a comprehensive socially responsible gaming strategy
- Be a strong community-minded good corporate citizen
- Develop strong community and stakeholder relationships

Strengthening our Government relationships

- Provide reliable and balanced information regarding the gaming industry and related issues
- Proactively participate in and support the development of sound responsible Government gaming policy
- Provide enhanced accountability to Government through improved reporting and communication

Focusing on operational excellence in our people, practices, systems, and competitive position

MAJOR CAPITAL INFORMATION

British Columbia Lottery Corporation has no plans for capital programs that exceed \$50 million.

APPENDIX 1 - PERFORMANCE MEASURE DESCRIPTIONS

Revenue Growth Generated by New Products

This category measures the cumulative growth of sales, as a percentage of total sales, generated by new products introduced by the Corporation. New products include the introduction of games that are substantially different from existing product offerings. This measure reports on cumulative new sales growth beginning in fiscal 2002/03 through the three-year period to fiscal 2004/05.

Customer Satisfaction Rating (Lottery)

This category measures customer satisfaction with the level of service provided by retailers who sell lottery products. This information is obtained through an annual survey of lottery players completed by an external research agency.

Relocate or Open New Casinos

Current gaming policy allows for a limited relocation of existing community casinos and the development of destination casinos that have been approved in principle by government. The Corporation's business plan provides for the opening of one new destination casino in fiscal 2002/03, two community casino relocations in fiscal 2003/04 and a further two community casino relocations in fiscal 2004/05.

Public Support Rating

This category measures the percentage of people surveyed in B.C. who have a favourable impression of the British Columbia Lottery Corporation. In a monthly survey conducted by an external research agency, individuals are asked if they view the Corporation as very favourable, somewhat favourable, neither favourable or unfavourable, somewhat unfavourable or very unfavourable.

Maintain Problem Gambling Funding

This category measures the dollar value of funding provided from gaming revenue for problem gambling programs. By working in partnership with the Government of BC, social agencies and treatment providers, the Corporation plays a key role in addressing problem gambling issues through public awareness, education, research and treatment programs. In fiscal 2001/02, the Corporation supported Government's initiative to increase funding from \$2 million to \$4 million annually.

Business Partner Satisfaction Rating (Lottery)

This category measures retailer satisfaction with the level of service provided by the Corporation to lottery retailers. Services provided by the Corporation include sales support, technical assistance, tel-sell, marketing support, product delivery, training, and account inquiry services. This information is obtained through an annual survey completed by an external research agency.

Establish Baseline Customer and Business Partner Satisfaction Ratings for Casino and Bingo Operations

In fiscal 2002/03, the Corporation will establish baseline data that measure both customer and business partner satisfaction levels for casino and bingo gaming operations.

Maintain or Increase Employee Satisfaction Ratings

This category measures the overall employee satisfaction of employees of the British Columbia Lottery Corporation. The Corporation, with the assistance of an external consulting firm, conducted a survey of its more than 600 employees in April 2000. Employees were asked to rate their satisfaction on 20 attributes relating to employee satisfaction. The measure is a composite of all factors. The Corporation will continue to measure employee satisfaction with periodic informal surveys and a formalized survey at least once every three years.

APPENDIX 1 - PERFORMANCE MEASURE DESCRIPTIONS

Maintain or Reduce Employee Turnover Rate

This category measures the number of employees leaving the Corporation, excluding retirements, disability leave and terminations.

Maintain or Reduce Employee Absenteeism

This category measures the Corporation's rate of absenteeism. Absenteeism includes sick days and short term disability but does not include long-term disability, compassionate leave, general leave with pay or maternity leave.

Reduce Operating Costs as a Percentage of Sales

This category measures the ratio of operating costs as a percentage of sales. Operating costs include all costs excluding direct costs, amortization, other income and GST.

Implement Business Improvement Opportunities Identified in Core Services Review

As part of Government's Core Services Review, the Corporation has identified business improvement opportunities that, when implemented, will result in more effective and efficient operations. The Corporation plans on implementing these initiatives over the next two-year period. This category will track the Corporation's progress in implementing these business process improvement initiatives.

Online Game System Availability

This category measures the availability of the Corporation's online gaming system to the lottery retail network. The online game system supports online sales and prize validations for a network of approximately 3,800 retailers.

Achieve Revenue Targets

This category measures revenues generated from lottery, casino and bingo operations. Revenue from all games are recorded in the period the product is sold. Lottery and bingo revenues are recorded before prizes. Revenues from slot machines and table games are recorded net of prizes.

Achieve Income Targets

This category measures the Corporation's net income as reported in the consolidated financial statements. Net income is reported in accordance with generally accepted accounting principles.

Appendix B

BCLC Service Plan Fiscal 2003/04-2005/06 (BCLC0012282).



File appears to be final but can not confirm -RAO 16/4/20

British Columbia Lottery Corporation

**Service Plan
Fiscal 2003/04 – 2005/06**

Appendix B

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MESSAGE FROM THE CEO

On behalf of the Board of Directors and employees of British Columbia Lottery Corporation (BCLC), I am pleased to present the Corporation's Fiscal 2003/04 – 2005/06 Service Plan.

After more than 25 years of providing high-quality gaming entertainment to British Columbians, the Corporation is facing new challenges and exciting opportunities. Our Service Plan is designed to meet these challenges in a rapidly evolving industry and increasingly competitive entertainment marketplace.

This Service Plan sets new benchmarks for high-quality gaming entertainment, revenue contributions to government and social responsibility. It renews our commitment to uphold the highest standards of fairness, honesty and integrity in our mandate to conduct and manage gaming in British Columbia.

BCLC employees are proud of the revenues generated for vital public services. In fiscal 2002/03 the Corporation will generate \$670 million in net income which is distributed to Government for public service programs including:

- over \$334 million to support health, education, social and other government programs;
- over \$150 million dedicated directly to Healthcare special programs;
- over \$128 million distributed to about 2,300 charitable organizations for community services, projects and benefits all throughout the Province;
- nearly \$38 million distributed to municipalities for community capital and operating programs; and
- \$4 million dedicated to fund special programs and treatment services to address problem gambling.

The Corporation's Service Plan will position the organization to increase our contribution to Government for health, social, charitable, municipal and other programs over the next three-year period within the government's policy framework for gaming.

We are also equally proud of our significant economic contributions generated throughout British Columbia including over \$600 million in prizes paid to British Columbians; \$310 million paid to our lottery, casino and bingo partners and over \$130 million in the purchase of equipment, goods and services. Through this economic activity, it is estimated that the gaming industry is responsible for the direct employment of more than 8,500 people and more than another 5,000 indirect jobs within the province.

The Corporation will also continue to play a strong leadership role in the stewardship of the gaming business in British Columbia to ensure that gaming is presented in a socially responsible manner. This includes ensuring that appropriate problem gambling awareness, education and research programs are in place. Appropriate treatment programs will continue to be available for the small percentage of the adult population who experience problems with gambling.

In accordance with the requirements and spirit of the *Budget Transparency and Accountability Amendment Act*, BCLC is pleased to present our Service Plan for the period April 1, 2003 to March 31, 2006.

Vic Poleschuk



President and CEO

CORPORATE OVERVIEW

BCLC is responsible to conduct, manage and operate lotteries, casinos and commercial bingo in British Columbia. With its headquarters in Kamloops and a sales and marketing office in Richmond, the Corporation employs a full-time equivalent (FTE) of approximately 560 staff. This includes employees based in our two offices, as well as lottery, casino, and bingo support staff in gaming operations throughout the province.

The Corporation is projecting sales of \$1.8 billion and net income of \$670 million in fiscal 2002/03.

The Corporation contracts for the sale of its products through a private sector network of about 4,000 lottery retailers, 19 casinos, and 34 commercial bingo halls. Lottery retailers receive an industry-standard commission rate to sell the Corporation's on-line and traditional lottery products. The Corporation has partnered with eight private sector casino service companies. They provide, under contract, both casino facilities and day-to-day operational services, including casino staffing, for a service fee based on revenue generated. The Corporation also has contractual agreements with commercial, independent and charitable bingo service providers who receive a service fee based on sales.

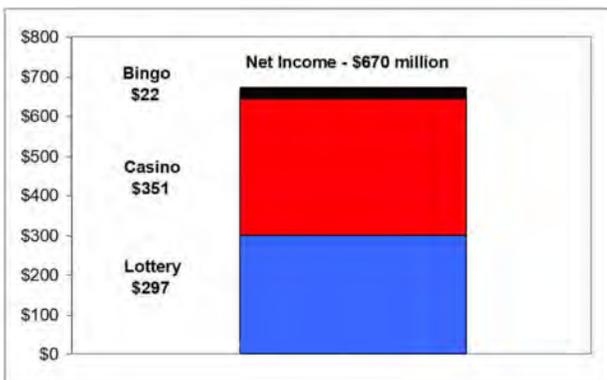
In fiscal 2002/03, BCLC will make significant economic contributions to British Columbia communities and the Government of British Columbia. These benefits include more than \$600 million in prizes to British Columbians, \$310 million in commissions and service fees to lottery, casino and bingo service business partners, approximately \$130 million in purchase of equipment, goods and services, and \$670 million in net income reflected in the Government of British Columbia's summary financial accounts.

These funds are used to support a variety of public service programs including health care, education, social, charitable, municipal and other Government programs as noted in Figure 1.

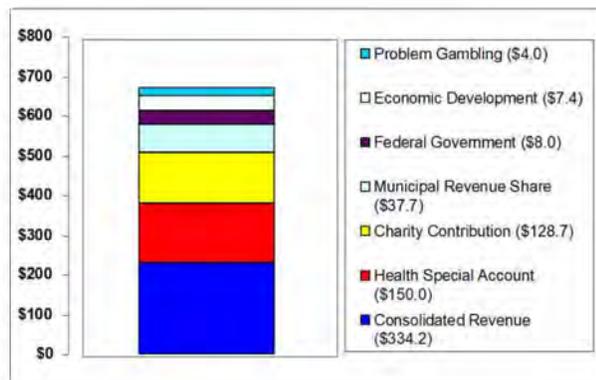
Gaming has also created significant direct and indirect employment opportunities in British Columbia. It is estimated that the gaming industry is responsible for the direct employment of more than 8,500 people and more than 5,000 indirect jobs.

Figure 1: Fiscal 2002/03 Sources of Gaming Income and Distribution

Sources of Net Income



Distribution of Net Income



STRATEGIC CONTEXT

OUR MANDATE

Pursuant to amendments to the Criminal Code of Canada in 1969 and enabling legislation, British Columbia Lottery Corporation was incorporated on October 25, 1984 and is continued under the *Gaming Control Act of British Columbia* (2002). Prior to 1985, the Province of British Columbia was a partner in the Western Canada Lottery Foundation.

As an agent of the Crown, the Province has designated the Corporation as the authority to conduct and manage lottery schemes within British Columbia. This includes the marketing of nationwide and regional lottery games in association with other provinces of Canada. Under current provincial gaming legislation, the Corporation's mandate includes responsibility to:

- Conduct, manage and operate lottery gaming
- Conduct, manage and operate casino gaming
- Conduct, manage and operate commercial bingo gaming

In September 2001, the Corporation's responsibilities were expanded to include the marketplace management of horse racing in British Columbia. The Corporation's specific role is yet to be determined.

BCLC is responsible to the Minister of Public Safety and Solicitor General, through a Board of Directors appointed by Government.

OUR VISION STATEMENT

TO BE A PUBLICLY RESPECTED, PERFORMANCE-DRIVEN CORPORATION

This vision entails the following:

- BCLC will be a performance driven organization that encourages accountability and values innovation
- We believe integrity is fundamental to everything we do

STRATEGIC CONTEXT

OUR MISSION STATEMENT

THE MISSION OF THE BRITISH COLUMBIA LOTTERY CORPORATION IS TO PROVIDE HIGH-QUALITY GAMING ENTERTAINMENT IN A SOCIALLY RESPONSIBLE MANNER, GENERATING INCOME FOR THE PUBLIC GOOD

OUR VALUES

INTEGRITY	THE GAMES THAT WE OFFER, AND THE WAY WE CONDUCT BUSINESS, ARE FAIR, HONEST AND TRUSTWORTHY
SOCIAL RESPONSIBILITY	EVERYTHING WE DO IS DONE WITH CONSIDERATION OF ITS IMPACT ON THE PEOPLE AND COMMUNITIES OF BRITISH COLUMBIA
INNOVATION	WE ENCOURAGE AND SEEK IDEAS THAT WILL IMPROVE OUR BUSINESS AND DECIDE AND ACT QUICKLY IN RESPONSE TO STRATEGIC AND COMPETITIVE MARKET CHANGES
RESPECT	OUR WORKPLACE FOSTERS OPENNESS, MUTUAL RESPECT AND INDIVIDUAL DEVELOPMENT

PLANNING CONTEXT AND KEY STRATEGIC ISSUES

Macro Trends – Scanning Ahead

BCLC, like other major businesses, is experiencing significant changes in the environment and marketplace in which it operates. Rapidly evolving technology, increasing competition from both within and outside of British Columbia's borders, the Internet, changing demographics and changes in political and social attitudes are impacting how gaming is conducted and managed in British Columbia.

Perhaps most significantly, the responsibility to conduct and manage gaming in the province places the Corporation's business at the centre of one of British Columbia's most sensitive public policy areas.

The following environmental scan identifies the critical issues, opportunities and challenges ahead. It guides strategic management of the Corporation to achieve the goals and objectives as identified in this Service Plan.

Corporate Mandate

On September 14, 2001, Government announced a change in the gaming regulatory and operational model for British Columbia. The five agencies responsible for gaming – Gaming Policy Secretariat, British Columbia Gaming Commission, B.C. Racing Commission, Gaming Audit and Investigation Office and BCLC were consolidated into two organizations – BCLC and Gaming Policy and Enforcement Branch (GPEB). Both organizations report to the Ministry of Public Safety and Solicitor General. GPEB, a branch of the Ministry of Public Safety and Solicitor General, is responsible for the development of policy, standards, regulation and enforcement for all gaming in British Columbia. BCLC is responsible to conduct, manage and operate lotteries, casinos, and commercial bingo and is responsible for the marketplace management of horse racing in British Columbia. Commercial bingo and horse racing represent new responsibilities for the Corporation.

On August 19, 2002, a new law to strengthen and streamline gaming came into effect, formalizing government's earlier policy decisions. The *Gaming Control Act* establishes a comprehensive framework for regulating and managing gaming. It brings much needed certainty and stability to the gaming marketplace in BC.

Core Services Review

In June 2001, Government identified the Core Services Review as one of the key initiatives in the new strategic vision for British Columbia. The Core Services Review was a comprehensive and rigorous examination of all provincial programs, activities and business units. Its overall objective was to ensure that government is efficient and effective. In February 2002, Government affirmed the Corporation's mandate and approved the organization's Core Services Review recommendations. Since this date, the Corporation has achieved its operating cost reduction targets, assumed responsibility for commercial bingo operations and opened two new casinos.

Products and Markets

The Corporation currently markets three major forms of gaming entertainment in British Columbia — lottery, casino and bingo. Lotteries have been part of the retail market in British Columbia for almost thirty years and are considered a mature product. Over the last five-year period, growth in lottery sales has roughly matched inflation.

While casinos have been part of the British Columbia marketplace for some time, only since the Government policy decision to introduce slot machines in 1997 have casinos become a significant generator of gaming revenue for the Province. While there is still considerable growth opportunity for casino gaming in British Columbia, moderate growth is forecast and will be within the framework of Government's gaming policy.

Bingo is probably the oldest form of gaming in British Columbia. In recent years, the bingo market in British Columbia and Canada has been declining. This is primarily due to changing demographics, technology and competition from other forms of gaming entertainment. With the Corporation assuming responsibility for

PLANNING CONTEXT AND KEY STRATEGIC ISSUES

commercial bingo on January 15, 2002, the organization believes there are opportunities for growth through the relocation and upgrading of facilities and the development of innovative new products.

Technology

Rapidly evolving communications and entertainment technologies mean new competition, additional costs and changing customer expectations. The Internet is dissolving historical commercial and geographic barriers, but technology is also bringing new efficiencies, new markets and new products.

The Corporation is acting to ensure that enabling technologies and skills are in place to support new revenue opportunities, innovation and operational effectiveness. Over the next three-year period, the Corporation will invest in eBusiness technologies with a focus on improving internal processes, business-to-business and business-to-consumer opportunities.

Competition

Increasing competition for the discretionary dollars of British Columbians will continue to affect the Corporation's business environment. With globalization, e-commerce, and the advent of "big-box" retailers, consumer attitudes and expectations are shifting.

Consumers are becoming more sophisticated and knowledgeable about their options in the marketplace when it comes to pricing, brand loyalty and fulfilment in all discretionary spending. High-quality and larger gaming facilities in other jurisdictions will continue to set the competitive standard for British Columbia casinos.

Competing lotteries, expanded gaming in neighbouring jurisdictions and Internet gaming present strong new challenges. It is estimated current Internet gaming revenues are in the range of \$4 billion (U.S.) worldwide and will increase to more than \$10 billion in the next three to four years.

While the Corporation is facing increasing competition, the organization is well positioned to compete through new products, new or upgraded gaming facilities and a strong knowledge, expertise and skill advantage in the British Columbia entertainment marketplace.

Consumers

The expectations of lottery, casino and bingo players are constantly changing as demographics shift, new trends evolve and economic factors change. The Corporation's goal is to provide high quality gaming entertainment. This will be achieved through the development and introduction of innovative new products and to deliver these products through gaming facilities and distribution channels that are both convenient and fun.

While continually adapting our products to meet the changing expectations of consumers, the Corporation will balance product innovation with our responsibility to market games in a socially responsible manner.

Responsible Gaming

The Corporation and Government recognize that aspects of gaming policy are inherently controversial. Of the total adult population, it is estimated 96% do not have problems with gambling, and most that choose to participate, do so for social and recreational purposes. About 4% have varying degrees of gambling problems. The Corporation recognizes the importance of ensuring that problem gambling issues are addressed through public awareness, education, prevention and treatment programs and will continue to play a strong leadership role in ensuring that an appropriate problem gambling risk management strategy and programs are in place.

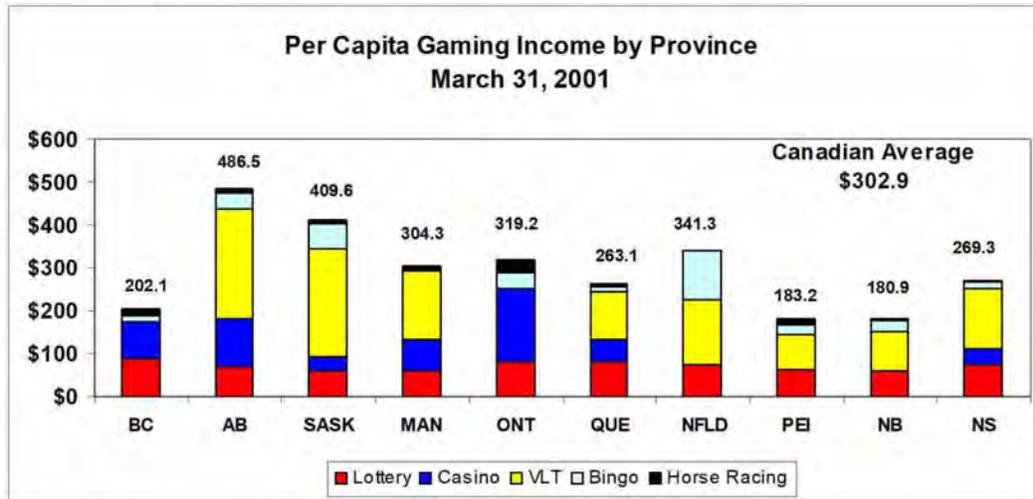
Market Development – A Canadian Context

With the introduction of a new British Columbia gaming policy in 1997, the Corporation's sales have increased from \$867 million to a projected \$1.8 billion in fiscal 2002/03. The majority of the increase has resulted from the introduction of slot machines in community casinos, the opening of four new destination casinos, and BCLC assuming responsibility for commercial bingo operations.

PLANNING CONTEXT AND KEY STRATEGIC ISSUES

While gaming in British Columbia has grown significantly over the last few years, relative to other provinces in Canada, the adult per capita levels of gaming are moderate. In 1992, on a per capita basis, British Columbia ranked fourth among the provinces. Only the Atlantic provinces which had introduced video-lottery terminals ranked ahead of British Columbia. Since this date, British Columbia's per capita gaming income has declined to eighth position, approximately two-thirds of the national average.

Figure 2: Per Capita Adult Gaming in Canada – March 31, 2001



Source: Canadian Gaming News July 2002

British Columbia's lower per capita gaming revenues reflect the more rapid expansion of gaming in other provinces, specifically gaming relating to the introduction of large-scale casinos and video-lottery terminals. Currently, British Columbia has about one slot machine for every 1,000 adult residents. This compares to the Canadian average where there are three slot machines or video-lottery terminals for every 1,000 adults.

GOALS, OBJECTIVES, STRATEGIES AND PERFORMANCE MEASURES

As part of BCLC's planning process, the Corporation's strategic plan is updated on an annual basis. The strategic plan provides a long-term vision for the development of lottery, casino and bingo gaming in British Columbia. It also serves as the foundation for the Corporation's Service and Business Plans.

In this year's Service Plan, the Corporation reduced the number of strategic goals from six to four, added seven new performance measures, and dropped eleven measures that had been reported on in the previous year's plan. The Corporation's Service Plan has been changed to align with government gaming policy, to reflect input and guidance received from the new Board and to address developments resulting from both the Core Services Review and enactment of new gaming legislation.

1. To Provide High-Quality Gaming Entertainment

BCLC is a commercial Crown corporation that offers consumer products in a competitive marketplace. To succeed, the Corporation must provide high quality gaming products that meet or exceed consumer expectations.

Over the next three-year period, the Corporation will enhance and expand its lottery distribution channel and strengthen existing private sector relationships to facilitate the development and delivery of innovative lottery products. The Corporation will also increase investment in product research and enhance distribution channels to provide higher levels of entertainment and convenience to our customers.

The Corporation will focus on enhancements to casino gaming to attract a broader player base, increase the entertainment value of our games, compete more effectively with out-of-province casinos and increase the economic and tourism benefits to communities. Development of competitive products, the establishment of improved casino facilities through eligible casino relocations and improved customer service will be a key focus for the organization.

Bingo gaming will undergo a transformation in British Columbia as the Corporation, in partnership with the bingo industry, develops a comprehensive marketing and business plan designed to build a strong and vibrant industry.

Objectives					
<ul style="list-style-type: none"> Increase the quality and entertainment value of our gaming products and facilities in BC 					
Strategies					
<ul style="list-style-type: none"> Improve the quality of casinos by completing all eligible casino relocations and through upgrades of existing facilities Invest in the development of more innovative and interactive products offered to consumers 					
Performance Measures	Fiscal 01/02 Actual	Fiscal 02/03 Target	Fiscal 03/04 Projection	Fiscal 04/05 Projection	Fiscal 05/06 Projection
Player Participation	n/a	60%	61%	62%	63%

GOALS, OBJECTIVES, STRATEGIES AND PERFORMANCE MEASURES

2. To be a Socially Responsible and Respected Organization that has a Broad Base of Public Support

As the government agency responsible for gaming in British Columbia, the Corporation has a responsibility to ensure gaming activity is conducted and managed in a socially responsible manner.

To achieve this goal, the Corporation will support the development of a province-wide comprehensive framework that promotes responsible gaming practices; be open and transparent in our relationships with the public and our stakeholders; and communicate with the public to raise the awareness of the beneficiaries of gaming in BC.

Objectives					
<ul style="list-style-type: none"> To build greater public support and trust 					
Strategies					
<ul style="list-style-type: none"> Increase the public's awareness of the beneficiaries of gaming in BC Promote and support responsible gaming programs in BC 					
Performance Measures	Fiscal 01/02 Actual	Fiscal 02/03 Target	Fiscal 03/04 Projection	Fiscal 04/05 Projection	Fiscal 05/06 Projection
Public support of gaming	n/a	57%	58%	59%	60%
Public support of BCLC	n/a	70%	71%	72%	73%
Public awareness of the beneficiaries of gaming	29%	30%	35%	40%	45%
Public recognition for social responsibility	57%	58%	59%	60%	60%

GOALS, OBJECTIVES, STRATEGIES AND PERFORMANCE MEASURES

3. To be an Organization that is Performance Driven, Encourages Innovation and is Accountable for its Actions

BCLC is continuing to manage transition and change, with the objective of attaining high levels of employee performance and satisfaction as well as creating opportunities for individual skill and career development.

BCLC's goal is to attract, develop and retain the best possible people in a workplace that values and rewards innovation, is performance driven and is accountable for its actions.

Objectives					
<ul style="list-style-type: none"> To be a high performance organization 					
Strategies					
<ul style="list-style-type: none"> Implement a performance management system that recognizes and rewards innovation, results and accountability Engage all employees in the success of the organization Attract, develop and retain the right people with the right skills through employee development and competitive compensation policies 					
Performance Measures	Fiscal 01/02 Actual	Fiscal 02/03 Target	Fiscal 03/04 Projection	Fiscal 04/05 Projection	Fiscal 05/06 Projection
Net Income per employee (\$000)	\$981	\$1,153	\$1,295	\$1,447	\$1,552
Employee Satisfaction	n/a	80%	82%	85%	90%

GOALS, OBJECTIVES, STRATEGIES AND PERFORMANCE MEASURES

4. To Generate Net Income for the Public Good

Gaming entertainment generates significant funds for economic and community benefits for British Columbia. The net income that BCLC distributes to Government flows back to communities through programs for the public good, including health and education, social and other government programs, revenue to charities, revenue sharing disbursements to host local governments where casinos are located, and problem gambling education and treatment. Gaming also creates thousands of direct and indirect job opportunities where lottery products are sold, at casino and bingo locations and through support and service to the industry.

BCLC's goal is to effectively generate net income for the Province of BC within policy guidelines established by government.

This goal will be achieved through the continued development of innovative new products, the upgrading and/or relocation of casino and bingo facilities, growth in the lottery, casino and bingo networks to meet consumer demand (as approved by government), and the continued refinement of operations to improve efficiency.

Over the next three-year period the Corporation will also continue to build the technology infrastructure to support current and future growth.

Objectives					
<ul style="list-style-type: none"> Maximize income to the Province of BC within the policy guidelines established by Government Operate the business in the most effective and efficient manner possible 					
Strategies					
<ul style="list-style-type: none"> Continue to develop and invest in products, gaming facilities and distribution channels that generate net income Develop and implement a viable business model for commercial bingo Upgrade the organization's technology infrastructure to support current and future growth 					
Performance Measures	Fiscal 01/02 Actual	Fiscal 02/03 Target	Fiscal 03/04 Projection	Fiscal 04/05 Projection	Fiscal 05/06 Projection
Net Income (\$m)	\$606	\$670	\$725	\$825	\$900
Profit Margin	37.7%	37.4%	38.2%	40.0%	41.4%
Profit per Capita	\$189	\$206	\$220	\$245	\$263
Operating Cost Ratio	5.5%	4.7%	4.8%	4.6%	4.6%

SUMMARY FINANCIAL OUTLOOK

	Fiscal 2002/03 Forecast	Fiscal 2003/04 Budget	Fiscal 2004/05 Forecast	Fiscal 2005/06 Forecast
Revenue (\$ in thousands)				
Lottery	\$975,000	\$990,000	\$1,020,000	\$1,070,000
Casino	625,000	725,000	850,000	905,000
Bingo	190,000	185,000	195,000	200,000
Total Revenues	\$1,790,000	\$1,900,000	\$2,065,000	\$2,175,000
Total Expenses	1,120,000	1,175,000	\$1,240,000	\$1,275,000
Net Income	\$670,000	\$725,000	\$825,000	\$900,000

Key Assumptions

- Assumes that all local government approvals which are required under the *Gaming Control Act* are received within the timeframes contemplated in the forecasts
- Relocation of all eligible community casinos to new facilities will be completed by fiscal 2004/05
- Moderate growth of the lottery network with the continued introduction of innovative new products
- The Corporation will be successful in reversing the decline in bingo sales that has been evident over the last several years

Forecast Risks and Sensitivities

- Unforeseen delays in obtaining local government approvals for eligible casino relocations will impact on revenue and net income projections
- Assumes that the economic downturn that has impacted gaming revenues during fiscal 2002/03 will not continue over the planning period
- Assumes casino revenues are not further impacted by cross border competition
- Assumes that unregulated Internet gaming will not become a significant competitive threat to BC gaming revenues over the next three-year period

MAJOR CAPITAL INFORMATION

British Columbia Lottery Corporation has no plans for individual capital programs that exceed \$50 million.

APPENDIX 1 - PERFORMANCE MEASURE DESCRIPTIONS

INTRODUCTION

As part of the Corporation's planning process this year, the organization reduced the number of strategic goals from six to four, added seven new performance measures and dropped eleven measures that had been reported on in the previous year's Service Plan.

The Corporation's Service Plan and the refinement of performance measures contained in the document reflect several developments:

- Direction from government on the development and implementation of gaming policy in British Columbia
- The introduction and enactment of the *Gaming Control Act* in August 2002 that strengthens and streamlines the management and regulation of gaming in British Columbia
- The results of the Core Services Review that emphasized clarity of focus and operational effectiveness and efficiency for government organizations
- Direction from the Corporation's new Board that focuses the organization more clearly on performance, accountability and fewer strategic objectives that have a direct impact on the achievement of the Corporation's goals

FISCAL 2003/04 PERFORMANCE MEASURES

Player Participation

This category measures the gaming participation rate of BC residents who have played a lottery game or visited a bingo or casino facility in the past month. This information is obtained through a quarterly consumer survey completed by an external research agency.

Public Support of BCLC

This category measures the percentage of people surveyed in BC who have a favourable impression of the British Columbia Lottery Corporation. In a quarterly survey conducted by an external research agency, individuals are asked if they view the Corporation as very favourable, somewhat favourable, somewhat unfavourable or very unfavourable.

Public Support of Gaming

This category measures the percentage of people in BC who have a positive perception of how gaming is conducted and managed in British Columbia. In a quarterly survey conducted by an external research agency, individuals are asked if they agree strongly, agree somewhat, agree slightly, disagree slightly, disagree somewhat or disagree strongly with the statement, "I fully support the existence of gaming in British Columbia".

Awareness of the Beneficiaries of Gaming

This category measures the percentage of people in BC who have an awareness of how the income generated by gaming is distributed. In a quarterly survey conducted by an external research agency, individuals are asked if they are very informed, somewhat informed, not very informed, not informed at all in regards to how gaming proceeds are distributed in British Columbia.

Public Recognition for Responsible Gaming

This category measures the percentage of people in BC who agree that the Corporation markets gaming in a socially responsible way. In an annual survey conducted by an external research agency, individuals are asked on a scale of 1 to 7 if they agree that BCLC markets gaming in a socially responsible manner (1 means you disagree completely and 7 means you agree completely).

APPENDIX 1 - PERFORMANCE MEASURE DESCRIPTIONS

Net Income per Employee

This category measures the income generated by each employee by dividing the net income generated by the Corporation by the number of full-time equivalents.

Employee Satisfaction

This category measures the overall employee satisfaction of employees of the British Columbia Lottery Corporation. The Corporation, with the assistance of an external consulting firm, conducted a survey of its employees in April 2000. Employees were asked to rate their satisfaction on 20 attributes relating to employee satisfaction. The Corporation will continue to measure employee satisfaction with periodic informal surveys and a formalized survey at least once every three years.

Net Income

This category measures the Corporation's net income as reported in the consolidated financial statements, in accordance with generally accepted accounting principles.

Profit Margin

This category measures the Corporation's profit margin based on the consolidated financial statements. Profit margin is calculated by dividing total sales by net income.

Profit Per Capita

This category measures the per capita profit of gaming in British Columbia. Profit per capita is calculated by dividing net income by the total number of individuals over the age of nineteen in BC.

Operating Cost Ratio

This category measures the ratio of operating costs as a percentage of sales. Operating costs include all costs excluding direct costs, amortization, other income and GST.

Appendix C

BCLC Service Plan Fiscal 2004/05-2006/07 (BCLC0016652) [DRAFT].

Service Plan

FISCAL 2004/05 – 2006/07

DRAFT
January 9, 2004



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Accountability Statement

The fiscal 2004/05 – 2006/07 British Columbia Lottery Corporation Service Plan was prepared under our direction in accordance with the *Budget Transparency and Accountability Act*. We are accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with government's strategic priorities and overall service plan. All significant assumptions, policy decisions, and identified risks, as of January 1, 2004 have been considered in preparing the plan. We are accountable for ensuring the British Columbia Lottery Corporation achieves its specific goals identified in the plan and for measuring and reporting actual performance.



Board Chair

CEO

Message from the CEO

On behalf of the Board of Directors and employees of British Columbia Lottery Corporation (BCLC), I am pleased to present the Corporation's fiscal 2004/05 – 2006/07 Service Plan.

After nearly 30 years of providing high-quality gaming entertainment to British Columbians, the Corporation is facing new challenges and exciting opportunities. Our Service Plan is designed to meet these challenges in a rapidly evolving industry and increasingly competitive entertainment marketplace.

This Service Plan sets new benchmarks for high-quality gaming entertainment, revenue contributions to government and social responsibility. It renews our commitment to uphold the highest standards of fairness, honesty and integrity in our mandate to conduct and manage gaming in British Columbia.

BCLC employees are proud of the revenues generated for vital public services. In fiscal 2003/04 the Corporation will generate \$725 million in net income which is distributed to Government for public service programs including:

- \$382 million to support health, education, social and other government programs;
- \$147 million dedicated directly to health care special programs;
- \$133 million distributed to about 5,000 charitable and community organizations for community services, projects and benefits all throughout the Province;
- \$51 million distributed to municipalities for community capital and operating programs;
- \$8 million distributed to the federal government; and
- \$4 million dedicated to fund special programs and treatment services to address problem gambling.

The Corporation's Service Plan will position the organization to increase our contribution to Government for health, social, charitable, municipal and other programs over the next three-year period within the government's policy framework for gaming.

We are also equally proud of our significant economic contributions generated throughout British Columbia including over \$630 million in prizes paid to British Columbians; \$350 million paid to our lottery, casino and bingo partners and over \$150 million in the purchase of equipment, goods and services. Through this economic activity, it is estimated that the gaming industry is responsible for the direct employment of more than 8,500 people and more than another 5,000 indirect jobs within the province.

The Corporation will also continue to play a strong leadership role in the stewardship of the gaming business in British Columbia to ensure that gaming is presented in a socially responsible manner. This includes ensuring that appropriate problem gambling awareness, education and research programs are in place. Appropriate treatment programs will continue to be available for the small percentage of the adult population who experience problems with gambling.

In accordance with the requirements and spirit of the *Budget Transparency and Accountability Act*, BCLC is pleased to present our Service Plan for the period April 1, 2004 to March 31, 2007.



Vic Poleschuk
President and CEO

Corporate Overview

CORPORATE MANDATE

Pursuant to amendments to the Criminal Code of Canada in 1969 and enabling legislation, British Columbia Lottery Corporation was incorporated on October 25, 1984 and is continued under the *Gaming Control Act of British Columbia* (2002). Prior to 1985, the Province of British Columbia was a partner in the Western Canada Lottery Foundation.

As an agent of the Crown, the Province has designated the Corporation as the authority to conduct and manage lottery schemes within British Columbia. This includes the marketing of nationwide and regional lottery games in association with other provinces of Canada. Under current provincial gaming legislation, the Corporation's mandate includes responsibility to:

- Conduct, manage and operate lottery gaming
- Conduct, manage and operate casino gaming
- Conduct, manage and operate commercial bingo gaming

In September 2001, the Corporation's responsibilities were expanded to include the marketplace management of horse racing in British Columbia.

BCLC is responsible to the Minister of Public Safety and Solicitor General, through a Board of Directors appointed by Government.

SCOPE OF OPERATIONS

With its headquarters in Kamloops and a sales and marketing office in Richmond, the Corporation employs a full-time equivalent (FTE) of approximately 560 staff. This includes employees based in our two offices, as well as lottery, casino, and bingo support staff in gaming operations throughout the province.

The Corporation is projecting sales of \$1.9 billion and net income of \$725 million in fiscal 2003/04.

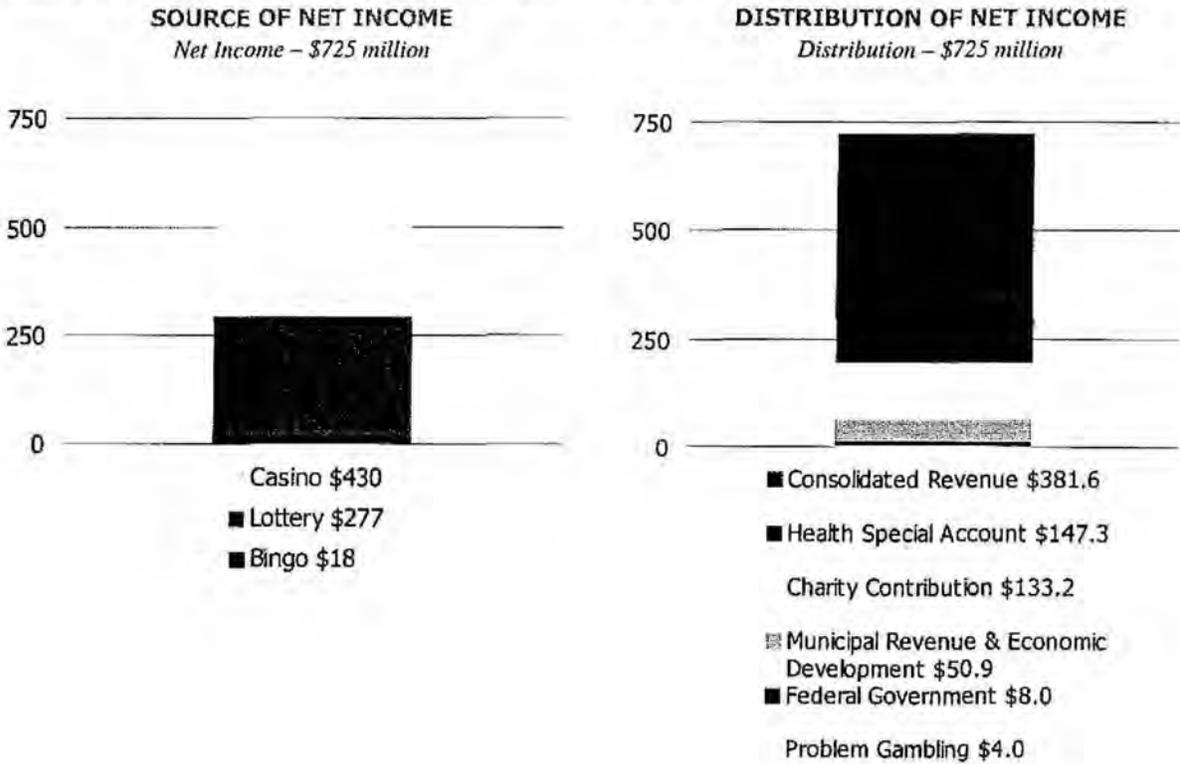
The Corporation contracts for the sale of its products through a private sector network of about 4,600 lottery retailers, 19 casinos in operation, and 33 commercial bingo halls. Lottery retailers receive an industry-standard commission rate to sell the Corporation's on-line and traditional lottery products. The Corporation has partnered with eight private sector casino service companies. They provide, under contract, both casino facilities and day-to-day operational services, including casino staffing, for a service fee based on revenue generated. The Corporation also has contractual agreements with 33 commercial, independent and charitable bingo service providers who provide bingo facilities and day-to-day operational services, including bingo staffing, for a service fee based on sales revenue.

In fiscal 2003/04, BCLC will make significant economic contributions to British Columbia communities and the Government of British Columbia. These benefits include more than \$630 million in prizes to British Columbians, \$350 million in commissions and service fees to lottery, casino and bingo service business partners, approximately \$150 million in purchase of equipment, goods and services, of which approximately 75% is paid to private sector partners, and \$725 million in net income.

These funds are used to support a variety of government and public service programs including health care, education, social, charitable, municipal and other programs as noted in Figure 1.

Gaming has also created significant direct and indirect employment opportunities in British Columbia. It is estimated that the gaming industry is responsible for the direct employment of more than 8,500 people and more than 5,000 indirect jobs.

Figure 1: Fiscal 2003/04 Sources of Gaming Income and Distribution



Strategic Context

OUR VISION

To Be a Player-Focused, Publicly Respected, Performance-Driven Corporation

OUR MISSION

The mission of the British Columbia Lottery Corporation is to provide high-quality gaming entertainment in a socially responsible manner, generating income for the public good

OUR VALUES

INTEGRITY

The games that we offer, and the ways we conduct business, are fair, honest and trustworthy

SOCIAL RESPONSIBILITY

Everything we do is done with consideration of its impact on the people and communities of British Columbia

INNOVATION

We encourage and seek ideas that will improve our business and decide and act quickly in response to strategic and competitive market changes

RESPECT

Our workplace fosters openness, mutual respect and individual development

STRATEGIC GOALS

- To provide high-quality gaming entertainment
- To be a socially responsible and respected organization that has a broad base of public support
- To build and maintain a highly capable and effective business and technology infrastructure to support the growth of our business
- To build a high performance culture that encourages innovation and supports the growth of the business
- To generate net income for the public good

Planning Context and Key Strategic Issues

MACRO TRENDS – SCANNING AHEAD

BCLC, like other major businesses, is experiencing significant changes in the environment and marketplace in which it operates. Rapidly evolving technology, increasing competition from both within and outside of British Columbia's borders, the Internet, changing demographics and changes in political and social attitudes are impacting how gaming is conducted and managed in British Columbia.

Perhaps most significantly, the responsibility to conduct and manage gaming in the province places the Corporation's business at the centre of one of British Columbia's most sensitive public policy areas.

The following environmental scan identifies the critical issues, opportunities and challenges ahead. It guides strategic management of the Corporation to achieve the goals identified in this Service Plan.

PRODUCTS AND MARKETS

The Corporation markets three major forms of gaming entertainment in British Columbia — lottery, casino and bingo.

Lotteries have been part of the retail market in British Columbia for almost 30 years and many of its current products are mature. Over the last five-year period, growth in lottery sales has roughly matched inflation. For the first time in fiscal 2004/05, lottery sales in British Columbia and across Canada are projected to decline from the previous year. To rebuild and transform the lottery business, BCLC will be refining existing products, researching, developing and introducing innovative new products, expanding the existing retail network and exploring new distribution channels to better meet player needs.

While casinos have been part of the British Columbia marketplace for some time, only since the Government policy decision to introduce slot machines in 1997 have casinos become a significant generator of gaming revenue for the Province. There are still considerable growth opportunities for casino gaming in British Columbia and the Corporation is currently rationalizing the market through the establishment of fewer, higher quality casinos sized to fit the market. The objective is to expand the player base and to appeal to tourism by providing full-service entertainment options, including dining and show lounges.

Bingo is one of the oldest forms of gaming in British Columbia. In recent years, the bingo market in British Columbia and Canada has been declining. This is primarily due to changing demographics, technology and competition from other forms of gaming entertainment. The Corporation assumed responsibility for commercial bingo on January 15, 2002. BCLC believes there are opportunities for growth through the development of innovative new products and the relocation and upgrading of facilities that could serve as community gaming entertainment centres.

CONSUMERS

The expectations of lottery, casino and bingo players are constantly changing as demographics shift, new trends evolve and economic factors change. The Corporation's goal is to provide high-quality gaming entertainment. This will be achieved through the development and introduction of innovative new products and the delivery of these products through gaming facilities and distribution channels that are both convenient and fun for the player.

While continually adapting our products to meet the changing expectations of consumers, the Corporation will balance product innovation with our responsibility to market games in a socially responsible manner.

COMPETITION

Increasing competition for the discretionary dollars of British Columbians will continue to affect the Corporation's business environment. With globalization, eCommerce, and the advent of "big-box" retailers, consumer attitudes and expectations are shifting. New entertainment options continue to compete for a share of consumers' discretionary spending.

Consumers are becoming more sophisticated and knowledgeable about their options in the marketplace when it comes to pricing, brand loyalty and fulfilment in all discretionary spending. High-quality and larger gaming facilities in other jurisdictions will continue to set the competitive standard for British Columbia casinos.

Competing lotteries, expanded gaming in neighbouring jurisdictions and Internet gaming present strong new challenges. It is estimated current Internet gaming revenues are in the range of \$6 billion (U.S.) worldwide and will increase to more than \$10 billion in the next two to three years.

While the Corporation is facing increasing competition, the organization is well positioned to compete through new products, new or upgraded gaming facilities and a strong knowledge, expertise and skill advantage in the British Columbia entertainment marketplace.

TECHNOLOGY

Rapidly evolving communications and entertainment technologies mean new competition, additional costs and changing customer expectations. The Internet is dissolving historical commercial and geographic barriers, but technology is also bringing new efficiencies, new markets and new products.

The Corporation is acting to ensure that enabling technologies and skills are in place to support new revenue opportunities, innovation and operational effectiveness. Over the next three-year period, the Corporation will invest in eBusiness technologies with a focus on improving internal processes, business-to-business and business-to-consumer opportunities.

PUBLIC ACCEPTANCE

While over 60% of the population supports gaming as an acceptable adult entertainment activity, approximately 15% object to gaming. British Columbia Lottery Corporation recognizes that our primary reason for existence is to generate income for government for the benefit of British Columbians. Government has chosen to operate gaming through a Crown Corporation to ensure the objective of revenue generation is carefully balanced with the objectives of gaming integrity and social responsibility. BCLC is aware that there is a low level of public recognition and knowledge of the role we play in gaming, our emphasis on gaming integrity and responsible gaming, and the benefits gaming generates for British Columbia. As we move forward, BCLC will continue to promote open and honest communications with the public and key stakeholders to ensure the right gaming model is developed for British Columbia and that the BCLC brand promotes public trust and support for our products and services.

RESPONSIBLE PLAY

The Corporation and Government recognize that aspects of gaming policy are inherently controversial. Of the total adult population, it is estimated 96% do not have problems with gambling, and most that choose to participate, do so for social and recreational purposes. About 4% have varying degrees of gambling problems. The Corporation recognizes the importance of ensuring that problem gambling issues are addressed through public awareness, education, prevention and treatment programs and will continue to play a strong leadership role in ensuring that an appropriate problem gambling risk management strategy and programs are in place.

REGULATION

Gaming in British Columbia is conducted and managed under the framework of the federal Criminal Code and the provincial *Gaming Control Act of British Columbia* (GCA). BCLC must operate within the strict statutory and regulatory guidelines as established by these two legislative documents.

The GCA requires that BCLC consult with host local governments before any major new casino or bingo gaming facility is introduced into a community. BCLC recognizes that local community and stakeholder communications are critical to our success and the success of the local communities where gaming opportunities are being considered.

LEADERSHIP

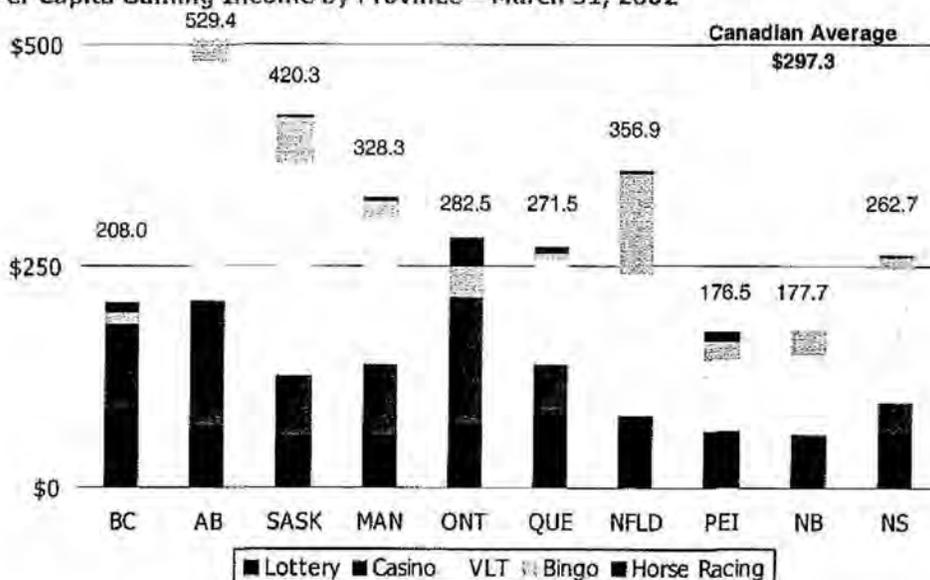
The success of our company in the future will continue to depend on our people and strong leadership to promote a high performance culture which values innovation, integrity, engagement and accountability. With upcoming external market shortages of leadership and technical skill, BCLC will have to ensure competitive recruitment and compensation policies to attract and retain the best and brightest leaders and experts for its ambitious growth agenda.

MARKET DEVELOPMENT – A CANADIAN CONTEXT

With the introduction of a new British Columbia gaming policy in 1997, the Corporation's sales have increased from \$867 million to a projected \$1.9 billion in fiscal 2003/04. The majority of the increase has resulted from the introduction of slot machines in community casinos, the opening of four new destination casinos, and BCLC assuming responsibility for commercial bingo operations.

While gaming in British Columbia has grown significantly over the last few years, on a per capita basis it still ranks moderate compared to other provinces in Canada. British Columbia currently ranks 8th in Canada for per capita gaming income. With our planned growth over the next three years, per capita gaming income in British Columbia will still be below the Canadian average.

Per Capita Gaming Income by Province – March 31, 2002



Source: Canadian Gaming News April 2003

Risk Management

During fiscal 2003/04 BCLC has implemented Enterprise-wide Risk Management (ERM). The goal of ERM is to create, protect and enhance value to the shareholder and BCLC by managing uncertainties that could either negatively or positively influence achievement of BCLC's objectives. The following table summarizes the key risks facing the organization and mitigating strategies.

RISKS	MITIGATING STRATEGY
<p>Competition for the consumers' discretionary entertainment dollar continues to increase</p> <p>Lottery growth has flattened in British Columbia and Canada</p> <p>BCLC assumed responsibility for commercial bingo in January 2002. After years of steady revenue decline, revenues have now been stabilized</p> <p>High-quality and larger gaming facilities in neighbouring jurisdictions compete with casinos in British Columbia for casino entertainment spending.</p>	<p>Lottery needs to be revitalized through the introduction of new products and distribution channels to attract new players</p> <p>Bingo gaming needs to be revitalized through improved facilities, services and the introduction of new products</p> <p>Casinos are being consolidated to create fewer but better properties sized to market and offering more entertainment</p>
<p>Under the <i>Gaming Control Act of British Columbia</i>, local governments must provide the approval for acceptance or relocation of casinos. Delays or the inability to obtain the necessary local government approvals present a risk to delivering on revenue targets</p>	<p>Constant communication of key issues with local governments</p> <p>Ensure the integrity of our games, processes and people</p>
<p>Decline in public acceptance of gaming would impact the ability of the Corporation to meet its growth targets to support important public programs</p>	<p>Create and execute industry best-practice responsible play programs</p> <p>Create and execute a strategy to better inform the public about the beneficiaries of gaming revenues</p>
<p>The rate of economic growth, unemployment and consumer confidence will continue to impact BCLC's revenue growth</p> <p>A number of external factors impacted the British Columbia economy in fiscal 2003/04, including the softwood lumber trade dispute, wildfires and decreases in tourism. This had an impact on gaming revenue for 2003/04</p>	<p>Product development and marketing strategies will focus on attracting new players while maintaining existing play</p>

Summary of Strategic Issues

1. Competition

Competition for the consumers' discretionary entertainment dollar continues to increase.

2. Technology

The Corporation is acting to ensure that enabling technologies and skills are in place to support new revenue opportunities and operational effectiveness.

3. Organizational Health

To meet increasing competition for consumers' discretionary dollar, BCLC has had the advantage of strong knowledge, expertise and skill in the British Columbia entertainment marketplace. To meet our growth agenda, the Corporation will ensure a high performance culture that values innovation, integrity and accountability through strong leadership, employee development and engagement and competitive compensation policies.

4. Public Acceptance

Public acceptance of gaming and BCLC is necessary for the Corporation to fulfil its mandate and continue to grow. BCLC must ensure that the objective of revenue generation is carefully balanced with the objectives of gaming integrity and social responsibility. Public acceptance of gaming has held steady over the past three years. It is important that the public recognize the role we play in gaming, our emphasis on gaming integrity and responsible gaming, and the benefits gaming generates for British Columbians.

5. Government Gaming Policy

Current government gaming policy provides for moderate growth in revenues. The Corporation's projections for revenue growth are based on current government policies.

6. Local Government Approvals

Under the *Gaming Control Act of British Columbia*, local governments must provide the approval for acceptance or relocation of casinos. Delays or inability to obtain such approvals present a risk to delivering on revenue targets.

Strategic Action Plan Summary

1. Grow casino revenue and improve the quality of the product with fewer, better locations sized to suit the market.
2. Instil a high-performance culture through strong leadership, employee development and engagement and competitive compensation policies.
3. Transform and reinvent the lotteries to a growth business.
4. Pursue new business development, including eBusiness opportunities.
5. Develop and maintain a sound responsive and adaptive technology infrastructure and aggressively implement eBusiness initiatives.
6. Build public and key stakeholder trust/support, including the communication of the beneficiaries of gaming revenues and responsible gaming programs.
7. Focus on the player.
8. Create and execute an effective brand strategy for BCLC that enhances acceptance and performance.

Goals, Objectives, Strategies and Performance Measures

As part of BCLC's planning process, the Corporation's strategic plan is updated on an annual basis. The strategic plan provides a long-term vision for the development of lottery, casino and bingo gaming in British Columbia. It also serves as the foundation for the Corporation's Service and Business Plans.

The Corporation adopted the Balanced Scorecard this year as managerial tool to fully integrate the Service Plan, Strategic Plan and operating plans. This provides a common architecture for all of our plans, making it easier for business units and departments to define plans and metrics that support and link directly to the Service Plan. This change inspired the addition of a new strategic goal and performance measures to focus on maintaining a highly capable and effective business and technology infrastructure, which will support achievement of the four existing goals.

1. TO PROVIDE HIGH-QUALITY GAMING ENTERTAINMENT

BCLC is a commercial crown corporation that offers consumer gaming products in a competitive marketplace. Competition for the consumers' discretionary entertainment dollar continues to increase. To succeed, BCLC must provide high-quality gaming entertainment that meets or exceeds player expectations.

Lotteries have been part of the retail market in British Columbia for almost 30 years and many of its current products are now mature. Lottery sales in British Columbia and Canada have flattened and need to be revitalized through the introduction of new products and distribution channels to attract new players and retain existing players.

Full-service casinos are relatively new to British Columbia and revenue has increased significantly since their introduction in 1998. There are currently 19 casinos operating in British Columbia. Casinos are being consolidated to create fewer but better properties sized to market and offering more entertainment.

Bingo is one of the oldest forms of gaming offered in British Columbia and provides a significant source of revenue for charitable and community groups. For several years, bingo sales have been declining in British Columbia and across Canada. Since BCLC became responsible for commercial bingo gaming in January 2002, bingo revenues have stabilized. Bingo gaming needs to be revitalized through improved facilities, services and the introduction of new products that will attract new players.

OBJECTIVES					
<ul style="list-style-type: none"> To provide high-quality gaming that is competitive with other entertainment options Broaden the player base while maintaining loyalty among existing players 					
STRATEGIES					
<ul style="list-style-type: none"> Increase play and entertainment value by continually enhancing and evolving products, channels and services which are focused on existing and new players Increase speed to market with new products and services 					
PERFORMANCE MEASURES	FISCAL 02/03 ACTUAL	FISCAL 03/04 BUDGET	FISCAL 04/05 PROJECTION	FISCAL 05/06 PROJECTION	FISCAL 06/07 PROJECTION
Player Participation (%)	59	61	62	63	65
Player Satisfaction (%)	80	82	85	88	90
Share of Entertainment Spending (to be developed)	*	*	*	*	*

2. TO BE A SOCIALLY RESPONSIBLE AND RESPECTED ORGANIZATION THAT HAS A BROAD BASE OF PUBLIC SUPPORT

British Columbia Lottery Corporation recognizes that having the trust and support of the citizens of British Columbia is vital to the sustainability and growth of the gaming industry in British Columbia. We are committed to effectively managing the industry while maintaining the highest levels of integrity, social responsibility and trustworthiness. To achieve this goal, BCLC will adopt best practices in the areas of responsible play and actively communicate these programs to the public, our players, business partners and employees.

BCLC also recognizes that government sponsored gaming only exists in British Columbia for the benefits that it generates for British Columbia residents and our communities. In fiscal 2003/04, \$725 million in income was generated for government. In addition to providing revenue for core government programs including health and education, over 5,000 charities in local communities received funding from this income. BCLC will continue to work closely with government in communicating to the public the benefits of gaming and "where the money goes."

OBJECTIVES					
<ul style="list-style-type: none"> • Public and stakeholder trust and support • Public awareness of the beneficiaries of gaming • Public awareness that BCLC games are managed responsibly 					
STRATEGIES					
<ul style="list-style-type: none"> • Create and execute a strategy to inform the public about where the money goes • Create and execute industry best-practice responsible play programs • Create and execute an effective brand strategy • Ensure the integrity of our games, processes and people 					
PERFORMANCE MEASURES	FISCAL 02/03 ACTUAL	FISCAL 03/04 BUDGET	FISCAL 04/05 PROJECTION	FISCAL 05/06 PROJECTION	FISCAL 06/07 PROJECTION
Public Support of BCLC (%)	73	71	72	73	75
Public Support of Gaming (%)	57	58	59	60	65
Public Recognition of BCLC Social Responsibility (%)	n/a	59	60	60	65
Public Awareness of Beneficiaries of Gaming (%)	n/a	35	40	45	50

3. TO BUILD AND MAINTAIN A HIGHLY CAPABLE AND EFFECTIVE BUSINESS AND TECHNOLOGY INFRASTRUCTURE TO SUPPORT THE GROWTH OF OUR BUSINESS

With responsibility for casino and bingo gaming added to BCLC's mandate over the last few years, the complexity and size of the business has increased. Maintaining and increasing organizational effectiveness in times of constant change and growth requires investments in resources and people's efforts to provide for an effective business and technology infrastructure. This includes the development of scalable, highly effective and efficient end-to-end business processes that will support the growth of gaming and new eBusiness initiatives, and a systematic commitment to continuous improvement. Over the next several years, BCLC will make major investments in eBusiness technologies with a focus on improving our internal processes, business-to-business and business-to-consumer opportunities.

OBJECTIVES					
<ul style="list-style-type: none"> • BCLC technology infrastructure supports growth initiatives and ensures gaming availability to our players • Business processes that focus on our players and support channel partners 					
STRATEGIES					
<ul style="list-style-type: none"> • Ensure business processes focus on the player • Develop and maintain a sound, responsive and adaptive technology infrastructure • Develop and implement eBusiness initiatives • Develop effective processes with our channel partners to improve services to our players 					
PERFORMANCE MEASURES	FISCAL 02/03 ACTUAL	FISCAL 03/04 BUDGET	FISCAL 04/05 PROJECTION	FISCAL 05/06 PROJECTION	FISCAL 06/07 PROJECTION
System Reliability (%)	99.9	99.9	99.9	99.9	99.9
Business Partner Performance (%)					
Lottery (to be developed)	*	*	*	*	*
Casino (to be developed)	*	*	*	*	*
Bingo (to be developed)	*	*	*	*	*

4. **TO BUILD A HIGH PERFORMANCE CULTURE THAT ENCOURAGES INNOVATION AND SUPPORTS THE GROWTH OF THE BUSINESS**

BCLC recognizes that our employees are the foundation for success. Our goal is to attract, develop and retain the best possible people in a workplace that values and rewards innovation, is performance driven and is accountable for its actions.

BCLC will continue to manage transition and change with the objective of attaining high levels of employee performance and engagement as well as creating opportunities for individual skill and career development.

OBJECTIVES					
<ul style="list-style-type: none"> To be a high-performance organization that values innovation, integrity, engagement and accountability 					
STRATEGIES					
<ul style="list-style-type: none"> Instil a high-performance culture through strong leadership, employee development and engagement and competitive compensation policies 					
PERFORMANCE MEASURES	FISCAL 02/03 ACTUAL	FISCAL 03/04 BUDGET	FISCAL 04/05 PROJECTION	FISCAL 05/06 PROJECTION	FISCAL 06/07 PROJECTION
Employee Satisfaction (%)	n/a	82	85	90	90
Employee Engagement (%)	n/a	n/a	75	78	80

5. TO GENERATE NET INCOME FOR THE PUBLIC GOOD

BCLC's mandate is to generate income for the province of British Columbia in a socially responsible manner and within the policy guidelines established by government. This mandate can only be realized with strong public and community support. As a key focus, BCLC will maintain, develop and implement programs to ensure the integrity of our games and to promote responsible play.

BCLC operates in a competitive environment and competes in the marketplace for the consumer's discretionary entertainment dollar. To succeed, BCLC must continually develop innovative new products and refine and improve our distribution channels to meet player needs.

This goal will be achieved through the transformation of the lottery business through the introduction of innovative new products and distribution channels, the development of fewer higher quality casinos sized to fit the marketplace, and the repositioning of the bingo business through improved facilities and games to provide a better gaming experience for players.

To support the future growth of the business and to further improve effectiveness and efficiency within the organization, BCLC is currently in the process of upgrading our technology infrastructure and implementing best practices to achieve operational excellence.

OBJECTIVES					
<ul style="list-style-type: none"> Maximize net income to the province of British Columbia within the policy guidelines established by government Generate 80% of fiscal 2006/07 revenues from enhanced products and channels in current businesses Generate 20% of fiscal 2006/07 revenues from new business and new channels Operate the business in the most effective and efficient manner possible 					
STRATEGIES					
<ul style="list-style-type: none"> Pursue new business development, including eBusiness opportunities Grow casino revenue and improve quality of the product with fewer, better locations sized to suit the market Transform and reinvent lotteries to a growth business Transform bingo halls into community entertainment gaming centres Reduce operating costs to 4.6% of sales by implementing best practices for business processes 					
PERFORMANCE MEASURES	FISCAL 02/03 ACTUAL	FISCAL 03/04 BUDGET	FISCAL 04/05 PROJECTION	FISCAL 05/06 PROJECTION	FISCAL 06/07 PROJECTION
Revenue, Total	\$1,792.4	\$1,900.00	\$2,035.0	\$2,265.0	\$2,485.0
Casino Revenue	628.1	725.0	850.0	1,000.0	1,020.0
Lottery Revenue	968.6	990.0	970.0	1,025.0	1,200.0
Bingo Revenue	195.7	185.0	215.0	240.0	265.0
New Business Revenue (%)	n/a	base	2.0	7.0	23.0
Operating Cost Ratio (%)	4.6	4.8	4.8	4.7	4.6
Net Income	\$670.9	\$725.0	\$800.0	\$905.0	\$955.0
Profit Margin (%)	37.4	38.2	39.3	40.0	39.0

Alignment with Government's Strategic Plan

This section is intended to provide an overview of how BCLC contributes to the provincial government's fiscal 2003/04 – 2005/06 strategic plan.

GOVERNMENT STRATEGIC PLAN	BCLC SERVICE PLAN
GOVERNMENT GOALS	BCLC ALIGNMENT
A strong and vibrant provincial economy	<ul style="list-style-type: none"> • Fiscal 2004/05 net income projected at \$800 million • Gaming supports an estimated 8,500 direct jobs and another 5,000 indirect jobs in the province • Excluding prizes, over 75% of expenditures paid to private sector partners • Strategic partnerships with key British Columbia businesses
A supportive social fabric	<ul style="list-style-type: none"> • Gaming revenues provide funding to over 5,000 charitable and community organizations • Strong focus on responsible gaming
Safe, healthy communities	<ul style="list-style-type: none"> • Gaming revenues provide significant funding for core government programs, including health care and education • BCLC is committed to ensuring that its players play responsibly and have access to information with respect to the risks of gaming
KEY STRATEGIC THEMES	
High standards of accountability and ethics	<ul style="list-style-type: none"> • Corporate values that focus on accountability and integrity
Efficient delivery of services	<ul style="list-style-type: none"> • Strategic initiative that focuses on operational excellence in our people, our practices and systems • Reduction in operating costs from 4.8% to 4.6% over the next three years
Social and fiscal responsibility	<ul style="list-style-type: none"> • Commitment to socially responsible gaming and long-term stewardship of the gaming industry in British Columbia
Open and transparent	<ul style="list-style-type: none"> • Open communications with the public, business partners and consumers
Innovative and goal-oriented workforce	<ul style="list-style-type: none"> • Corporate values that focus on high performance and innovation

Summary Financial Outlook

REVENUE (\$ IN THOUSANDS)	FISCAL 03/04 FORECAST	FISCAL 04/05 BUDGET	FISCAL 05/06 FORECAST	FISCAL 06/07 FORECAST
Lottery	\$940,000	\$970,000	\$1,025,000	\$1,200,000
Casino	725,000	850,000	\$1,000,000	\$1,020,000
Bingo	195,000	215,000	\$240,000	\$265,000
TOTAL REVENUES	\$1,860,000	\$2,035,000	\$2,265,000	\$2,485,000
Total Expenses	1,135,000	1,235,000	\$1,360,000	\$1,530,000
NET INCOME	\$725,000	\$800,000	\$905,000	\$955,000
Lottery	274,000	292,000	302,000	338,000
Casino	431,000	487,000	575,000	584,000
Bingo	20,000	21,000	28,000	33,000
TOTAL NET INCOME	\$725,000	\$800,000	\$905,000	\$955,000

KEY ASSUMPTIONS

- Assumes that all local government approvals which are required under the *Gaming Control Act of British Columbia* are received within the time frames contemplated in the forecasts
- Relocation of casinos with fewer, better locations sized to suit the market will be completed by the end of fiscal 2005/06
- Lotteries will be transformed to a growth business through development of new products and distribution channels
- The Corporation will grow bingo revenues through facility relocations and upgrades and the addition of competitive electronic gaming products

FORECAST RISKS AND SENSITIVITIES

- Under the *Gaming Control Act of British Columbia*, local governments must provide the approval for acceptance or relocation of casinos. Delays or the inability to obtain the necessary local government approvals present a risk to delivering on revenue targets.
- The rate of growth in disposable income, unemployment and consumer confidence will continue to impact BCLC's revenue growth. A number of external factors impacted the British Columbia economy in fiscal 2003/04, including the softwood lumber trade dispute with the U.S, wildfires and decreases in tourism. This had an impact on gaming revenues for fiscal 2003/04. Continuation of these trends may affect the revenue forecast amounts over the planning period. The forecast growth of British Columbia Real Gross Domestic Product over the planning period is as follows:

Fiscal 2003/04 – 1.3%	Fiscal 2004/05 – 2.9%
Fiscal 2005/06 – 3.0%	Fiscal 2006/07 – 3.1%
- Assumes that casino revenues are not further impacted by cross-border competition
- Assumes that unregulated Internet gaming will not become a significant competitive threat to British Columbia gaming revenues over the next three-year period

Major Capital Information

British Columbia Lottery Corporation has no plans for individual capital programs that exceed \$50 million.

Appendix 1 – Performance Measure Descriptions

FISCAL 2003/04 PERFORMANCE MEASURES

Player Participation

This category measures the gaming participation rate of British Columbia adult residents who have played a lottery game or visited a bingo or casino facility in the province in the past month. This information is obtained through a continuous tracking study completed by an external research supplier.

Player Satisfaction

This category measures overall player satisfaction for the games and facilities offered for sale by the lottery, casino and bingo business units.

Public Support of BCLC

This category measures the percentage of adults surveyed in British Columbia who have a favourable impression of the British Columbia Lottery Corporation. In a continuous tracking study conducted by an external research supplier, respondents are asked if their impressions of the Corporation are very favourable, somewhat favourable, somewhat unfavourable, or very unfavourable. Support for BCLC is based on the total mentions of "very favourable" and "somewhat favourable."

Public Support of Gaming

This category measures the percentage of adults in British Columbia who have a positive perception of how gaming is conducted and managed in British Columbia. In a continuous tracking study conducted by an external research supplier, respondents are asked to use a 7-point scale whereby "1" is strongly disagree and "7" is strongly agree to rate the statement, "I fully support the existence of legalized gaming in British Columbia." Support for gaming is based on the top three box responses.

Public Recognition for BCLC Social Responsibility

This category measures the percentage of adults in British Columbia who agree that the Corporation markets gaming in a socially responsible way. In a continuous tracking study conducted by an external research supplier, respondents are asked to use a 7-point scale whereby "1" is strongly disagree and "7" is strongly agree to rate the statement "BCLC goes about marketing its games and products in a socially responsible way." Recognition of social responsibility is based on the top three boxes.

Public Awareness of the Beneficiaries of Gaming

This category measures the percentage of adults in British Columbia who have an awareness of how the income generated by gaming is distributed. In a continuous tracking study conducted by an external research supplier, respondents are asked whether they feel very well informed, somewhat informed, not very well informed or not at all informed about where the money goes. Awareness of the beneficiaries of gaming is based on the total mentions of "very well informed" and "somewhat informed."

System Reliability

This category measures the system reliability for the lottery, casino and bingo gaming systems. System reliability is measured as the percentage of time the system is available for play divided by the total available time gaming is offered for sale to the public.

Business Partner Performance

This category measures the overall satisfaction of the player with BCLC lottery, casino and bingo business partners.

Employee Satisfaction

This category measures the overall employee satisfaction of employees of the British Columbia Lottery Corporation. Employees are asked to rate their satisfaction over a broad range of attributes relating to employee satisfaction. The Corporation will continue to measure satisfaction with periodic informal surveys and a formalized survey at least once every three years.

Employee Engagement

This category measures the overall engagement of employees of the British Columbia Lottery Corporation. Employees will be asked in a survey to rank their level of engagement in the organization over a broad range of attributes including awareness of Corporate goals and strategies, innovation, empowerment, and accountability.

Revenue

This category measures the Corporation's total revenues as reported in the consolidated financial statements.

New Business Revenue

This category measures new business revenues for the lottery, casino and bingo business units. New business is defined as a significant innovation or new game offered to the public or business that is generated through new distribution channels.

Operating Cost Ratio

This category measures the ratio of operating costs as a percentage of sales. Operating costs include all costs excluding direct costs, amortization, other income and GST.

Net Income

This category measures the Corporation's net income as reported in the consolidated financial statements, in accordance with generally accepted accounting principles.

Profit Margin

This category measures the Corporation's profit margin based on the consolidated financial statements. Profit margin is calculated by dividing net income by total sales.

Appendix D

BCLC Service Plan Fiscal 2005/06-2007/08 (BCLC0016653).

Service Plan

FISCAL 2005/06 – 2007/08



**British
Columbia
Lottery
Corporation**

January 21, 2005

The Honourable Rich Coleman
Minister of Public Safety and Solicitor General
Province of British Columbia

Minister:

On behalf of the Board of Directors and staff, I have the honour to present to you the fiscal 2005/06 – 2007/08 Service Plan of British Columbia Lottery Corporation.



T. Richard Turner
Board Chair
British Columbia Lottery Corporation

Message from the CEO

On behalf of the Board of Directors and employees of British Columbia Lottery Corporation (BCLC), I am pleased to present the Corporation's fiscal 2005/06 – 2007/08 Service Plan.

For over 30 years, BCLC has provided high-quality gaming entertainment that generates income for Government, charitable and community programs throughout British Columbia and the 2005-08 Service Plan continues this mission.

BCLC employees, along with our valued private sector business partners, work together as a cohesive team and are proud of the revenues generated for vital public, charitable and community programs. In fiscal 2004/05, BCLC will generate \$850 million in net income for Government, distributed as follows:

- \$490 million to support health, education, social and other government programs;
- \$147 million dedicated directly to health care special programs;
- \$133 million distributed to over 5,000 charitable and community organizations for programs, services and projects that benefit British Columbians throughout the province;
- \$68 million distributed to municipalities for community capital and operating programs; and
- \$4 million dedicated to fund special programs and treatment services to address problem gambling.

We will continue to keep British Columbians informed of where the money goes via public awareness programs and on our Web site at www.bcl.com.

In addition to funding beneficial public service programs, the BCLC team is also proud of the significant economic contributions generated, including over \$645 million in prizes paid to British Columbians, \$410 million paid to our lottery, casino and bingo partners, and over \$175 million in the purchase of equipment, goods and services. The gaming industry in British Columbia is responsible for the direct employment of more than 8,500 people and over 5,000 indirect jobs within the province. In delivering these economic benefits, we are committed to upholding the highest standards of fairness, honesty and integrity in our mandate to conduct and manage gaming in British Columbia.

Our mission is not only to provide high-quality gaming, but also to ensure that it is provided in a socially responsible manner. BCLC will continue to take a major leadership role in the British Columbia Partnership for Responsible Gambling in ensuring that appropriate responsible gambling awareness, education and research programs are in place and that appropriate treatment programs are available for the small percentage of the adult population who experience gambling problems.

Gaming entertainment is becoming increasingly competitive and complex with new challenges and opportunities to address. Our Service Plan is designed to meet these challenges in order to ensure that British Columbians will continue to benefit from gaming revenues generated in our province.

In accordance with the requirements and spirit of the *Budget Transparency and Accountability Act*, BCLC is pleased to present our Service Plan for the period April 1, 2005 to March 31, 2008.



Vic Poleschuk
President and CEO

Governance and Corporate Social Responsibility

- Reviews the policies and practices of the Board and makes recommendations regarding Board effectiveness
- Examines and make recommendations regarding good corporate governance practices throughout the Corporation
- Oversees corporate social responsibility programs

Human Resources and Compensation

- Examines the Corporation's strategies and practices that relate to human resource and compensation matters and succession planning issues and provides advice on these matters to the Board for consideration
- Reports to the Board as a whole with respect to compliance with current government directives and initiatives, including the Public Sector Employers' Council and the Crown Corporation Employers' Association

Marketing and Sponsorship

- Provides support to the Board during the strategic planning process with respect to the marketing components of the strategic plan
- Reviews the overall marketing and sponsorships, strategies and guidelines that will govern the Corporation's role on brands, business units and sponsorships
- Monitors the Corporation's performance against the marketing strategies and guidelines

business partners, approximately \$175 million in purchase of equipment, goods and services, and \$850 million in net income to Government.

These funds are used to support a variety of Government and public service programs, including health care, education, social, charitable, municipal and other programs as noted in Figure 1.

Gaming has also created significant direct and indirect employment opportunities in British Columbia. It is estimated that the gaming industry is responsible for the direct employment of more than 8,500 people and more than 5,000 indirect jobs.

Figure 1: Fiscal 2004/05 Sources of Gaming Income and Distribution (Fiscal 2004/05 Budget)

SOURCE OF NET INCOME		DISTRIBUTION OF NET INCOME	
Lottery	\$ 293	Consolidated Revenue	\$ 490
Casino	527	Health Special Account	147
Bingo	<u>30</u>	Charity Contribution	133
	<u>\$ 850</u>	Municipal Revenue & Economic Development	68
		Problem Gambling	4
		Federal Government	<u>8</u>
			<u>\$ 850</u>

Planning Context

Each year, BCLC analyzes the impact of external and internal environments on the ability to achieve the mission and goals. The purpose of this analysis is to identify key opportunities, risks, strengths and weaknesses that need to be addressed in strategies, operating plans and budgets.

MACRO TRENDS – SCANNING AHEAD

BCLC, like other major businesses, is experiencing significant changes in the environment and marketplace in which it operates. Rapidly evolving technology, increasing competition from both within and outside of British Columbia's borders, the Internet, changing demographics and changes in political and social attitudes are impacting how gaming is conducted and managed in British Columbia.

EXTERNAL RISKS AND OPPORTUNITIES

PRODUCTS AND MARKETS

The Corporation markets three major forms of gaming entertainment in British Columbia — lottery, casino and bingo.

Lotteries have been part of the retail market in British Columbia for more than 30 years and many of its existing brands are beginning to mature. Over the past six years, the lottery business has stalled, with growth averaging 1.4% per annum. The flattening of lottery sales can be traced to a decline in player participation frequency. Past month play has dropped from 67% in fiscal 1998/99 to 56% in fiscal 2003/04.

To rejuvenate the business, BCLC needs to reinvent the lotteries to better meet the needs of players. Key opportunities exist to optimize the current product line, introduce innovative new products, improve the existing retail network and explore new distribution channels.

Casinos have become a significant generator of gaming revenue benefiting British Columbians since the Government policy decision to introduce slot machines in 1997. Revenue has grown from \$308 million in fiscal 1998/99 to \$733 million in fiscal 2003/04.

There is an opportunity for additional growth of the player base and capturing tourism spending with casinos offering a wider range of entertainment options. BCLC needs to continue the process of transforming facilities to offer fewer, higher quality casinos sized to fit the market.

Bingo, one of the oldest forms of gaming in British Columbia, has been steadily declining over the past several years. This decline has resulted from facilities that are perceived to be poor quality, unappealing and limited in entertainment value. Of British Columbia adults, 78% do not consider bingo an entertainment option and 68% do not consider bingo fun.

BCLC assumed responsibility for commercial bingo in 2002. Pilot programs have generated revenue increases ranging from 5% to 25% through facility upgrades, improved customer service, new products and augmenting basic bingo with additional entertainment. BCLC needs to leverage this key learning to transform bingo and tap into this market potential.

BCLC needs to improve the low level of public recognition of the role BCLC plays in gaming and the emphasis on gaming integrity and responsible gaming. BCLC will enhance its already open and honest communications with the public and key stakeholders to ensure the right gaming model is developed for British Columbia and that products and services bearing the BCLC brand can be trusted for quality and integrity.

RESPONSIBLE PLAY

BCLC and Government recognize that aspects of gaming policy are inherently controversial. Of the total adult population, it is estimated 96% do not have problems with gambling, and most that choose to participate do so for social and recreational purposes. About 4% have varying degrees of gambling problems. BCLC recognizes the need to ensure that problem gambling issues are addressed through public awareness, education, prevention and treatment programs. Over the next three years, BCLC will continue to play a strong leadership role in ensuring that an appropriate problem gambling risk management strategy and programs are in place.

REGULATORY

Gaming in British Columbia is conducted and managed under the framework of the federal Criminal Code and the provincial *Gaming Control Act* (GCA). BCLC must operate within the strict statutory and regulatory guidelines as established by these two legislative documents.

The GCA requires that BCLC consult with host local governments before any new casino or bingo gaming facility is introduced into a community. BCLC recognizes that building local community and stakeholder relationships are critical to achieving success for both BCLC and the local communities where gaming opportunities are being considered.

INTERNAL STRENGTHS AND WEAKNESSES

ORGANIZATIONAL CAPABILITY/CAPACITY

The success of BCLC in the future will continue to depend on people and strong leadership to promote a high-performance culture that values innovation, integrity, engagement and accountability. BCLC is currently able to leverage its strong gaming knowledge, expertise and skill advantage in the British Columbia entertainment marketplace. However, as the market becomes increasingly competitive and complex, there is a requirement to improve culture, leadership, innovation and management depth. New skills and competencies will be needed to exploit new business opportunities.

External market shortages of leadership and technical skill are forecasted over the three-year planning period. BCLC needs to ensure competitive recruitment and compensation policies to attract and retain the best and brightest leaders and experts to support the growth agenda.

Key Strategic Issues

1. Growth
 - Some lottery brands are maturing due to a decline in player participation frequency.
 - Not all casino facilities are in line with market demand.
 - Most bingo facilities are perceived to be poor quality and limited in entertainment value.
2. Competition
 - Increasing competition for the discretionary dollars of British Columbians.
 - Competing lotteries, expanded gaming in neighbouring jurisdictions and eGaming present new challenges.
3. Government Gaming Policy
 - Current Government gaming policy provides for moderate growth in revenues. BCLC's projections for revenue growth are based on current Government policies.
4. Technology
 - Enabling technologies can support new revenue opportunities and operational effectiveness.
5. Public Acceptance
 - Public consent to operate is critical to achieving BCLC's vision, mission and goals.
 - Revenue generation must be carefully balanced with gaming integrity and social responsibility.
6. Organizational Health
 - External market shortages of leadership and technical skill are forecasted over the three-year planning period.
 - Competitive recruitment and compensation policies will be required to attract and retain the best and brightest leaders and experts to support the growth agenda.
7. Local Government Approvals
 - Local governments must provide approval for acceptance or relocation of casinos and bingo halls.
 - Delays or inability to obtain such approvals present a risk to delivering on revenue targets.

GOAL #1 TO PROVIDE HIGH-QUALITY GAMING ENTERTAINMENT THAT GENERATES NET INCOME FOR THE PUBLIC GOOD

STRATEGIES					
<ul style="list-style-type: none"> • Transform and reinvent the lotteries to a growth business. • Grow casino revenue and improve the quality of the product with fewer, better locations sized to the market. • Grow revenue by improving the quality of products and facilities through transitioning bingo halls to community gaming centres. • Develop a viable eLottery business. • Develop and maintain a sound, responsive and adaptive technology/infrastructure. • Reduce operating costs as a percentage of sales. 					
PERFORMANCE MEASURES	FISCAL 03/04 ACTUAL	FISCAL 04/05 FORECAST /BASELINE	FISCAL 05/06 PROJECTION	FISCAL 06/07 PROJECTION	FISCAL 07/08 PROJECTION
Revenue, Total (000s)	\$1,889.6	\$2,068.5	\$2,250.0	\$2,430.0	\$2,645.0
Lottery	960.4	940.0	970.0	1,050.0	1,210.0
Casino	733.5	925.0	1,050.0	1,125.0	1,165.0
Bingo	195.7	203.5	230.0	255.0	270.0
Operating Cost Ratio (%)	4.8	4.8	4.8	4.7	4.6
Net Income (000s)	\$727.5	\$850.0	\$900.0	\$950.0	\$1,030.0
Lottery	288.9	282.6	279.7	280.9	323.3
Casino	418.3	548.9	590.0	627.5	658.2
Bingo	20.3	18.5	30.3	41.6	48.5
Profit Margin (%)	38.5	41.1	40.0	39.1	38.9
FTEs	560	572	593	600	600
Player Participation (%)	61	62	63	65	67
Player Satisfaction (%)	82	85	88	90	90

Alignment with Government's Strategic Plan

This section provides an overview of how BCLC contributes to the Government's 2004/05 – 2006/07 Strategic Plan.

GOVERNMENT STRATEGIC PLAN	BCLC SERVICE PLAN
GOVERNMENT GOALS	BCLC ALIGNMENT
A strong and vibrant provincial economy	<ul style="list-style-type: none"> Fiscal 2005/06 net income projected at \$900 million Gaming supports an estimated 8,500 direct jobs and another 5,000 indirect jobs in the province Excluding prizes, over 75% of expenditures paid to private sector partners Strategic partnerships with businesses in British Columbia
A supportive social fabric	<ul style="list-style-type: none"> Gaming revenues provide funding to over 5,000 charitable and community organizations Strong focus on responsible gaming
Safe, healthy communities and a sustainable environment	<ul style="list-style-type: none"> Gaming revenues provide significant funding for core government programs including, health care and education BCLC is committed to responsible play and players have access to information with respect to the risks of gaming
KEY STRATEGIC THEMES	BCLC ALIGNMENT
High standards of accountability and ethics	<ul style="list-style-type: none"> Corporate values that focus on integrity and accountability
Focused and efficient delivery of Government services	<ul style="list-style-type: none"> Strategic initiative that focuses on operational excellence in our people, our practices and systems Reduction in operating costs from 4.8% to 4.6% over the next three years
Social and fiscal responsibility	<ul style="list-style-type: none"> Strategic initiative that focuses on our commitment to socially responsible gaming and long-term stewardship of British Columbia's gaming industry
Open and transparent Government	<ul style="list-style-type: none"> Open communications with the public, business partners and consumers
Innovative and goal-oriented public service	<ul style="list-style-type: none"> Strategic initiative that focuses on high performance and innovation
Government is innovative, enterprising, results-oriented and accountable	<ul style="list-style-type: none"> Corporate behaviours that focus on striving for excellence, the courage to innovate and a passion and focus on growth and results

FORECAST RISKS AND SENSITIVITIES

- Under the *Gaming Control Act*, local governments must provide the approval for acceptance or relocation of casinos and bingo halls. Delays or the inability to obtain the necessary local government approvals present a risk to delivering on revenue targets. BCLC estimates that approximately \$100 million of projected net income may be at risk for fiscal 2005/06 if there are delays in obtaining local government approvals or delays in build-out of casino and bingo facilities by our service providers.
- The rate of growth in disposable income, unemployment and consumer confidence will continue to impact BCLC's revenue growth. The forecast growth of British Columbia Real Gross Domestic Product over the planning period is as follows:

2005 – 3.1%	2006 – 3.0%
2007 – 3.0%	2008 – 3.0%
- Assumes that casino revenues are not further impacted by cross-border competition
- Assumes that unregulated Internet gaming will not become a significant competitive threat to British Columbia gaming revenues over the next three-year period

Appendix 1 – Performance Measure Descriptions

FISCAL 2004/05 PERFORMANCE MEASURES

Player Participation

This category measures the gaming participation rate of British Columbia adult residents who have played a lottery game or visited a bingo or casino facility in the province in the past month. This information is obtained through a continuous tracking study completed by an external research supplier.

Player Satisfaction

This category measures overall player satisfaction for the games and facilities offered for sale by the lottery, casino and bingo business units.

Public Support of BCLC

This category measures the percentage of adults surveyed in British Columbia who have a favourable impression of British Columbia Lottery Corporation. In a continuous tracking study conducted by an external research supplier, respondents are asked if their impressions of the Corporation are very favourable, somewhat favourable, somewhat unfavourable, or very unfavourable. Support for BCLC is based on the total mentions of "very favourable" and "somewhat favourable."

Public Support of Gaming

This category measures the percentage of adults in British Columbia who have a positive perception of how gaming is conducted and managed in British Columbia. In a continuous tracking study conducted by an external research supplier, respondents are asked to use a 7-point scale whereby "1" is strongly disagree and "7" is strongly agree to rate the statement, "I fully support the existence of legalized gaming in British Columbia." Support for gaming is based on the top three box responses.

Public Recognition for BCLC Social Responsibility

This category measures the percentage of adults in British Columbia who agree that the Corporation markets gaming in a socially responsible way. In a continuous tracking study conducted by an external research supplier, respondents are asked to use a 7-point scale whereby "1" is strongly disagree and "7" is strongly agree to rate the statement, "BCLC goes about marketing its games and products in a socially responsible way." Recognition of social responsibility is based on the top three boxes.

Public Awareness of the Beneficiaries of Gaming

This category measures the percentage of adults in British Columbia who have an awareness of how the income generated by gaming is distributed. In a continuous tracking study conducted by an external research supplier, respondents are asked whether they feel very well informed, somewhat informed, not very well informed or not at all informed about where the money goes. Awareness of the beneficiaries of gaming is based on the total mentions of "very well informed" and "somewhat informed."

Employee Engagement

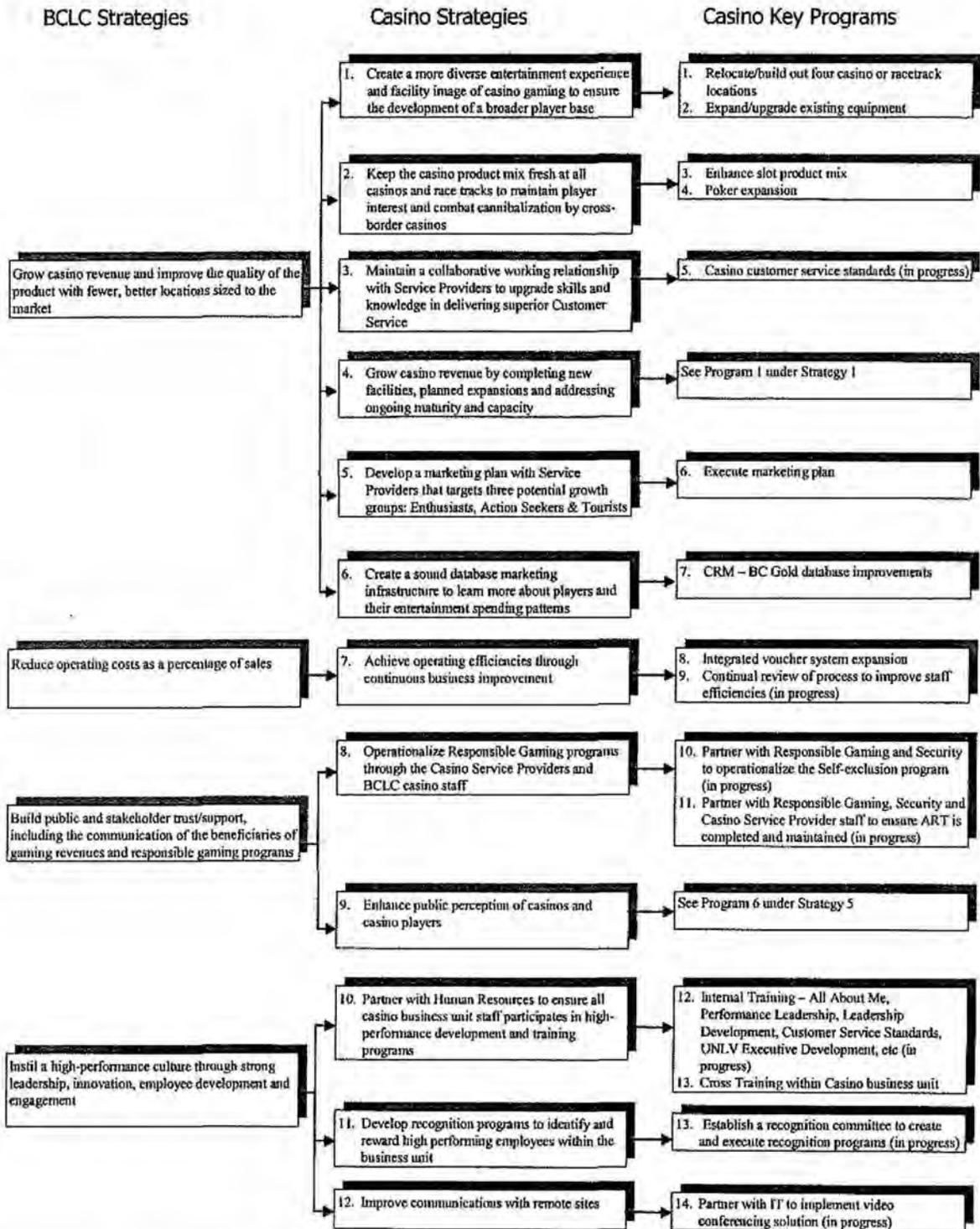
This category measures the overall engagement of employees of British Columbia Lottery Corporation. Employees will be asked in a survey to rank their level of engagement in the organization over a broad range of attributes, including awareness of Corporate goals and strategies, innovation, empowerment and accountability.

Revenue

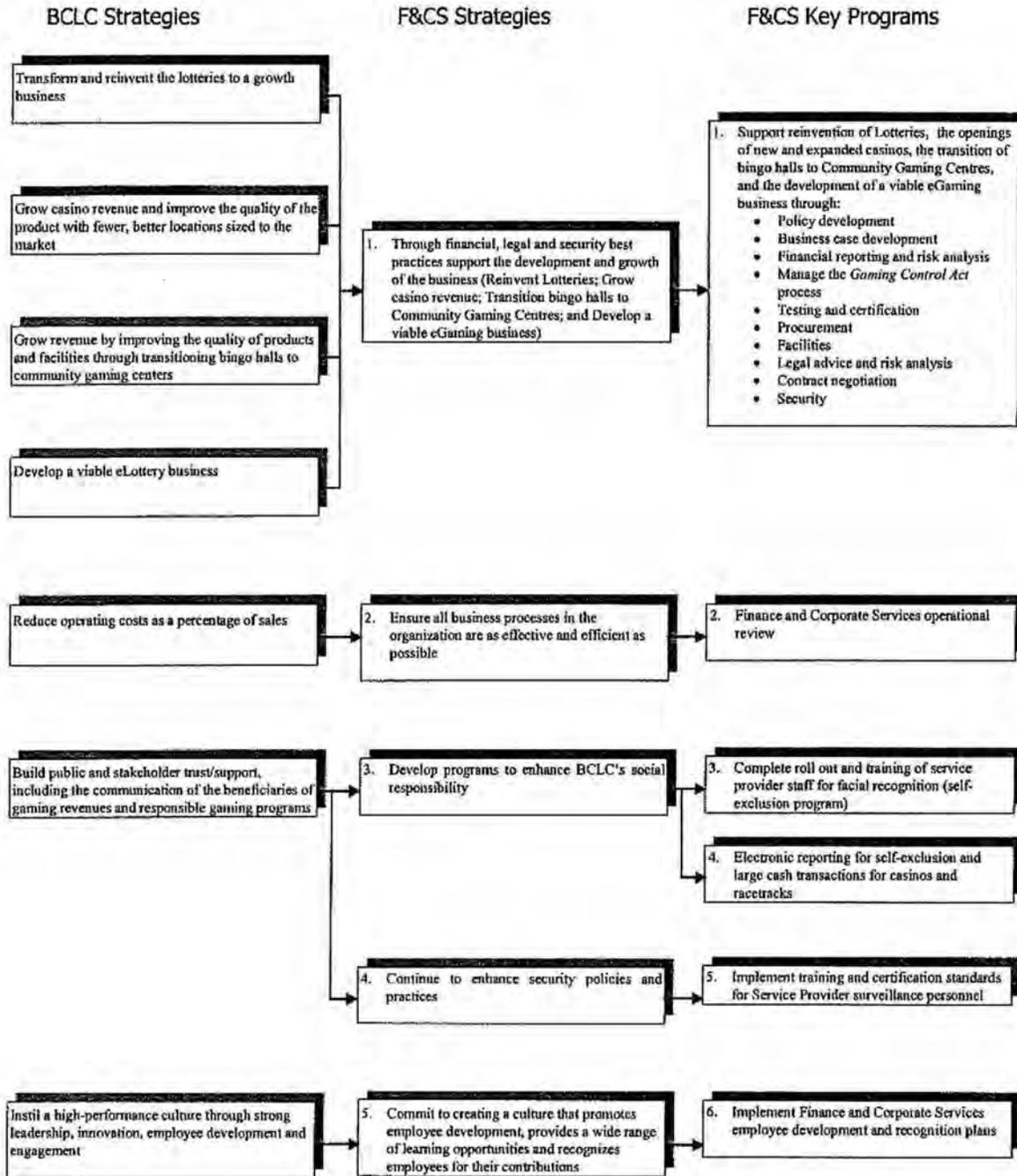
This category measures the Corporation's total revenues as reported in the consolidated financial statements.

*Appendix 2 –
Summary of Business Unit/Support Unit
Strategies and Key Programs*

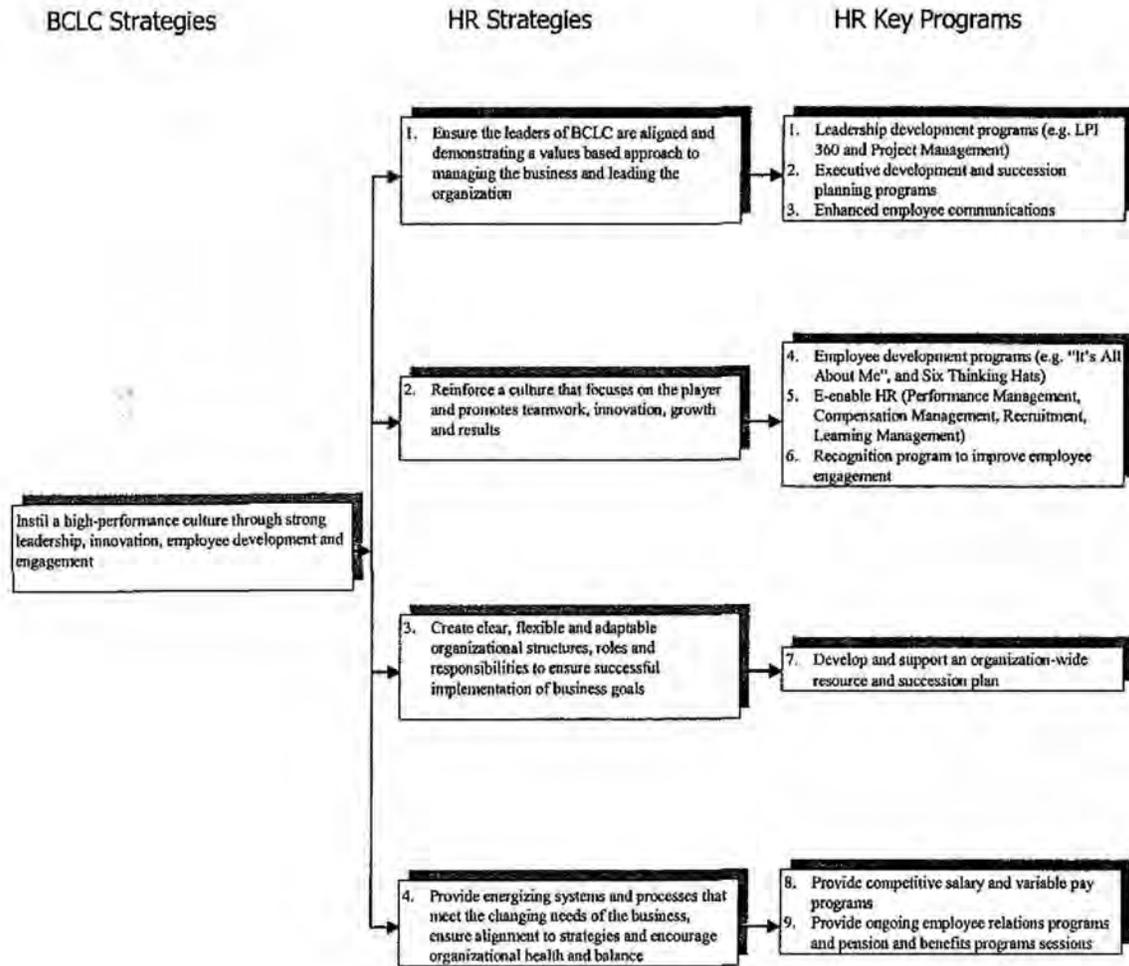
Casino Business Unit



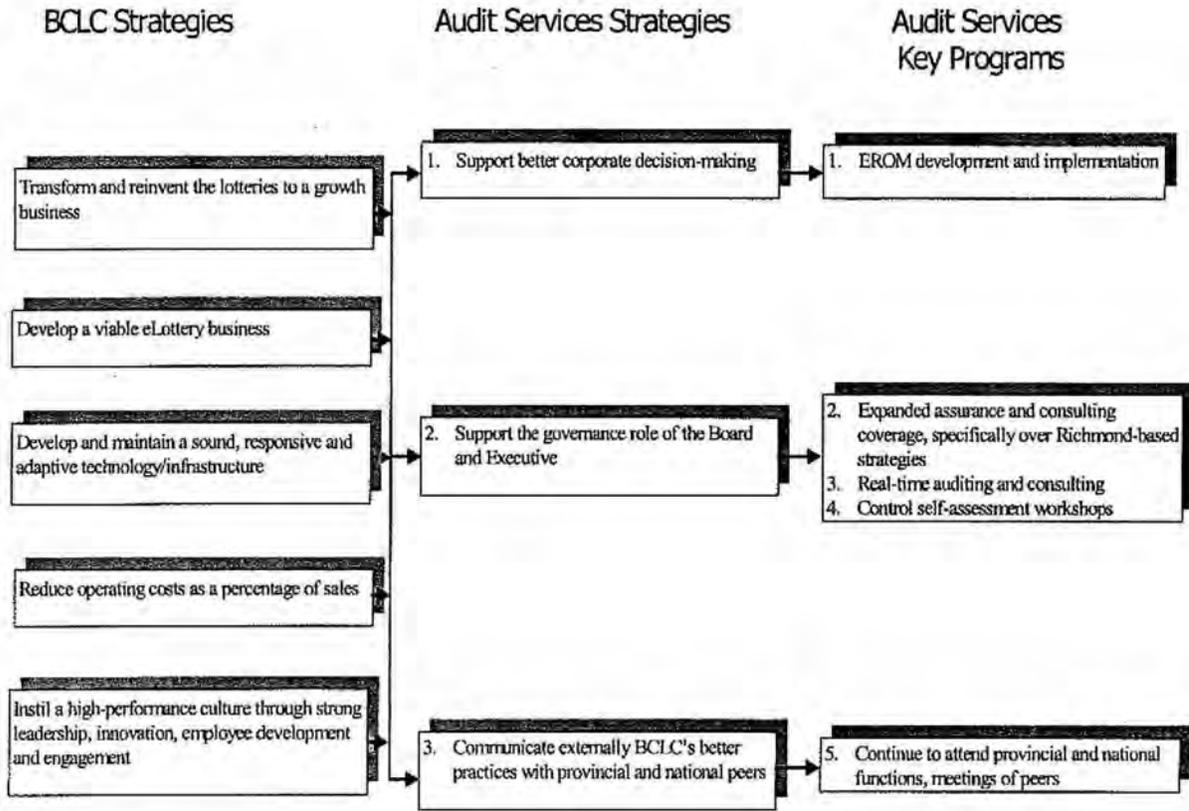
Finance & Corporate Services Support Unit



Human Resources Support Unit



Audit Services



Appendix E

BCLC Service Plan 2006/07-2008/09 (BCLC0016654).

Service Plan

2006/07 - 2008/09



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www.bcl.com

Message from the Chair and President

On behalf of the Board of Directors and employees of British Columbia Lottery Corporation (BCLC), we are pleased to present the Corporation's fiscal 2006/07 – 2008/09 Service Plan.

For over 30 years, BCLC has provided high-quality gaming entertainment that generates income for Government and the 2006/07 – 2008/09 Service Plan continues this mission.

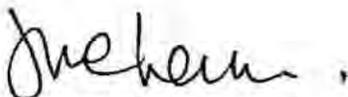
BCLC employees, along with our valued private sector business partners, are proud of the revenues generated for public, charitable and community programs. In fiscal 2005/06, BCLC is projecting that it will achieve its Service Plan target of \$900 million in net income. These revenues will be used to benefit programs for healthcare, education, social, community, charitable and municipal purposes.

In addition to funding beneficial public service programs, the BCLC team is also proud of the significant economic contributions generated, including \$632 million in prizes paid to British Columbians, \$460 million paid to our lottery, casino and bingo service provider partners, and over \$180 million in the purchase of equipment, goods and services. The gaming industry in British Columbia is responsible for the direct employment of more than 10,000 people and over \$1 billion in gaming facility developments pursuant to service provider contracts established and managed by BCLC. In delivering these economic benefits, we are committed to upholding the highest standards of fairness, honesty and integrity in our mandate to conduct and manage gaming in British Columbia.

This plan supports our mission to offer responsible gaming entertainment, generating net income for the public good. Over the three years covered by this plan, BCLC estimates it will generate almost \$3 billion in net income for Government. However, our mission is not only to generate net income for Government, but also to ensure that gaming entertainment is offered in a socially responsible manner. BCLC will continue to take a major leadership role in the British Columbia Partnership for Responsible Gambling in ensuring that appropriate responsible gambling awareness, education and research programs are in place and that appropriate treatment programs are available for the small percentage of the adult population who experience gambling problems.

Gaming entertainment is becoming increasingly competitive and complex with new challenges and opportunities to address. Our Service Plan is designed to meet these challenges and opportunities in order to ensure that British Columbians will continue to benefit from gaming revenues generated in our province and will continue to enjoy high-quality, responsible gaming entertainment.

In closing, the plan was prepared under our direction in accordance with the *Budget Transparency and Accountability Act*. We are accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with Government's strategic priorities and overall Strategic Plan. All significant assumptions, policy decisions and identified risks, as of January 25, 2006 have been considered in preparing the plan. We are accountable for ensuring BCLC achieves its specific objectives identified in the plan and for measuring and reporting actual performance.



John McLernon
Board Chair



Vic Poleschuk
President and CEO

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Corporate Governance

AUTHORITY

British Columbia's gaming industry is operated and regulated under the authority and direction of the Minister responsible for gaming, the Minister of Public Safety and Solicitor General.

BOARD OF DIRECTORS

The Board provides stewardship and ethical leadership by overseeing management of the Corporation's affairs with a view to the best interests of the Corporation and long-term interests of the shareholder, the Government of British Columbia.

In carrying out the mandate of the Board, each director is required to act in accordance with a fiduciary duty, duty of care and conflict of interest duty.

GOVERNANCE PRINCIPLES OF THE BOARD

The guiding principles for Board Governance are:

- Stewardship, leadership and effective functioning of the Board
- Clarity of roles and responsibilities
- Openness, trust and transparency
- Service and Corporate citizenship
- Accountability and performance
- Value, innovation and continuous improvement

BOARD MEMBERS

Chair	John McLernon	Appointed December 9, 2005
Vice Chair	Arthur Willms	Appointed September 26, 2001
Directors	John Bell	Appointed September 26, 2001
	David Gillespie	Appointed March 31, 2005
	D. Neil McDonnell	Appointed April 23, 2002
	Tazeem Nathoo	Appointed July 26, 2002
	Donald Pettit	Appointed September 26, 2001
	Eric Sorensen	Appointed December 8, 2005
	Kathy Stevenson	Appointed April 23, 2002

CHAIR

The Chair is the presiding director and is responsible for the leadership and effective performance of the Board. The Chair is appointed by the Lieutenant-Governor in Council and is the liaison between the Board and the Minister responsible for BCLC.

BOARD COMMITTEE STRUCTURE

BCLC Committees are responsible for advising and formulating recommendations to the Board. From time to time, the Board of Directors may establish committees as needed.

Each committee chair is appointed by the Board and is responsible to report directly on the committee's deliberations, findings and recommendations.

The following committees have been established:

STANDING COMMITTEES

Audit

Chair new chair to be appointed
 Members Arthur Willms, Kathy Stevenson, John Bell

- Liaises between the external and internal auditors and the Board
- Oversees the review of the Corporation's financial operations by the external auditors and makes a recommendation to the Board with respect to approval of the audited financial statements
- Oversees the review of the Corporation's financial reporting, information systems, risk management and internal controls

Governance and Corporate Social Responsibility

Chair David Gillespie
 Members Arthur Willms

- Reviews the policies and practices of the Board and makes recommendations regarding Board effectiveness
- Examines and make recommendations regarding good corporate governance practices throughout the Corporation
- Oversees corporate social responsibility programs

Human Resources and Compensation

Chair Tazeem Nathoo
 Members Donald Pettit, Neil McDonnell

- Examines the Corporation's strategies and practices that relate to human resource and compensation matters and succession planning issues and provides advice on these matters to the Board for consideration
- Reports to the Board as a whole with respect to compliance with current government directives and initiatives, including the Public Sector Employers' Council and the Crown Corporation Employers' Association

Marketing and Sponsorship

Chair John Bell

Members Neil McDonnell, Donald Pettit

- Provides support to the Board during the strategic planning process with respect to the marketing components of the strategic plan
- Reviews the overall marketing and sponsorship strategies and guidelines that will govern the Corporation's role on brands, business units and sponsorships
- Monitors the Corporation's performance against the marketing strategies and guidelines

Organizational Overview

CORPORATE MANDATE

Pursuant to amendments to the Criminal Code of Canada in 1969 and enabling legislation, British Columbia Lottery Corporation (BCLC) was incorporated on October 25, 1984 and is continued under the *Gaming Control Act* of British Columbia (2002).

As an agent of the Crown, the Province has designated BCLC as the authority to conduct and manage gaming within British Columbia. This includes the marketing of nationwide and regional lottery games in association with other provinces of Canada. Under current provincial gaming legislation, BCLC's mandate includes the following responsibilities:

- Conduct, manage and operate lottery gaming
- Conduct, manage and operate casino gaming
- Conduct, manage and operate commercial bingo gaming

BCLC is accountable to its shareholder (Government) through the Minister of Public Safety and Solicitor General. A Board of Directors appointed by Government guides BCLC in fulfilling its mandate.

Gaming Policy and Enforcement Branch (GPEB), the independent regulatory branch of the Ministry of Public Safety and Solicitor General, is responsible for the development of policy, regulation and enforcement of the *Gaming Control Act*.

SCOPE OF OPERATIONS

With its headquarters in Kamloops and a sales and marketing office in Richmond, the Corporation employs a full-time equivalent (FTE) of approximately 600. This includes employees based in our two offices, as well as lottery, casino, and bingo support staff in gaming operations throughout the province.

The Corporation generated revenues of \$2.03 billion and net income of \$819 million in fiscal 2004/05.

The Corporation contracts for the sale of its products through a private sector network of about 4,400 lottery retailers, 19 casinos in operation, and 29 commercial bingo halls. Lottery retailers receive an industry-standard commission rate to sell the Corporation's online and traditional lottery products. The Corporation has partnered with six private sector casino service companies. They provide, under contract, both casino facilities and day-to-day operational services, including casino staffing, for a service fee based on revenue generated. The Corporation also has contractual agreements with 29 commercial, independent and charitable bingo service providers who provide bingo facilities and day-to-day operational services, including bingo staffing, for a service fee based on sales revenue. The Corporation's operational and security staff oversees compliance by our service providers with the contracts and performance and service levels established by the corporation.

The consolidated financial statements of the Corporation include B.C. Lottotech International Inc., a wholly owned subsidiary of British Columbia Lottery Corporation. The primary purpose of B.C. Lottotech is to purchase capital assets for BCLC and there are no operational revenues or expenses.

In fiscal 2004/05, BCLC made significant economic contributions to British Columbia communities and the Government of British Columbia. These benefits include more than \$623 million in prizes to British Columbians, \$409 million in commissions and service fees paid to lottery, casino and bingo service

providers, approximately \$170 million in purchase of equipment, goods and services, and \$819 million in net income to Government.

These funds are used to support a variety of Government and public service programs, including health care, education, social, charitable, municipal and other programs as noted in Figure 1.

Gaming has also created significant direct and indirect employment opportunities in British Columbia. It is estimated that the gaming industry is responsible for the direct employment of more than 10,000 people and investment of \$1 billion in property assets, pursuant to the service provider contracts established and managed by BCLC.

Figure 1: Fiscal 2004/05 Sources of Gaming Income and Distribution (Fiscal 2004/05 Annual Report - \$ in millions)

SOURCE OF NET INCOME		DISTRIBUTION OF NET INCOME	
Lottery	\$ 285	Consolidated Revenue	\$ 480
Casino	515	Health Special Account	147
Bingo	<u>19</u>	Charity Contribution	135
	<u>\$ 819</u>	Municipal Revenue & Economic Development	45
		Federal Government	8
		Horse Racing Purse Enhancements	<u>4</u>
			<u>\$ 819</u>

Strategic Context

VISION

To Be a Player-Focused, Publicly Respected, Performance-Driven Corporation

MISSION

To offer responsible gaming entertainment, generating income for the public good

VALUES

INTEGRITY

The games that we offer, and the ways we conduct business, are fair, honest and trustworthy

SOCIAL RESPONSIBILITY

Everything we do is done with consideration of its impact on the people and communities of British Columbia

RESPECT

Our workplace fosters openness, mutual respect and individual development

GOALS

1. To generate net income for the public good.
2. To be a respected organization that has a broad base of public support.
3. To have a workforce passionately driving the success of our business.

Planning Context

Each year, BCLC analyzes the impact of external and internal environments on the ability to achieve the mission and goals. The purpose of this analysis is to identify key opportunities, risks, strengths and weaknesses that need to be addressed in strategies, operating plans and budgets.

MACRO TRENDS – SCANNING AHEAD

BCLC, like other major businesses, is experiencing significant changes in the environment and marketplace in which it operates. Rapidly evolving technology, increasing competition from both within and outside of British Columbia's borders, the Internet, changing demographics and changes in political and social attitudes are impacting how gaming is conducted and managed in British Columbia.

EXTERNAL RISKS AND OPPORTUNITIES

PRODUCTS AND MARKETS

The Corporation markets three major forms of gaming entertainment in British Columbia — lottery, casino and bingo.

Lotteries have been part of the retail market in British Columbia for more than 30 years and our existing brands are mature.

To tackle lottery maturation and rejuvenate the business growth, BCLC needs to continue its lottery transformation program that began last year. This program involves re-thinking our current business with a greater focus on our players and launching new innovative products, businesses and distribution channels that deliver a higher entertainment value to our players.

Casinos have become a significant generator of gaming revenue benefiting British Columbians since the Government policy decision to introduce slot machines in 1997.

BC casinos are being transformed from simple gambling halls into full scale multi-dimensional entertainment showplaces. Players are now enjoying a more diverse entertainment experience with major facilities offering resort-style accommodations, conference facilities, full service restaurants, and theatre-style show lounges. Resulting business performance has been positive and BCLC will continue its vision of providing British Columbians with fewer, high quality properties sized to fit the marketplace.

Bingo, one of the oldest forms of gaming in British Columbia, has been steadily declining over the past decade. This decline has resulted from facilities that are perceived to be poor quality, unappealing and limited in entertainment value. BCLC is working with the bingo service providers to transform the business to community gaming centers offering more entertaining products in better facilities which offer improved customer amenities. The introduction of slot machines into bingo halls in early 2004 has created an avenue through which bingo halls can transform into community gaming centres (CGCs). In addition to slot machines, pilot CGCs have included facility upgrades and have tested new products and other forms of entertainment. Business results to date have been favourable indicating new CGCs could to be launched in selected areas within the province.

CONSUMERS

The expectations of lottery, casino and bingo players are constantly changing as demographics shift, new trends evolve and economic factors change. A key challenge is the increasing consumer demand for high-quality entertainment products and services. BCLC needs to continue responding to this demand with innovative new products, enhanced gaming facilities and new distribution channels to reach players. Monitoring and assessing the consumer environment is a key function that will ensure product and distribution strategies deliver enjoyable, socially responsible gaming entertainment.

COMPETITION

Increasing competition for the discretionary dollars of British Columbians will continue to affect BCLC's business environment. Consumers are becoming more sophisticated and knowledgeable about their entertainment options. Delivering high entertainment value and building loyal customer relationships are increasingly important as competitive differentiators.

Competing lotteries, expanded gaming in neighbouring jurisdictions and eGaming present new challenges. It is estimated that British Columbia loses approximately \$100 million annually to cross-border casinos offering a selection of food and beverage and entertainment facilities and progressive player card programs. Additionally, Internet gaming revenues are approximately \$12 billion (U.S.) worldwide and are estimated to grow to more than \$25 billion in the next two to three years.

BCLC's product and distribution strategies are designed to stem losses to competitive gaming options and capitalize on revenue opportunities from emerging forms of entertainment.

TECHNOLOGY

Rapidly evolving communications and entertainment technologies pose both risks and opportunities for BCLC. New technology can lead to new competition, additional costs and changing customer expectations. These new technologies can also provide for product development opportunities and operational efficiencies. BCLC continues to identify and evaluate the most promising developments in technology.

Additionally, BCLC is leveraging new technologies associated with customer relationship management to better understand player needs and foster profitable one-to-one relationships with them.

BCLC must continue to keep abreast of technology and ensure that enabling technologies and skills are in place to support new revenue opportunities, innovation and operational effectiveness.

PUBLIC ACCEPTANCE/GOVERNMENT POLICY

Current Government gaming policy provides for moderate growth in revenues. BCLC's revenue projections are based on current government policies.

BCLC understands that the public consent to operate and Government policies for moderate growth in gaming revenues are critical to achieving BCLC's vision, mission and goals. It is important then, that the objective of income generation is balanced with the objective of social responsibility.

BCLC needs to improve the low level of public recognition of the role BCLC plays in gaming and our emphasis on gaming integrity and responsible gaming.

It is also important for BCLC to build a greater awareness with the public of the good works that gaming revenues contribute to – whether that be for Government programs or charitable and community groups.

BCLC programs will focus on communicating the beneficiaries of gaming revenues at the community level, continue to execute best practices responsible gambling programs, and continue to build stakeholder trust and support through open and honest communications with the public.

RESPONSIBLE PLAY

BCLC and Government recognize that aspects of gaming policy are inherently controversial. Of the total adult population, it is estimated 96% do not have problems with gambling, and most that choose to participate do so for social and recreational purposes. The balance, about 4% of the total adult population, have varying degrees of gambling problems. BCLC recognizes the need to ensure that problem gambling issues are addressed through public awareness, education, prevention and treatment programs. Over the next three years, BCLC will continue to play a strong leadership role in ensuring that best practices problem gambling risk management strategies and programs are in place.

REGULATORY

Gaming in British Columbia is conducted and managed under the framework of the federal Criminal Code and the provincial *Gaming Control Act* (GCA). BCLC must operate within the strict statutory and regulatory guidelines as established by these two legislative documents.

The GCA requires that BCLC consult with host local governments before any new casino or bingo gaming facility is introduced into a community. BCLC recognizes that building local community and stakeholder relationships are critical to achieving success for both BCLC and the local communities where gaming opportunities are being considered.

CAPACITY ASSESSMENT

ORGANIZATIONAL CAPABILITY

The success of BCLC in the future will continue to depend on people and strong leadership to promote a high-performance culture that values innovation, integrity, engagement and accountability. BCLC is currently able to leverage its strong gaming knowledge, expertise and skill advantage in the British Columbia entertainment marketplace.

However, as the market becomes increasingly competitive and complex, BCLC will need new skills and new competencies that will drive the success of new product and business opportunities. Immediate needs include ensuring that the right skills and culture are in place to meet business requirements for increased focus on the player, innovation and time to market.

External market shortages of leadership and technical skill are forecasted over the three-year planning period. BCLC needs to ensure competitive recruitment and compensation policies to attract and retain the best and brightest leaders and experts to support the business agenda.

FINANCIAL CAPACITY

BCLC has the financial capability to fund the capital and operating programs necessary to attain its business goals and objectives.

SYSTEMS

BCLC has a strong technology platform to support current products and the integrity of games and processes. BCLC needs to continue developing ongoing technology to support the innovative new products in the pipeline. In addition, a continued focus on strong research and development capabilities is necessary to address the risks and opportunities during the planning period.

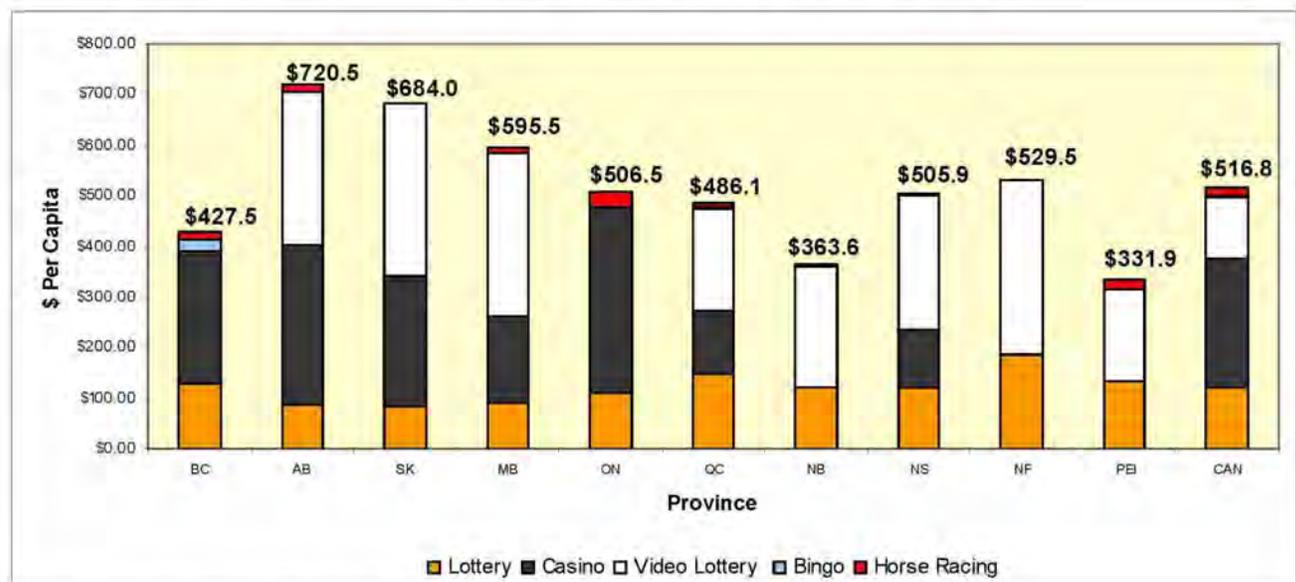
DISTRIBUTION CHANNELS

In the past, BCLC has benefited from solid performance from channel members in lottery, casino and bingo. More recently, BCLC has added a new eChannel, "Play Now", where consumers can purchase our lottery and Sports Action products. Our distribution network is well situated from a geographic perspective to provide good access to the BC marketplace. However, recent issues have surfaced that could impact the business. In lottery, traditional retail channels are experiencing declines in consumer traffic. BCLC will continue to develop the retail network to ensure that our products are available at high consumer traffic locations.

MARKET DEVELOPMENT – A CANADIAN CONTEXT

While gaming in British Columbia has grown over the last few years, on a per capita basis it is still moderate compared to other provinces in Canada. On a comparison basis with other provinces in Canada, British Columbia ranks 8th in per capita gaming spend (sales less prizes). Achievement of the Service Plan targets over the next three years will result in per capita gaming spend in British Columbia moving closer to the Canadian average.

Canadian Provincial Gaming Spend Per Capita (March 31, 2005)



Sources: Provincial Gaming Authority Annual Reports and Statistics Canada

*Gaming spend is an industry standard measure which is defined as total sales minus prize payouts

Risk Factors, Capacity Issues and Mitigating Strategies

BCLC continually assesses and manages risk and capacity. As an integral part of the Corporation's planning process, specific objectives, strategies and performance measures are developed to mitigate or reduce risk. The following table summarizes key risk and capacity issues facing the organization and our mitigating strategies.

RISK AND CAPACITY	MITIGATING STRATEGY
<p>Competition</p> <p>Lottery sales in BC and the rest of Canada are stagnant or declining</p> <p>Bingo sales in BC and across Canada have been declining for a number of years</p> <p>High-quality and larger gaming facilities in neighbouring jurisdictions compete with casinos in BC for casino entertainment spending</p>	<p>BCLC has introduced Sports Action and its existing lotto products on Play Now, the Corporation's eLottery site. BCLC is developing new innovative products and investigating new distribution channels to increase entertainment value and convenience to the player. .</p> <p>BCLC is transforming the bingo market through improved facilities and the introduction of new games, including slot machines, and other forms of entertainment. In fiscal 2004/05 BCLC opened four new community gaming centres that offer a higher value of entertainment for the consumer. New community gaming centres are planned for fiscal 2006/07.</p> <p>BCLC's business plan provides for the development of fewer high-quality casinos sized to fit the marketplace. In fiscal 2004/05, BCLC relocated existing casinos in Vancouver, Prince George and Richmond to new higher entertainment facilities. In fiscal 2005/06 the new Langley City casino and the renewed Coquitlam casino opened. The renewed Burnaby and Queensborough casinos will open in 2007/08.</p>
<p>Host Local Government Approval</p> <p>The <i>Gaming Control Act</i> requires that local governments provide approval for acceptance or relocation of casinos and bingo halls in their communities.</p> <p>Delays or inability to obtain such approvals present a risk to delivery on revenue targets.</p>	<p>BCLC has developed an extensive consultation and relocation process to ensure communities and key stakeholders have adequate information to make informed decisions.</p>
<p>Public Acceptance</p> <p>Without strong public acceptance and support, the Corporation's ability to achieve its business and revenue objectives may be at risk.</p>	<p>BCLC is continuing to adopt industry best practices that promote responsible play.</p> <p>BCLC is developing and implementing community based programs to better inform the public about the beneficiaries of gaming.</p> <p>BCLC continues to place the highest level of importance on the integrity of our games, processes and people.</p>

RISK AND CAPACITY	MITIGATING STRATEGY
<p>Capacity</p> <p>With responsibility for the conduct and management of casino and bingo gaming added to BCLC's mandate, both the complexity and size of the business has increased.</p>	<p>BCLC has developed internal resources and recruited outside expertise to manage the growth of the business.</p> <p>In fiscal 2004/05 BCLC made major investments in it's technology infrastructure:</p> <ul style="list-style-type: none"> ▪ Replacement of lottery gaming system and terminals ▪ Major investment in casino gaming and systems technology ▪ Replacement of the Corporation's financial systems with an enterprise wide system <p>BCLC continues to work closely with its business partners to ensure that future technology requirements are met.</p>

Key Strategic Issues

1. Government Gaming Policy
 - Current Government gaming policy provides for moderate growth in revenues. BCLC's revenue projections are based on current Government policies
2. Public Acceptance
 - Public acceptance of gaming is critical to achieving BCLC's vision, mission and goals
 - BCLC must build a greater awareness with the public of the good works that gaming revenues contribute to – whether that be for government programs or charitable and community programs
 - BCLC will continue to play a strong leadership role in ensuring that an appropriate problem gambling risk management strategy and programs are in place
3. Competition
 - Increasing competition for the discretionary dollars of British Columbians
 - Competing lotteries, expanded gaming in neighbouring jurisdictions and eGaming present new challenges
4. Lottery Transformation
 - Innovation will be key to rejuvenating a mature business
5. Bingo Transformation
 - The planned build out of community gaming centres to meet marketplace demand will improve net income performance from the bingo division
6. Local Government Approvals
 - Local government approval is required before any new or relocated casino or bingo halls can be introduced into a community
 - Delays or inability to obtain such approvals present a risk to delivering on revenue targets
7. Organizational Health
 - External market shortages of leadership and technical skill are forecasted over the three-year planning period
 - Competitive recruitment and compensation policies will be required to attract and retain the best and brightest leaders and experts to support the business agenda

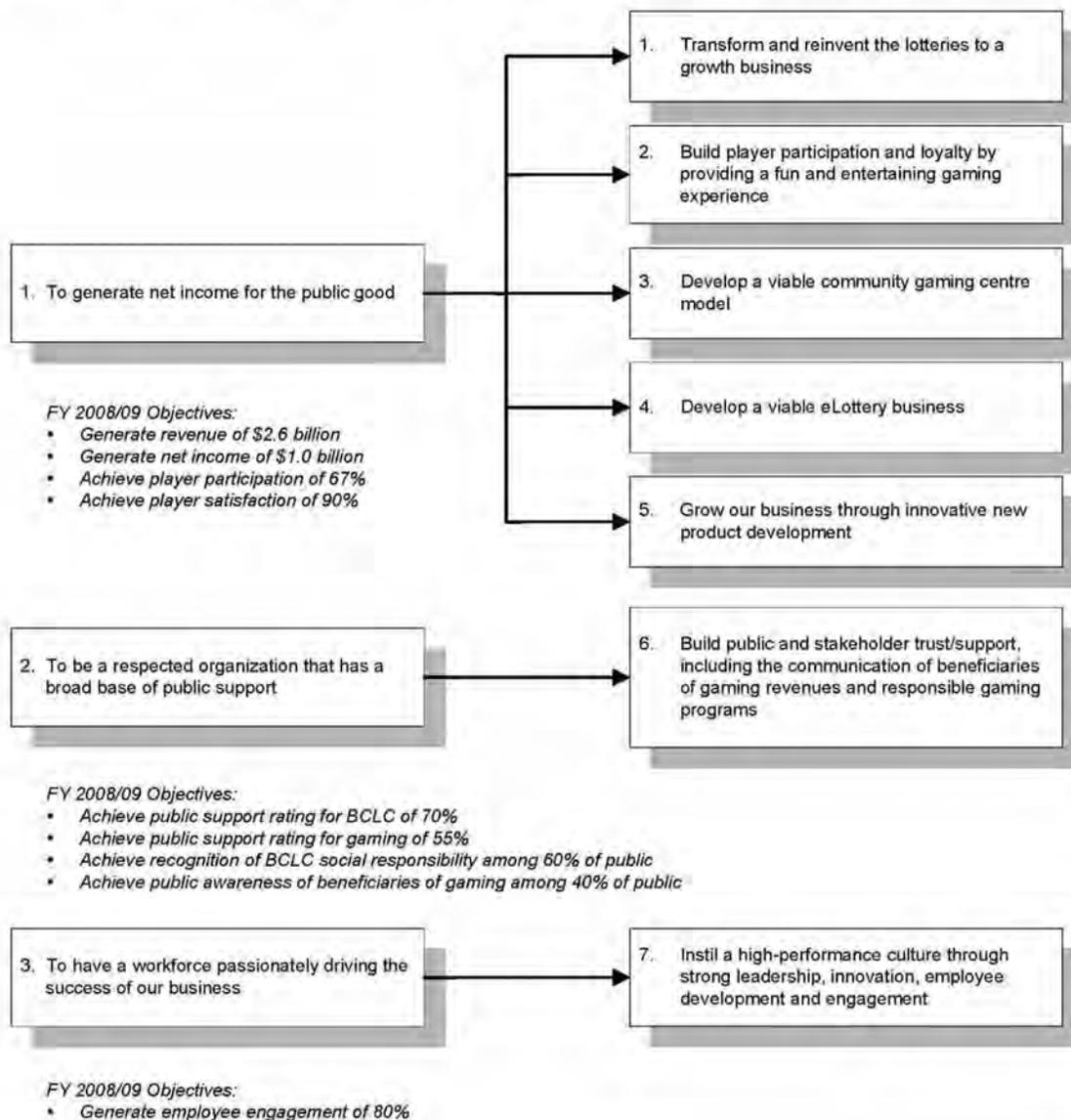
Goals, Strategies, Performance Measures and Targets

BCLC has established a focused set of goals, strategies, performance measures and targets to be achieved over the next three years. The goals flow from BCLC's vision and mission and state the overall intended results of the Service Plan. The strategies describe the key initiatives that will be implemented to achieve the goals. Specific performance measures and targets translate the goals into more specific outcomes and quantify annual progress towards achieving them.

Our three corporate goals remain the same as in last year's Service Plan but have been streamlined to improve clarity and focus. Corporate strategic initiatives have been reduced from 8 to 7. The plan is aligned with Government gaming policy and reflects input and guidance from the Board of Directors.

Corporate Goals and Objectives

Corporate Strategic Initiatives



GOAL #1 TO GENERATE NET INCOME FOR THE PUBLIC GOOD

STRATEGIES

- Transform and reinvent the lotteries to a growth business.
- Build player participation and loyalty by providing a fun and entertaining gaming experience.
- Develop a viable community gaming centre model
- Develop a viable eLottery business
- Grow our business through innovative new product development

PERFORMANCE MEASURES	FISCAL 04/05 ACTUAL	FISCAL 05/06 PROJECTED	FISCAL 06/07 TARGET	FISCAL 07/08 TARGET	FISCAL 08/09 TARGET
Revenue, Total (in millions)	2,027.3	2,240.0	2,365.0	2,465.0	2,625.0
Lottery	938.0	955.0	1,000.0	1,050.0	1,150.0
Casino	892.9	1,075.0	1,140.0	1,175.0	1,225.0
Bingo	196.4	210.0	225.0	240.0	250.0
Operating Cost Ratio (%)	4.7%	4.7%	4.7%	4.6%	4.5%
Net Income (in millions)	818.9	900.0	940.0	980.0	1,035.0
Lottery	285.1	273.6	278.9	291.5	307.9
Casino	515.0	599.4	630.1	649.5	683.6
Bingo	18.8	27.0	31.0	39.0	43.5
FTEs	569	585	600	612	625
Player Participation (%)	63	63	65	67	67
Player Satisfaction (%)	83	80	84	88	90

This goal supports BCLC's mission to offer responsible gaming entertainment, generating income for the public good.

The revenue, operating cost and net income performance measures measure BCLC's commercial success in attaining revenue targets in lottery, casino and bingo as well as net income targets.

Within the framework of Government policy, it is BCLC's objective to achieve a high level of public participation while emphasizing responsible play. New innovative products are aimed at increasing public participation by providing games that appeal to new players. The corporation has set targets to increase public participation over the service plan period.

Player satisfaction is a key performance measure to measure BCLC's success in achieving our strategy to build player participation and loyalty by providing a fun and entertaining gaming experience.

GOAL #2 TO BE A RESPECTED ORGANIZATION THAT HAS A BROAD BASE OF PUBLIC SUPPORT

STRATEGIES					
<ul style="list-style-type: none"> Build public and stakeholder trust/support, including the communication of the beneficiaries of gaming revenues and responsible gaming programs. 					
PERFORMANCE MEASURES	FISCAL 04/05 ACTUAL	FISCAL 05/06 PROJECTED	FISCAL 06/07 TARGET	FISCAL 07/08 TARGET	FISCAL 08/09 TARGET
Public Support of BCLC (%)	66	66	66	70	70
Public Support of Gaming (%)	56	52	52	55	55
Public Recognition of Social Responsibility (%)	56	56	56	58	60
Public Awareness of Beneficiaries of Gaming (%)	28	30	32	35	40

BCLC's success in the marketplace is dependant on public consent to operate. BCLC measures public consent to operate through four key measures: public support of gaming; public support of BCLC; public awareness of the beneficiaries of gaming; and public recognition for social responsibility.

These performance targets have been reduced from the previous year to reflect the current trends. These measures are expected to increase over the service plan period; except that public support of gaming is expected to dip slightly. This decrease in public support of gaming from the previous year can be attributed to increased media coverage and public debate regarding Government policy.

In building a long-term healthy gaming industry, it will be important to build a greater awareness with the public of the good works that gaming revenues contribute to – whether that be for Government programs or charitable and community programs.

BCLC also continues to work in partnership with the Gaming Policy and Enforcement Branch to ensure problem gambling issues are addressed through public awareness, research, education, prevention and treatment programs.

Public awareness of the beneficiaries of gaming and the responsible gaming programs undertaken by BCLC and the Province is necessary to building public and stakeholder trust and support.

GOAL #3 TO HAVE A WORKFORCE PASSIONATELY DRIVING THE SUCCESS OF OUR BUSINESS

STRATEGIES					
<ul style="list-style-type: none"> Instil a high-performance culture through strong leadership, innovation, employee development and engagement. 					
PERFORMANCE MEASURES	FISCAL 04/05 ACTUAL	FISCAL 05/06 PROJECTED	FISCAL 06/07 TARGET	FISCAL 07/08 TARGET	FISCAL 08/09 TARGET
Employee Engagement (%)	51	60	70	80	80

Employee engagement is the measure BCLC uses to track organizational health and employee commitment. Engagement is defined as the state of intellectual and emotional involvement employees have in an organization. Highly engaged employees exert extra effort and are dedicated to doing the very best job possible to contribute to the organization's business success. Research has shown that organizations with higher employee engagement have greater shareholder returns.

Over the course of the last year, the Corporation implemented a number of initiatives to help the organization towards a higher-performance culture that encourages innovation and supports the growth of the business. BCLC's performance targets have been adjusted to show the attainment of our engagement target of 80% by fiscal 2007/08, one year later than the original timeframe.

Alignment with Government's Strategic Plan

As a crown corporation, BCLC was established by government to conduct and manage gaming in British Columbia. The goals and objectives of BCLC go beyond generating revenue for government and include ensuring gaming is delivered in a socially responsible way and to promote both economic development and strong vibrant communities in British Columbia. This section is intended to illustrate how the goals and objectives of BCLC are aligned with the strategic direction of government.

GOVERNMENT STRATEGIC PLAN	BCLC SERVICE PLAN
GOVERNMENT GOALS	BCLC ALIGNMENT
To make British Columbia the best educated, most literate jurisdiction on the continent.	<ul style="list-style-type: none"> • Fiscal 2004/05 net income of \$819 million generated for key Government programs including healthcare, education and physical fitness • Government gaming revenues of \$135 million that provide funding to over 5,500 charitable organizations including many that support healthy living, physical fitness and parent advisory groups that support education in BC • BCLC has implemented environmentally friendly policies including recycled paper for ticket printing, recycling computers back into the school system and power smart facility initiatives • There are approximately 10,000 people who are directly employed in the gaming business in BC with close to a billion dollars invested in property assets, pursuant to contracts established and managed by BCLC
To lead the way in North America in healthy living and physical fitness.	
To build the best system of support in Canada for persons with disabilities, special needs, children at risk and seniors.	
To lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.	
To create more jobs per capita than anywhere else in Canada.	
KEY STRATEGIC THEMES	BCLC ALIGNMENT
High standards of accountability and ethics	<ul style="list-style-type: none"> • Corporate values that focus on integrity, social responsibility and respect
Efficient delivery of services	<ul style="list-style-type: none"> • Strategic initiatives that focus on operational excellence in our people, our practices and systems
Social and fiscal responsibility	<ul style="list-style-type: none"> • Commitment to socially responsible gaming and long-term stewardship of British Columbia's gaming industry
Open and transparent	<ul style="list-style-type: none"> • Open communications with the public, business partners and consumers
Innovative and goal-oriented workforce	<ul style="list-style-type: none"> • Corporate strategic initiatives that focus on high performance and innovation

Summary Financial Outlook

REVENUE (S IN THOUSANDS)	FISCAL 04/05 ACTUALS	FISCAL 05/06 PROJECTION	FISCAL 06/07 TARGET	FISCAL 07/08 TARGET	FISCAL 08/09 TARGET
Lottery	938,000	955,000	1,000,000	1,050,000	1,150,000
Casino	892,800	1,075,000	1,140,000	1,175,000	1,225,000
Bingo	196,500	210,000	225,000	240,000	250,000
TOTAL REVENUES	2,027,300	2,240,000	2,365,000	2,465,000	2,625,000
Lottery	652,900	681,400	721,100	758,500	842,100
Casino	377,800	475,600	509,900	525,500	541,400
Bingo	177,700	183,000	194,000	201,000	206,500
TOTAL EXPENSES	1,208,400	1,340,000	1,425,000	1,485,000	1,590,000
Lottery	285,100	273,600	278,900	291,500	307,900
Casino	515,000	599,400	630,100	649,500	683,600
Bingo	18,800	27,000	31,000	39,000	43,500
TOTAL NET INCOME	818,900	900,000	940,000	980,000	1,035,000
Capital Expenditures	94,000	100,000	70,000	75,000	80,000
FTE's	569	585	600	600	600

ANALYSIS
<ul style="list-style-type: none"> • While all lines of business will grow, total growth in gaming will be smaller than in the past.
<ul style="list-style-type: none"> • Revenue growth from the introduction of new lottery games has been adjusted based on revised market expectations.
<ul style="list-style-type: none"> • Revenue generated from upgraded casino facilities has exceeded expectations.
<ul style="list-style-type: none"> • Revenue from traditional bingo games, exclusive of slot machine revenues, continues to decline.
<ul style="list-style-type: none"> • The build out of improved bingo facilities and the deployment of slot machines in community gaming centres is taking longer than anticipated as a result of delays in the municipal approval process and delays by service providers.
<ul style="list-style-type: none"> • Net income for fiscal 2005/06 is projected to be on target at \$900 million while net income targets for fiscal 2006/07 and 2007/08 have been reduced by \$10 million and \$50 million respectively.

KEY ASSUMPTIONS
Gross Domestic Product

- GDP growth of 3.4% forecast for fiscal 2006/07 and 3% for fiscal 2007/08 and 2008/09.

Lottery

- Planned product releases of new lottery games will be on schedule.

Casino

- The racetrack at Hastings Park is operating with 600 slot machines by October 2006.

Bingo

- Planned openings of community gaming centres with slot machines will open on schedule during fiscal 2006/07.

Government Approvals

- Revenue and net income assumptions are based on BCLC obtaining all necessary host local government approvals required under the *Gaming Control Act* for the relocation or opening of new facilities.
- BCLC receives all necessary Government approvals for launching new games.
- BCLC receives Government approval for the "Where the Money Goes" communication programs.

Marketplace

- Casino revenues are not further impacted by cross-border competition.
- Unregulated Internet gaming will not be a significant competitive threat to BC gaming revenues.

Cost of Services

- Inflation has been assumed at 2% over the planning period.
- Interest rates have been assumed at 3.6% for fiscal 2006/07; 4.4% for fiscal 2007/08; and 5.0% for fiscal 2008/09.

Gaming Policy

- No major changes to BCLC's mandate or Government's policy on gaming are made.

Taxes

- No changes in Government taxes, including GST or the proposed countervailing tariffs on gaming equipment are made.

Net Income Risk and Sensitivity Projections

BCLC's net income projections are subject to considerable risk. Events that could impact BCLC's net income projections include:

- The ability of BCLC and Government to maintain and build public acceptance for gaming in British Columbia
- Delays in obtaining host local government approvals for the development or rebuilding of casino and bingo properties
- The capacity and ability of the Corporation's casino and bingo service providers to build out approved facilities
- Economic issues that result in a reduction in personal disposable income
- The number and size of lottery jackpots
- The ability of the Corporation to develop and launch innovative new lottery products to transform a mature lottery business and achieve projected lottery revenues
- The ability of the Corporation to reinvent and transform a declining bingo business
- Increasing competition from regulated and unregulated gaming competitors

The following table represents the projected net income from gaming operations that may be at risk:

GAMING CHANNEL	NET INCOME RISK			
	FISCAL 2005/06	FISCAL 2006/07	FISCAL 2007/08	FISCAL 2008/09
Lottery	\$10	\$20	\$30	\$40
Casino	13	20	25	35
Bingo	2	10	5	5
TOTAL NET INCOME RISK	\$25	\$50	\$60	\$80

Major Capital Project Information

CAPITAL EXPENDITURES (\$ IN MILLIONS)					
FISCAL 04/05 ACTUAL	FISCAL 05/06 BUDGET	FISCAL 05/06 PROJECTION	FISCAL 06/07 TARGET	FISCAL 07/08 TARGET	FISCAL 08/09 TARGET
94	112	85	82	75	80

The majority of the Corporation's capital expenditures are for gaming equipment required to support lottery, casino and bingo gaming operations.

The Corporation has no plans for individual capital programs that exceed \$50 million.

Appendix 1 – Performance Measure Descriptions

FISCAL 2006/07 PERFORMANCE MEASURES

Player Participation

This category measures the gaming participation rate of British Columbia adult residents who have played a lottery game or visited a bingo or casino facility in the province in the past month. This information is obtained through a continuous tracking study completed by an external research supplier.

Player Satisfaction

This category measures overall player satisfaction for the games and facilities offered for sale by the lottery, casino and bingo business units. Through both a continuous tracking studies and exit interviews, players are asked to use a 5-point scale to rate their satisfaction with "5" being excellent and "1" being poor. Player satisfaction is based on the top three boxes.

Public Support of BCLC

This category measures the percentage of adults surveyed in British Columbia who have a favourable impression of British Columbia Lottery Corporation. In a continuous tracking study conducted by an external research supplier, respondents are asked if their impressions of the Corporation are very favourable, somewhat favourable, somewhat unfavourable, or very unfavourable. Support for BCLC is based on the total mentions of "very favourable" and "somewhat favourable."

Public Support of Gaming

This category measures the percentage of adults in British Columbia who have a positive perception of how gaming is conducted and managed in British Columbia. In a continuous tracking study conducted by an external research supplier, respondents are asked to use a 7-point scale whereby "1" is strongly disagree and "7" is strongly agree to rate the statement, "I fully support the existence of legalized gaming in British Columbia." Support for gaming is based on the top three box responses.

Public Recognition for BCLC Social Responsibility

This category measures the percentage of adults in British Columbia who agree that the Corporation markets gaming in a socially responsible way. In a continuous tracking study conducted by an external research supplier, respondents are asked to use a 7-point scale whereby "1" is strongly disagree and "7" is strongly agree to rate the statement, "BCLC goes about marketing its games and products in a socially responsible way." Recognition of social responsibility is based on the top three boxes.

Public Awareness of the Beneficiaries of Gaming

This category measures the percentage of adults in British Columbia who have an awareness of how the income generated by gaming is distributed. In a continuous tracking study conducted by an external research supplier, respondents are asked whether they feel very well informed, somewhat informed, not very well informed or not at all informed about where the money goes. Awareness of the beneficiaries of gaming is based on the total mentions of "very well informed" and "somewhat informed."

Employee Engagement

This category measures the overall engagement of employees of British Columbia Lottery Corporation. Employees will be asked in a survey to rank their level of engagement in the organization over a broad range of attributes, including awareness of Corporate goals and strategies, innovation, empowerment and accountability.

Revenue

This category measures the Corporation's total revenues as reported in the consolidated financial statements.

General Operating Cost Ratio

This category measures the ratio of operating costs as a percentage of sales. Operating costs include all costs, excluding direct costs, amortization, other income and GST.

Net Income

This category measures the Corporation's net income as reported in the consolidated financial statements, in accordance with generally accepted accounting principles.

Appendix F

BCLC Service Plan 2007/08-2009/10 (BCLC0016655).

SERVICE PLAN 2007/08 - 2009/10



BENEFITING BRITISH COLUMBIANS



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BRITISH
COLUMBIA

The Best Place on Earth

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MESSAGE FROM THE CHAIR AND PRESIDENT

On behalf of the Board of Directors and employees of British Columbia Lottery Corporation (BCLC), we are pleased to present the Corporation's fiscal 2007/08 – 2009/10 Service Plan.

For more than 30 years, BCLC has provided responsible gaming entertainment that generates income for Government and the 2007/08 – 2009/10 Service Plan continues this mission.

BCLC employees, along with our valued private sector business partners, are proud of the revenues generated for public, charitable and community programs. In fiscal 2006/07, BCLC is projecting that we will generate \$989 million in net income for Government, \$49 million more than our target of \$940 million. These revenues will be used to benefit programs for healthcare, education, social, community, charitable and municipal purposes.

In addition to funding beneficial public service programs, the BCLC team is also proud of the significant economic contributions generated, including a projected \$643 million in prizes paid to British Columbians, \$498 million paid to our lottery, casino and bingo service provider partners and more than \$180 million in the purchase of equipment, goods and services. The gaming industry in British Columbia is responsible for the direct employment of more than 10,000 people and more than \$1 billion in gaming facility developments pursuant to service provider contracts established and managed by BCLC. In delivering these economic benefits, we are committed to upholding the highest standards of fairness, honesty and integrity in our mandate to conduct and manage gaming in British Columbia.

This Plan supports our mission to offer responsible gaming entertainment, generating income for the public good. Over the three years covered by this Plan, BCLC estimates we will generate \$3.2 billion in net income for Government. However, our mission is not only to generate net income for Government, but also to ensure that gaming entertainment is offered in a socially responsible manner. BCLC will continue to take a major leadership role in the British Columbia Partnership for Responsible Gambling in ensuring that appropriate responsible

gaming awareness, education and research programs are in place and that appropriate treatment programs are available for the small percentage of the adult population who experience gambling problems.

Public trust and confidence in the integrity of our games and systems is paramount. Recently, the integrity of our lottery games and the cashing of winning tickets by lottery retailers have been challenged. Two independent agencies, the Gaming Policy and Enforcement Branch and the Office of the British Columbia Ombudsman have been requested to complete reviews of our processes and practices in ensuring that the rightful prizes are paid to the rightful holders of winning lottery tickets. GPEB has just completed their review and the Office of the British Columbia Ombudsman's review is currently in process. We welcome both of these reviews and see them as an opportunity to both reassure the public and to further enhance our processes and practices where needed.

Gaming entertainment is becoming increasingly competitive and complex with challenges and opportunities to address. BCLC is faced with the challenge of generating net income for the public good in a competitive market place while balancing the goal of offering gaming in a socially responsible manner. This Plan is designed to meet these challenges and opportunities in order to ensure that British Columbians will continue to benefit from gaming revenues generated in our province and will continue to enjoy high-quality, responsible gaming entertainment.

In closing, the British Columbia Lottery Corporation's 2007/08 – 2009/10 Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. The Board is accountable for the contents of the Plan, including the selection of performance measures and targets. The Plan is consistent with Government's strategic priorities and Strategic Plan. All significant assumptions, policy decisions and identified risks, as of January 24, 2007 have been considered in preparing the Plan. The performance targets in this plan have been determined based on British Columbia Lottery Corporations' operating environment, forecast conditions, risk assessment and past performance.


John McLerron
Board Chair


Vic Poleschuk
President and CEO

OVERVIEW OF THE ORGANIZATION

Corporate Mandate

In Canada, gaming is illegal except as provided by the *Criminal Code of Canada*. Pursuant to amendments to the *Criminal Code of Canada* in 1969 and enabling legislation, the British Columbia Lottery Corporation (BCLC) was incorporated on October 25, 1984 and is continued under the *Gaming Control Act* of British Columbia (2002).

As an agent of the Crown, the Province has designated BCLC as the authority to conduct and manage lottery, casino and bingo gaming within British Columbia.

BCLC is accountable to its shareholder (Government) through the Minister of Public Safety and Solicitor General. A Board of Directors appointed by Government guides BCLC in fulfilling its mandate.

BCLC operates and is regulated by the Gaming Policy and Enforcement Branch (GPEB) in accordance with the *Gaming Control Act*. GPEB is responsible for policy, legislation, standards, regulation, licensing, registration, audit and compliance, enforcement, the responsible gaming strategy and the distribution of Government's gaming proceeds.

A key component of the governance framework is the development of a shareholder's letter of expectations. This letter is designed to ensure a shared understanding between the shareholder and Crown Corporation Board of Directors on key governance issues, corporate mandate and core services, public policy issues, strategic priorities and performance expectations. BCLC's *Shareholder's Letter of Expectations* can be located at: <http://www.bclc.com/cm/aboutbclc/corporategovernance.htm>

Organizational Structure and Core Business Areas

BCLC has two corporate offices, one in Kamloops and one in Richmond. The Corporation's head office, information technology and finance functions are located in Kamloops and the sales and marketing functions are located in Richmond.

The Corporation contracts for the sale of its products through a private sector network of about 4,400 lottery retailers, 17 casinos and 29 commercial bingo halls. Lottery retailers receive an industry-standard commission rate to sell the Corporation's online and traditional lottery products. The Corporation has partnered with six private sector casino service companies. They provide, under contract, both casino facilities and day-to-day operational services, including casino staffing, for a service fee based on

revenue generated. The Corporation also has contractual agreements with 29 commercial, independent and charitable bingo service providers who provide bingo facilities and day-to-day operational services, including bingo staffing, for a service fee based on sales revenue. The Corporation's operations and security staff oversee compliance by our service providers with contracts, policies and procedures and service levels established by the Corporation.

The consolidated financial statements of the Corporation include B.C. Lottotech International Inc., a wholly owned subsidiary of British Columbia Lottery Corporation. The primary purpose of B.C. Lottotech is to purchase capital assets for BCLC and there are no operational revenues or expenses. The management and oversight of Lottotech is consolidated with BCLC operations and the Board reviews and approves capital purchases through the budget process.

	LOTTERY	CASINO	BINGO	TOTAL
(\$ in millions)				
Revenues	\$967.4	\$1,085.3	\$208.0	\$2,260.7
Net Income	\$273.2	\$621.6	\$27.9	\$922.7
Distribution Channels	3,050 retail locations 1,350 bars and pubs PlayNow.com	16 commercial casinos 1 racetrack casino	24 commercial bingo halls 5 community gaming centres	
Products	Lottery games	Slot machines Table games Poker games	Paper bingo Electronic bingo Slot machines	

Source: Fiscal 2005/06 Annual Report

Fiscal 2005/06 Financial Highlights



In fiscal 2005/06, BCLC made significant contributions to British Columbia communities and the Government of British Columbia. These benefits included \$641.5 million in prizes to British Columbians, \$483.7 in commissions and service fees paid to lottery, casino and bingo service providers, about \$180 million in the purchase of equipment, goods and service and \$922.7 million in net income to Government. Gaming has also created significant direct and indirect employment opportunities in British Columbia. It is estimated that the gaming industry is responsible for the direct employment of more than 10,000 people and investment of \$1 billion in property assets, pursuant to the service provider contracts established and managed by BCLC.

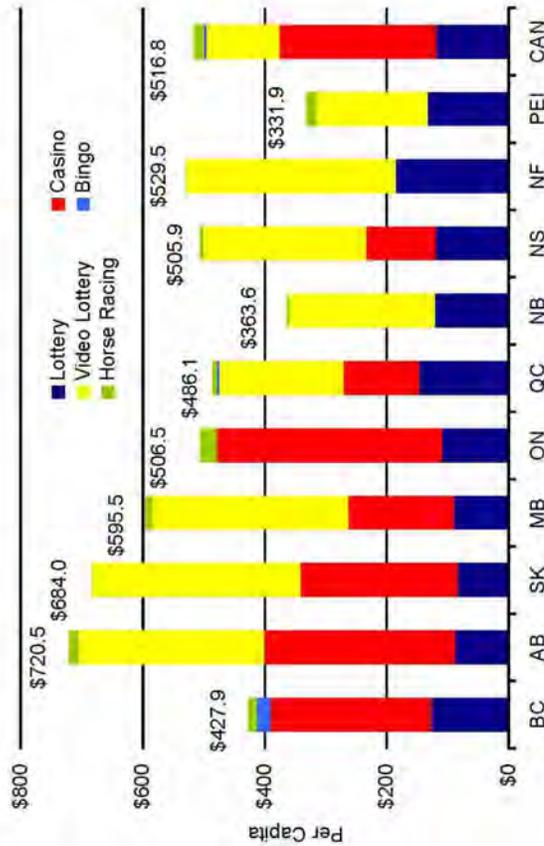
Gaming Net Income and Distribution Fiscal 2005/06

	\$ Millions
Sources of Net Income	
Lottery	\$ 273.2
Casino	621.6
Bingo	<u>27.9</u>
	\$ 922.7
Distribution of Net Income	
Government of British Columbia	\$ 556.4
Consolidated Revenue	147.3
Health Special Account	137.7
Charitable & community organizations	65.0
Host local governments	4.6
Horse racing purse enhancements	<u>3.4</u>
Development Assistance Compensation	914.4
	<u>8.3</u>
Government of Canada	\$ 922.7
BCLC Net Income	

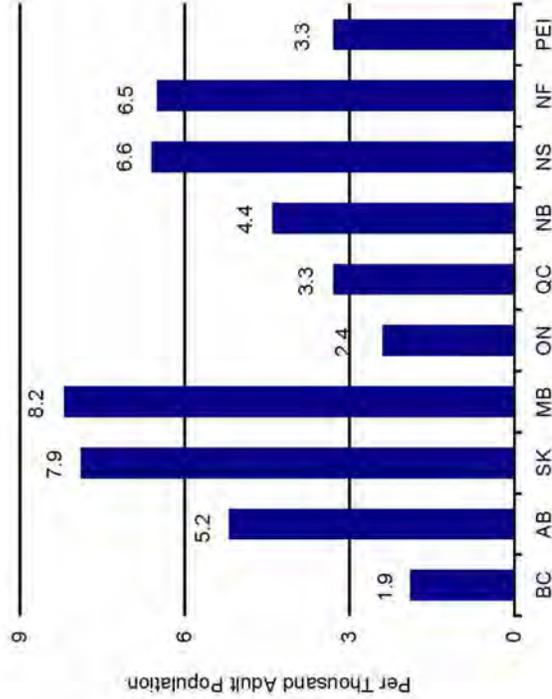
Canadian Gaming Comparisons

In Canada, annual total gaming revenues are about \$15 billion. In the province of British Columbia, Government's gaming policy that promotes responsible play and the decision to prohibit the introduction of video lottery terminals from the marketplace has resulted in per capita gaming revenues that are lower than most other provinces in Canada. On a comparative basis, British Columbia ranks 8th in per capita gaming spend (sales less prizes). In addition, British Columbia has the lowest number of electronic gaming devices per thousand adult population of any province in Canada with the fewest locations where they can be played.

Canadian Provincial Gaming Spend Per Capita (March 31, 2005)



Electronic Gaming Devices (March 31, 2005)



Sources: Provincial Gaming Authority Annual Reports and Statistics Canada
 *Gaming spend is an industry standard measure that is defined as total sales minus prizes

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Authority

British Columbia's gaming industry is operated and regulated under the authority and direction of the Minister responsible for gaming, the Minister of Public Safety and Solicitor General.

Governance Practices

Following an extensive review of its existing governance practices, and with the goal of adopting well-established best practices in corporate governance, BCLC's Board of Directors adopted a new governance framework in early 2003. This governance framework reflects the Corporation's mandate, vision, mission and strategic goals and includes terms of reference for the Board, Board Chair, President and Chief Executive Officer, Directors and all standing committees of the Board. The framework also includes operating guidelines for the Board and its committees, and describes processes for strategic planning, succession planning and Board performance evaluations.

Government is committed to achieving and maintaining exemplary standards of governance and has established a best practices governance and accountability model. In 2005, Government released Best Practice Guidelines – BC Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations. The guidelines establish broad provincial standards for board governance practices and provide for greater public accountability and transparency through standardized disclosure requirements.

BCLC complies with each of the disclosure requirements and is fully compliant with the standards and guidelines.

The Board continuously reviews and evaluates BCLC's governance framework with a view to maintaining good corporate governance practices that are aligned with the Corporation's business and consistent with Government's guiding principles for

corporate governance in Crown corporations. As part of its governance practice, the Board regularly evaluates its own performance with the objective of continuously improving performance and performing its oversight role in the most efficient and effective manner.

A key component of BCLC's governance framework is the Shareholder's Letter of Expectations, entered into between the Minister and the Corporation, which confirms the shared understanding of Government and BCLC on its corporate mandate, public policy issues, strategic priorities and performance expectations. The Shareholder's Letter of Expectations is reviewed and discussed with Government annually and updated as required.

Board of Directors	Board Members	Chair
<p>The Board provides stewardship and ethical leadership by overseeing management of the Corporation's affairs with a view to the best interests of the Corporation and long-term interests of the shareholder, the Government of British Columbia.</p>	<p>Chair John McLernon <i>Appointed December 9, 2005</i></p> <p>Vice Chair Arthur Willms <i>Appointed September 26, 2001</i></p>	<p>The Chair is the presiding director and is responsible for the leadership and effective performance of the Board. The Chair is appointed by the Lieutenant-Governor in Council and is the liaison between the Board and the Minister responsible for BCLC.</p>
<p>In carrying out the mandate of the Board, each director is required to act in accordance with a fiduciary duty, duty of care and conflict of interest duty.</p>	<p>Directors John Bell <i>Appointed September 26, 2001</i></p> <p>David Gillespie <i>Appointed March 31, 2005</i></p> <p>D. Neil McDonnell <i>Appointed April 23, 2002</i></p> <p>Tazeem Nathoo <i>Appointed July 26, 2002</i></p> <p>Eric Sorensen <i>Appointed December 8, 2005</i></p> <p>Kathy Stevenson <i>Appointed April 23, 2002</i></p>	<p>Board Committee Structure</p> <p>Board committees are responsible for advising and formulating recommendations to the Board. From time to time, the Board of Directors may establish committees as needed.</p>
<p>Governance Principles of the Board</p> <p>The guiding principles for Board Governance are:</p> <ul style="list-style-type: none"> > Stewardship, leadership and effective functioning of the Board > Clarity of roles and responsibilities > Openness, trust and transparency > Service and corporate citizenship > Accountability and performance > Value, innovation and continuous improvement 		<p>Each committee chair is appointed by the Board and is responsible to report directly on the committee's deliberations, findings and recommendations.</p>

Standing Committees

Audit		Human Resources and Compensation	Senior Executive
Chair Members	Kathy Stevenson Arthur Wilkins, John Bell, David Gillespie	Chair Tazeem Nathoo Members Neil McDonnell, Eric Sorensen	President and CEO Vic Poleschuk
>	Liaises between the external and internal auditors and the Board	> Examines the Corporation's strategies and practices that relate to human resource and compensation matters, succession planning issues and provides advice on these matters to the Board for consideration	Vice-Presidents Jay-Ann Fordy Human Resources and Organizational Development
>	Oversees the review of the Corporation's financial operations by the external auditors and makes a recommendation to the Board with respect to approval of the audited financial statements	> Reports to the Board as a whole with respect to compliance with current Government directives and initiatives, including the Public Sector Employers' Council and the Crown Corporation Employers' Association	Kevin Gass Corporate Communications and Marketing
>	Oversees the review of the Corporation's financial reporting, information systems, risk management and internal controls	Marketing and Sponsorship	Jim Lightbody Lottery Gaming Brian Lynch Casino Gaming Scott Norman Information Technology and Chief Information Officer
Governance and Corporate Social Responsibility			Doug Penrose Finance and Corporate Services
Chair Members	David Gillespie Arthur Wilkins, Tazeem Nathoo	Chair John Bell Members Neil McDonnell, Eric Sorensen	Marsha Walden Bingo Gaming
>	Reviews the policies and practices of the Board and makes recommendations regarding Board effectiveness	> Provides support to the Board during the strategic planning process with respect to the marketing components of the strategic plan	
>	Examines and makes recommendations regarding good corporate governance practices throughout the Corporation	> Reviews the overall marketing and sponsorship strategies and guidelines that will govern the Corporation's role on brands, business units and sponsorships	
>	Oversees corporate social responsibility programs	> Monitors the Corporation's performance against the marketing strategies and guidelines	

STRATEGIC CONTEXT

PURPOSE

Benefiting British Columbians

VISION

To be a player focused, publicly respected, performance-driven Corporation

MISSION

To offer responsible gaming entertainment, generating income for the public good

GOALS

1. To provide outstanding gaming entertainment, generating net income for the public good
2. To be a respected organization that has a broad base of public support
3. To have a workforce passionately driving the success of our business

VALUES

Integrity

The games that we offer and the ways we conduct business are fair, honest and trustworthy

Social Responsibility

Everything we do is done with consideration of its impact on the people and communities of British Columbia

Respect

Our workplace fosters openness, mutual respect and individual development

STRATEGIC INITIATIVES

1. Transform and reinvent the lotteries to a growth business
2. Develop eLottery as a viable business
3. Build casino and community gaming facilities to meet domestic demand and build long term tourism markets
4. Build public and stakeholder trust and support, including the communication of the beneficiaries of gaming revenues and responsible gaming programs
5. Build player participation and loyalty by providing a fun and entertaining gaming experience
6. Create a high performance culture

PLANNING CONTEXT

Each year, BCLC analyzes the impact of external and internal environments on the ability to achieve our mission and goals. The purpose of this analysis is to identify key opportunities, risks, strengths and weaknesses that need to be addressed in strategies, operating plans and budgets.

Macro Trends – Scanning Ahead

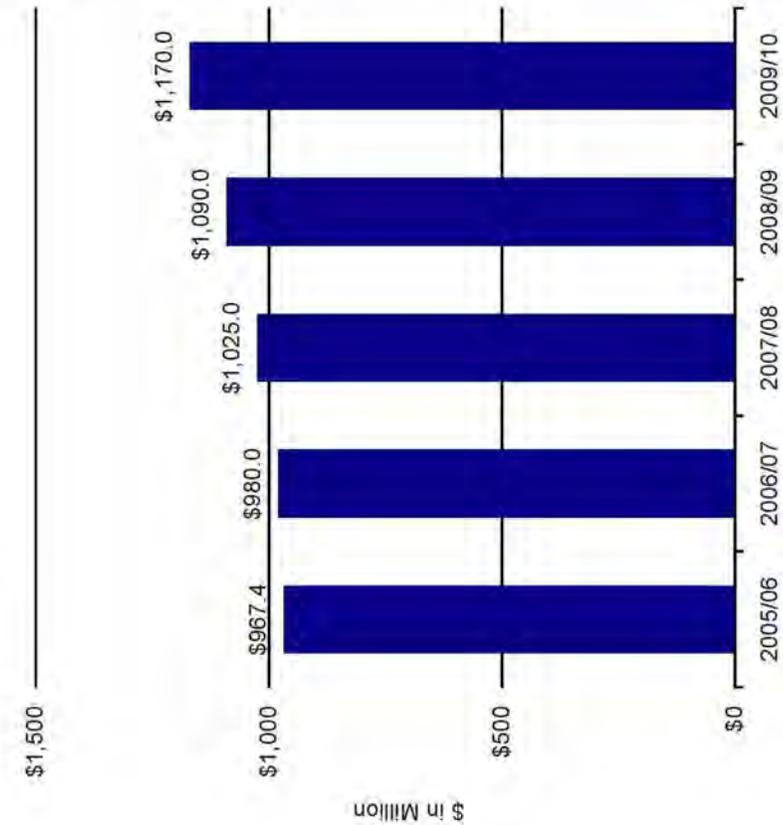
BCLC, like other major businesses, is experiencing significant changes in the environment and marketplace in which it operates. Rapidly evolving technology, increasing competition from both within and outside of British Columbia's borders, the Internet, changing demographics and changes in political and social attitudes are impacting how gaming is conducted and managed in British Columbia.

External Risks and Opportunities

Products and Markets

The Corporation markets three major forms of gaming entertainment in British Columbia — lottery, casino and bingo.

Lottery Revenues



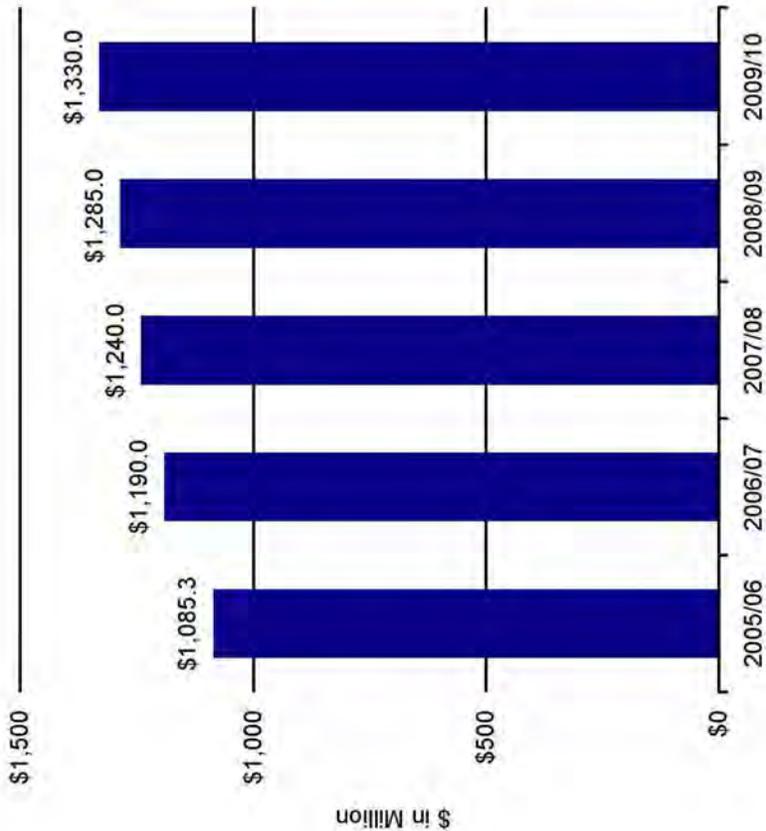
Lottery

Lotteries have been part of the retail market in British Columbia for more than 30 years. Changing demographics, a shift in consumer preferences, emerging and evolving distribution channels and a product line that has matured over the last several years have led to a flattening of sales growth. To address the changing business, BCLC identified the transformation and reinvention of the lottery business as a major strategic priority for the organization.

As a result of this strategic initiative, over the last several years BCLC has introduced various initiatives, including the introduction of a new eChannel, PlayNow, the introduction of new monitor-based games for the hospitality network, and the introduction of games linked to worthy causes that are important to British Columbians. The objective over the next few years will be to continue to introduce innovative new games that provide for a more exciting and entertaining player experience that increase player participation and revenue from this channel.

External Risks and Opportunities

Casino Revenues

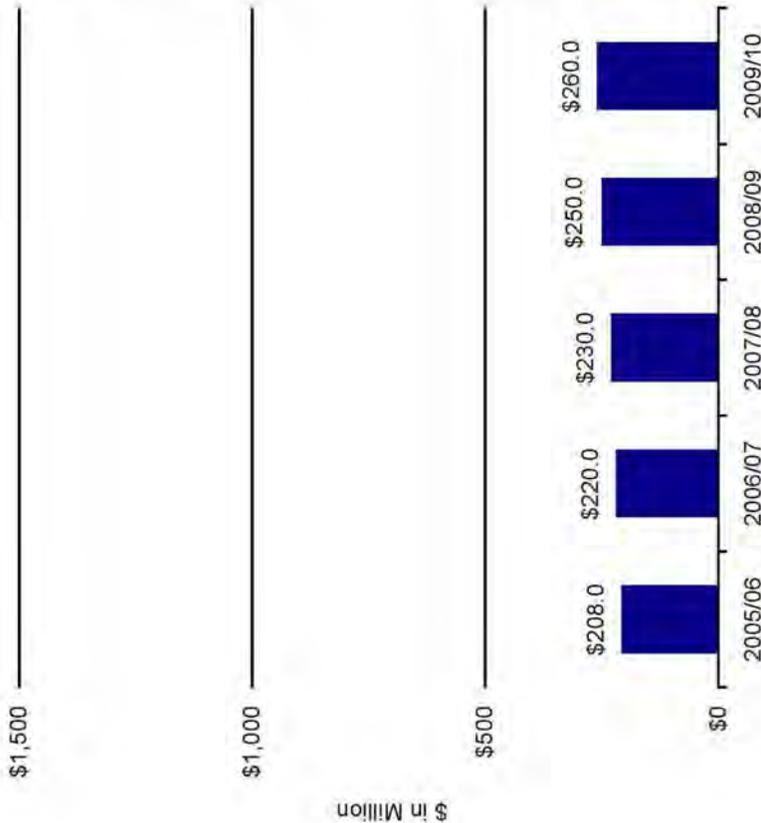


Casino

Since BCLC assumed responsibility for casino games and the introduction of slot machines in the British Columbia marketplace in 1997, the casino business has experienced substantial growth. BCLC's primary strategic priority over the last few years has been to upgrade existing casino facilities with fewer, higher quality properties sized to fit the marketplace. This strategy has resulted in players experiencing a more diverse entertainment experience with major facilities offering resort-style accommodations, conference facilities, full-service restaurants and theatre-style show lounges. As BCLC looks forward, we will continue to develop casino properties that provide the player with exceptional entertainment and begin to position casino gaming as a major tourism attraction for out-of-province players.

External Risks and Opportunities

Bingo Revenue



Bingo

Bingo, one of the oldest forms of gaming in British Columbia, has been steadily declining over the past decade. This decline has resulted from facilities that are perceived to be poor quality, unappealing and limited in entertainment value. BCLC is working with bingo service providers to transform bingo halls in key market locations to community gaming centres (CGCs) offering more entertaining products in better facilities that offer improved customer amenities. The introduction of slot machines into bingo halls in early 2004 has created an avenue through which bingo halls can transform into CGCs. In addition to slot machines, CGCs have included facility upgrades and have tested new products and other forms of entertainment.

External Risks and Opportunities

Consumers

The retail landscape is changing with an increasing prominence of eCommerce, consolidation within many retail sectors, an increasing variety of goods and services offered to the consumer, and convergence of distribution channels. More and more, consumers expect and seek out unique experiences from retailers. It is not just a product that is being sought; it is access to the right experience (in totality) of buying the product that will determine where people shop.

The hospitality landscape is also changing. Just as with retailers, those involved in the hospitality business must work harder to create total experiences for their customers and must adapt emerging technologies to meet the needs of consumers.

BCLC is addressing these changing consumer needs with the introduction of new innovative games and distribution channels for the lottery business and the development of casino and bingo facilities that provide a more complete entertainment experience for the player.

Competition

Increasing competition for the discretionary dollars of British Columbians will continue to affect BCLC's business environment. Consumers are becoming more sophisticated and knowledgeable about their entertainment options. As the entertainment options for consumers continue to increase, delivering high entertainment value and building loyal customer relationships are increasingly important as competitive differentiators.

Competing lotteries and expanded gaming in neighbouring jurisdictions present new challenges. It is estimated that British Columbia loses about \$100 million annually to cross-border casinos offering a selection of food and beverage and entertainment facilities and progressive player card programs. Additionally, Internet gaming revenues are about \$12 billion (U.S.) worldwide and are estimated to grow to \$28 billion (U.S.) by 2012.

BCLC's product and distribution strategies are designed to compete with competitive gaming options and capitalize on revenue opportunities from emerging forms of entertainment.

External Risks and Opportunities

Technology

Rapidly evolving communication and entertainment technologies represent both risks and opportunities for BCLC. New technology can lead to new competition, additional costs and changing customer expectations. These new technologies can also provide for product development opportunities and operational efficiencies. Some of the emerging technologies that will impact BCLC and gaming include:

- > High-speed wireless connectivity is becoming the norm in major urban centres
- > eCommerce is becoming more prevalent
- > Significant gains in network bandwidth and storage capacity will facilitate a shift in entertainment to mobile devices
- > Entertainment is moving "home" with advanced home entertainment and media centres

BCLC will continue to identify and evaluate the most promising developments in technology and apply these to the business.

Labour Force

British Columbia's strong economic growth and record unemployment rate have increased the shortage of highly skilled people that businesses need to grow and expand. As the supply of available workers falls short of job growth, competition for employees will increase. With more than 10,000 people directly employed in the gaming industry in British Columbia, this will result in a significant challenge for BCLC and our service providers who operate gaming facilities on our behalf.

To address the growing competition for skilled employees, BCLC is strengthening program development in the following areas:

- > Leadership and management development
- > Career development
- > Employee recruitment
- > Work life balance
- > Competitive compensation
- > Succession planning
- > Workplace innovation and productivity

Responsible Play

BCLC and Government recognize that while the revenue generated from gaming provides significant benefits for the province, it also can be harmful to individuals who are prone to problem gambling behaviours. Of the total adult population in British Columbia, it is estimated 96% do not have problems with gambling and most that choose to participate do so for social and recreational purposes. The balance, about 4% of the total adult population, has varying degrees of gambling problems. BCLC recognizes the need to ensure that problem gambling issues are addressed through public awareness, education, prevention and treatment programs. As a key component of BCLC's mandate, we will continue to play a strong leadership role in ensuring that best practices problem gambling risk management strategies and programs are in place.

External Risks and Opportunities

Public Acceptance/Government Policy

The Government of British Columbia's gaming policy provides for moderate growth in revenues. BCLC's revenue and net income projections are based on this policy.

BCLC understands that without strong public acceptance and support, our business and revenue objectives are at risk. To maintain and build public acceptance, the public needs to know that gaming is offered in a socially responsible manner, that the revenue generated from gaming is put to good causes – whether that be for Government programs or charitable and community groups – and that the highest levels of integrity are maintained in our games, processes and people.

Recently, the rate of winning by lottery retailers has been challenged. We feel strongly that our lottery games and systems are secure. We are confident that the right prizes are being paid to the rightful holders of winning tickets. Retailer wins are subject to a high level of scrutiny and all consumer complaints with respect to prizes paid at retail are followed up by BCLC Corporate Security. We also believe that the overwhelming majority of nearly 50,000 retail stores clerks who sell and validate lottery products are providing a high level of quality services and integrity to our players.

But we need to make sure we continue to earn the trust and confidence that our players and public have in us. Two independent agencies, the Gaming Policy and Enforcement Branch and the Office of the British Columbia Ombudsman have been requested to complete reviews of our processes and practices in ensuring that the rightful prizes are paid to the rightful holders of winning lottery tickets. GPEB has just completed their review and the Office of the British Columbia Ombudsman's review is currently in process. We welcome both of these reviews and see them as an opportunity to both reassure the public and to further enhance our processes and practices where needed.

Regulatory

Gaming in British Columbia is conducted and managed under the framework of the federal *Criminal Code* and the provincial *Gaming Control Act* and its regulations. BCLC operates within the strict statutory and regulatory guidelines as established by these two legislative documents.

The *Gaming Control Act* requires that BCLC consult with host local governments before any new casino or bingo gaming facility is introduced into a community. BCLC recognizes that building local community and stakeholder relationships are critical to achieving success for both BCLC and the local communities where gaming opportunities are being considered.

Internal Strengths and Weaknesses

Organizational Capability

The success of BCLC in the future will continue to depend on our people and strong leadership to promote a high-performance culture that values innovation, integrity, engagement and accountability. BCLC is currently able to leverage its strong gaming knowledge, expertise and skill advantage in the British Columbia entertainment marketplace.

However, as the market becomes increasingly competitive and complex, BCLC will need new skills and new competencies that will drive the success of new product and business opportunities. Immediate needs include ensuring that the right skills and culture are in place to meet business requirements for increased focus on the player, innovation and time to market.

External market shortages of leadership and technical skill are forecasted over the three-year planning period. BCLC needs to ensure that leading-edge work practices and competitive recruitment and compensation policies are in place to attract and retain the best and brightest leaders and experts to support the business agenda.

Financial Capacity

BCLC has the financial capability to fund the capital and operating programs necessary to attain its business goals and objectives.

Innovation

Similar to other organizations, the ability of BCLC to deliver new and exciting products to the marketplace is fundamental to our success. With consumer

preferences changing, BCLC needs to move away from "mass market" games to products and experiences that are tailored to individual needs. Developing innovative products that are player focused and delivering these products to the market quickly is a key requirement for BCLC as we move forward.

Distribution Channels

BCLC is fortunate to have one of the strongest and most developed distribution channels in British Columbia. Through our network of more than 4,000 lottery retailers, 17 casinos and 29 commercial bingo halls and community gaming centres, our distribution channels are well situated from a geographic perspective to provide access to the British Columbia marketplace. More recently, BCLC has added a new eChannel, PlayNow, where consumers can purchase our lottery and Sports Action products. We will continue to develop our distribution channels to ensure players are provided with entertaining gaming experiences that are fun, convenient and socially responsible.

Integrity of Brands and Products

BCLC has provided gaming entertainment products in the British Columbia marketplace for more than 30 years. Evolving from a lottery-only business, BCLC now offers a full range of gaming products including casinos, bingos and online gaming through PlayNow. Over this period, the Corporation has established high levels of product brand awareness and trust. This, combined with the fact that all profits from BCLC benefit British Columbians, provides a strong competitive advantage for BCLC brands.

KEY STRATEGIC ISSUES

Increased Competition

Competition for the consumer's discretionary entertainment dollar continues to increase.

New innovative products and channels will need to be developed, specifically in the lottery and bingo markets, in order to maintain and grow revenue.

Public Support of Gaming

Public support of gaming has decreased based upon the concerns over the negative impacts of problem gambling and a lack of awareness of the beneficiaries of gaming funds

Enhanced responsible gambling and prevention programs and enhanced pro-active communications to communicate both responsible gambling initiatives and beneficiary programs are required.

Labour Market

The gaming industry employs more than 10,000 people in British Columbia. It is expected that the need for labour will continue to increase over the next five years and that the industry will have more difficulty in competing to attract and retain the "best" service-oriented staff.

ENTERPRISE-WIDE RISK MANAGEMENT

BCLC faces risks specific to its business that could significantly impact its ability to achieve the short and long term goals of this Service Plan. While risks cannot be eliminated, BCLC's strategies aim to minimize or mitigate them.

BCLC's Approach to Managing Risk

BCLC has initiated a formal Enterprise Risk Management process that will be applied to the day-to-day business activities as well as to strategic initiatives and specific projects. Strategic risk identification has occurred through an initial senior management assessment and will be a key factor in planning and resource allocation sessions. An enterprise Risk Manager supports the Enterprise Risk Management process by focussing on education, accountability, and corporate wide coordination.

Major corporate risks and the mitigation strategies for each of these risks are included in the following pages:

MARKET SUSTAINMENT AND DEVELOPMENT RISK

To remain competitive, BCLC must continually adapt to changes in the marketplace. The continuing development of innovative new games and delivering an exciting and fun gaming entertainment experience to the player will be critical in our ability to maintain and grow revenue.

MITIGATION STRATEGIES

The gaming industry is particularly vulnerable to these risks, as the player demand for traditional products decreases while the availability of other entertainment options increases. BCLC has concentrated its efforts in this regard on new product innovation, balanced with social responsibility.

To address this risk BCLC has developed four key strategies:

1. To transform and reinvent the lottery business through the development of new innovative games and distribution channels
2. To develop eLottery as a viable business including the introduction of PlayNow, an online gaming channel that offers existing products and new innovative games.
3. To build casino and community gaming facilities to meet domestic demand and build long term markets. The continuing upgrading of existing casino properties and the replacement of old bingo halls with new, higher entertainment gaming centres are examples of initiatives that support this strategy.
4. To build player participation and loyalty by providing a fun and entertaining gaming experience. New innovative games and facility development that focus on the total player entertainment experience are examples of initiatives that support this strategy.

PUBLIC ACCEPTANCE RISK

Without strong public support and acceptance, the BCLC's ability to achieve its business and revenue objectives are at risk. Given that public policy often follows public opinion, an event that breaches the public trust could directly impact the operational programs supporting the Corporation's strategic initiatives.

For the Corporation to build and maintain public trust, it is important that there is a high level of public awareness that games are offered in a socially responsible manner, that there are problem gambling prevention and treatment programs for those at risk, and that the revenue generated from gaming is directed to key Government programs that benefit all British Columbians.

MITIGATION STRATEGIES

BCLC mitigates the likelihood and impact of such events through our strong focus on integrity in our products, highly regulated facilities and continued development of industry practices that promote responsible play. We are committed to taking immediate action against breaches to assure British Columbians that gaming in British Columbia remains a secure and safe entertainment option. To build and maintain public trust BCLC will continue to implement strategies that support responsible gaming, problem gambling prevention and treatment, and public awareness and transparency of how gaming revenues are spent to benefit British Columbians.

SKILLS AND CAPACITY RISK

Significant changes in the labour market such as shifting workforce demographics or the availability of technical skills adversely affect the Corporation's ability to attract and retain highly skilled and motivated employees.

MITIGATION STRATEGIES

BCLC has recognized that having a flexible, adaptable workforce to meet the needs of our players and our shareholders requires employees to be motivated to continually learn and keep up with the pace of change, develop new skills, acquire new knowledge, continuously improve business processes and seek out new markets/products. As a technology-reliant organization, we recognize the need to focus on building our resources to meet the needs of our business.

HOST LOCAL GOVERNMENT APPROVALS

The *Gaming Control Act* requires that BCLC consult with host local governments before any new casino or bingo gaming facility is introduced into a community. BCLC recognizes that building local community and stakeholder relationships are critical to achieving success for both BCLC and the local communities where gaming opportunities are being considered.

MITIGATION STRATEGIES

BCLC has developed extensive consultation and relocation processes to ensure host local governments, key stakeholders and communities have the information to make informed decisions.

CAPACITY/TECHNOLOGY

With the addition of casino and bingo gaming to BCLC's mandate, both the size and complexity of the business has grown.

MITIGATION STRATEGIES

BCLC has developed internal resources and recruited outside expertise to manage the growth of the business. BCLC has also made major investments in its technology infrastructure to provide the required capacity, integrity and controls to manage the business.

PROVINCIAL SMOKING BAN

In November 2006, the Government of British Columbia announced that by 2008, smoking will be banned in all indoor public places in British Columbia. While BCLC is fully supportive of this Government announcement, it is anticipated there will be some financial impact on the gaming revenues generated by the Corporation. While it is difficult to estimate the impact on gaming revenues, in other provinces where smoking bans have been introduced, reductions in gaming revenues have been significant.

MITIGATION STRATEGIES

BCLC will conduct further research on experiences in other jurisdictions and will work closely with our lottery retailers and casino and bingo service providers to implement strategies to minimize the impact of a smoking ban on gaming revenues.

GOALS, STRATEGIES, PERFORMANCE MEASURES AND TARGETS

Review Process

Within the overall framework of Government gaming policy and BCLC's vision and mission statements, BCLC's Board and senior management have established three strategic goals to guide the organization in the achievement of its mandate.

1. To provide outstanding gaming entertainment generating net income for the public good.
2. To be a respected organization that has a broad base of public support.
3. To have a workforce passionately driving the success of our business.

To manage and direct performance against each of these goals, BCLC has established specific strategies with associated performance measures and targets. These goals, strategies and performance measures form the framework that guides planning and decision making at all levels of the organization.

Although there are numerous performance indicators utilized by BCLC to manage and measure performance in the organization, 11 have been selected by the Board and senior management that are considered the most relevant in measuring progress against the strategic goals.

In selecting these performance measures, the Board and senior management considered the following key factors:

- > Relevancy of performance measures against BCLC's strategic goals
- > Validity of the indicators (Do they measure what they are intended to measure?)

Availability and Reliability of Data

The data for BCLC's performance targets are obtained from both internal and external sources. Results associated with BCLC's financial measures (revenue and net income) are obtained from the Corporation's audited financial statements. Other financial measures, including the Corporation's operating cost ratio and staffing numbers are obtained from internal management reports. Performance data associated with BCLC's public trust and organizational health measures (public support of gaming and BCLC, responsible gaming, beneficiaries of gaming, employee engagement) are provided by independent research agencies that utilize statistical sampling methodologies that provides information that can be relied upon with a high level of confidence.

Setting Annual Targets

With input from Government and in consultation with our Board of Directors and other key stakeholders, BCLC establishes our performance targets each year. BCLC's performance targets are dependent on the Government's gaming policy that balances revenue generation with responsible play. BCLC also operates in a highly competitive market place competing for the discretionary entertainment dollar. This marketplace reality, along with other external and internal factors, is considered in setting performance targets.

Changes from the Previous Year

There have been no substantive changes to BCLC's vision, mission or strategic goals. The number of BCLC's key strategies has been reduced from seven to six and include some refinement and change in wording. Some of BCLC's performance measure targets have been revised to reflect current market conditions, actual results and the most current information available.

2006/07 – 2008/09 SERVICE PLAN		2007/08 – 2009/10 SERVICE PLAN		COMMENTS
Transform and reinvent lotteries to a growth business	Transform and reinvent lotteries to a growth business	Develop a viable eLottery Business	Develop eLottery as a viable business	No change
Develop a viable community gaming centre model	Develop a viable community gaming centre model			No change
				With a viable model for community gaming centres in place, this strategy is no longer required.
				New strategy
Build player participation and loyalty by providing a fun and entertaining gaming experience	Build player participation and loyalty by providing a fun and entertaining gaming experience			No change
				This strategy forms part of lottery, eLottery, casino and community gaming centre strategies and therefore a separate strategy for innovation is no longer required.
Grow our business through innovative product development	Grow our business through innovative product development			No change
Build public and stakeholder trust/support including the communication of the beneficiaries of gaming revenues and responsible gaming programs	Build public and stakeholder trust/support including the communication of the beneficiaries of gaming revenues and responsible gaming programs			No change
Instil a high-performance culture through strong leadership, innovation, employee development and engagement.	Instil a high-performance culture through strong leadership, innovation, employee development and engagement.			Wording simplified

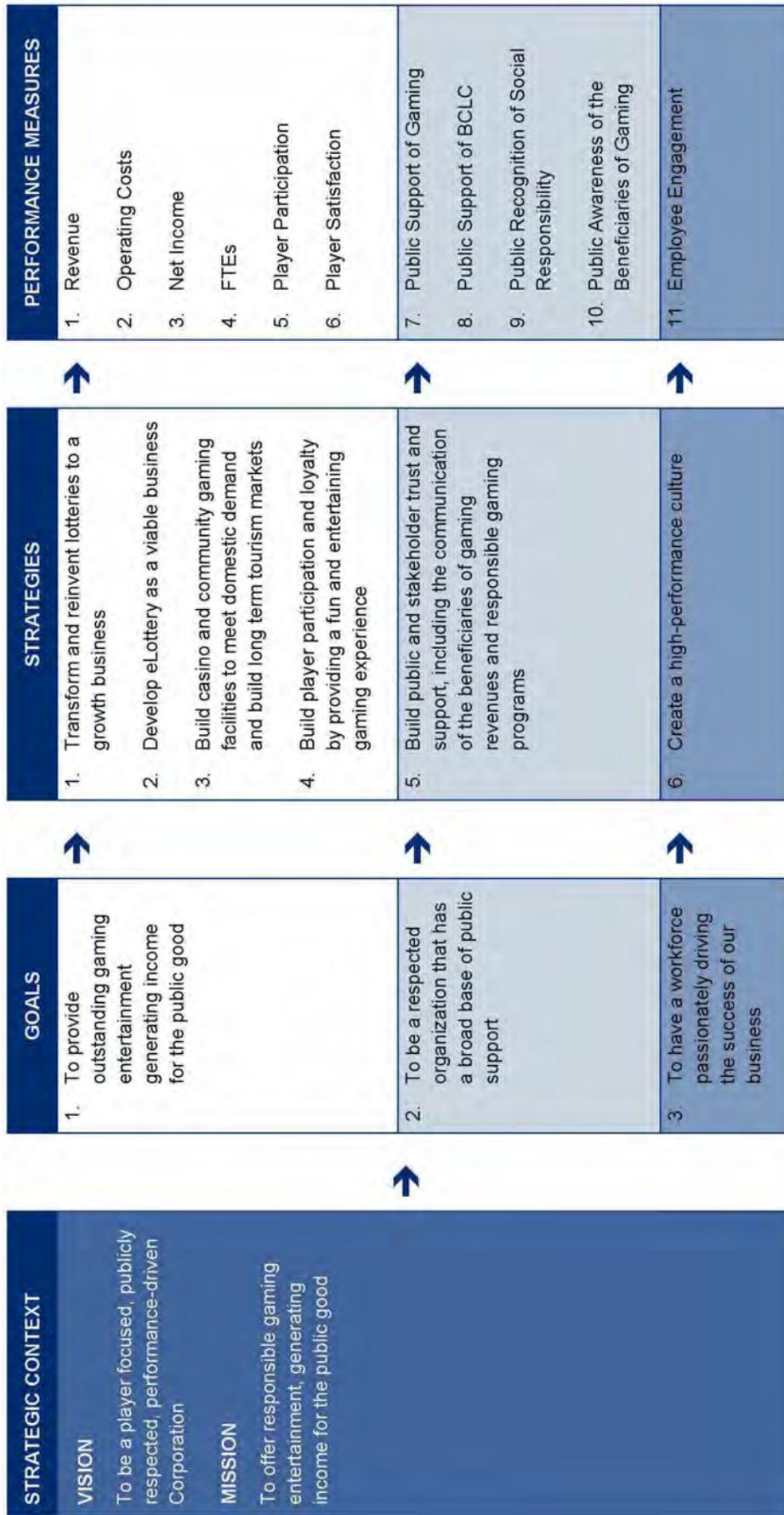
Performance Measure Changes

BCLC's Board and senior management review each of the performance measures and the associated targets on an annual basis. Based on current market conditions, actual results and the most current survey information available, performance targets are revised to reflect the Board and senior management's best estimates.

PERFORMANCE MEASURE	2007/08	2008/09	COMMENTS
Revenue (\$ in millions)			
2006/07 – 2008/09 Service Plan	\$2,465	\$2,625	Revenue targets revised to reflect stronger growth in casino and the
2007/08 – 2009/10 Service Plan	\$2,495	\$2,625	slower than planned transformation of the lottery and bingo markets
Operating Cost %			
2006/07 – 2008/09 Service Plan	4.6%	4.5%	No change
2007/08 – 2009/10 Service Plan	4.6%	4.5%	
Net Income (\$ in millions)			
2006/07 – 2008/09 Service Plan	\$980.0	\$1,035	Net income projections revised upward reflecting a shift in product mix to
2007/08 – 2009/10 Service Plan	\$1,033	\$1,087	higher contribution casino games
FTEs			
2006/07 – 2008/09 Service Plan	612	625	BCLC's staffing requirements have been increased to meet resource
2007/08 – 2009/10 Service Plan	625	650	needs resulting from growth in the business.
Player Participation			
2006/07 – 2008/09 Service Plan	67%	67%	No change
2007/08 – 2009/10 Service Plan	67%	67%	
Player Satisfaction			
2006/07 – 2008/09 Service Plan	88%	90%	No change
2007/08 – 2009/10 Service Plan	88%	90%	
Public Support of Gaming			
2006/07 – 2008/09 Service Plan	55%	55%	Public support ratings revised to reflect general trends in gaming
2007/08 – 2009/10 Service Plan	52%	52%	acceptance in British Columbia and across Canada

PERFORMANCE MEASURE	2007/08	2008/09	COMMENTS
Public Support of BCLC 2006/07 – 2008/09 Service Plan 2007/08 – 2009/10 Service Plan	70% 65%	70% 65%	BCLC support ratings revised to reflect most current data
Public Recognition of Social Responsibility 2006/07 – 2008/09 Service Plan 2007/08 – 2009/10 Service Plan	58% 56%	60% 56%	Public recognition ratings revised to reflect most current data
Public Awareness of the Beneficiaries of Gaming 2006/07 – 2008/09 Service Plan 2007/08 – 2009/10 Service Plan	35% 35%	40% 40%	No change
Employee Engagement 2006/07 – 2008/09 Service Plan 2007/08 – 2009/10 Service Plan	80% 60%	80% 65%	Employee engagement ratings revised to reflect results from most current employee engagement survey

Alignment of Vision, Mission, Goals, Strategies and Performance Measures



GOALS, STRATEGIES, AND PERFORMANCE MEASURES

Goal #1: To Provide Outstanding Gaming Entertainment Generating Net Income for the Public Good

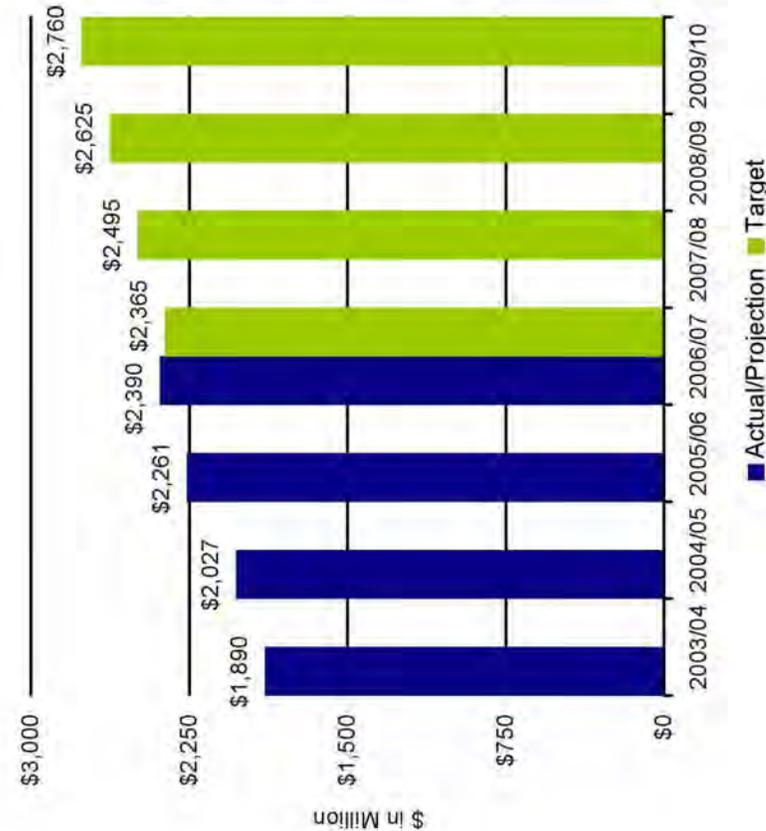
- STRATEGIES**
1. Transform and reinvent lotteries to a growth business
 2. Develop eLottery as a viable business
 3. Build casino and community gaming facilities to meet domestic demand and build long-term tourism markets
 4. Build player participation and loyalty by providing a fun and entertaining gaming experience

PERFORMANCE MEASURES	FISCAL 2005/06 ACTUAL	FISCAL 2006/07 PROJECTIONS	FISCAL 2007/08 TARGETS	FISCAL 2008/09 TARGETS	FISCAL 2009/10 TARGETS
Revenue (in millions)					
Lottery	\$967.4	\$980.0	\$1,025.0	\$1,090.0	\$1,170.0
Casino	1,085.3	1,190.0	1,240.0	1,285.0	1,330.0
Bingo	208.0	220.0	230.0	250.0	260.0
Total	\$2,260.7	\$2,390.0	\$2,495.0	\$2,625.0	\$2,760.0
Operating Cost Ratio	4.5%	4.6%	4.6%	4.5%	4.5%
Net Income (in millions)					
Lottery	\$273.2	\$276.1	\$287.5	\$305.8	\$330.4
Casino	621.6	676.5	701.3	726.5	749.5
Bingo	27.9	36.4	44.2	54.7	62.1
Total	\$922.7	\$989.0	\$1,033.0	\$1,087.0	\$1,142.0
FTEs	575	590	625	650	650
Player Participation	61%	65%	67%	67%	68%
Player Satisfaction	84%	84%	88%	90%	90%

The achievement of BCLC's goal to provide outstanding gaming entertainment generating net income for the public good is supported by four strategies:

1. **Transform and reinvent lotteries to a growth business** – The lottery business represents a mature market and revenues have been relatively flat over the last few years. BCLC has begun to address the current market situation through the introduction of new, innovative and entertaining games. Examples of recent product innovations include the introduction of SportsFunder, a suite of games that support amateur sports in British Columbia and the introduction of a new monitor-style game in bars and pubs, Pacific Hold'em Poker.
2. **Develop eLottery as a viable business** – The introduction of PlayNow, our online gaming channel represents a major strategic initiative for BCLC. Introduced in 2004, sales from this channel have increased from just more than \$5 million in the first full year of operation to a projected \$13 million in fiscal 2006/07. Through this channel, BCLC offers various games including Lotto, Sports, Keno and Interactives, an electronic version of our Scratch & Win games. Along with new product development, BCLC has built "best of practice" responsible play controls into PlayNow, including age and residency verification, spending limits and self-exclusion.
3. **Build casino and community gaming facilities to meet domestic demand and build long term tourism markets** – BCLC assumed responsibility for casino gaming in British Columbia in 1998. Over this period, casino revenues have increased from \$308 million to just over \$1 billion in 2005/06. A major strategy for BCLC has and continues to be to upgrade the quality of casino facilities and to improve the entertainment experience offered to players. An example of this is the River Rock Casino where, in addition to casino gaming, the property includes a five-star hotel, conference facilities, a range of dining experiences and a theatre-style show lounge. The ability of BCLC to offer this level of gaming experience is made possible through our partnership with our service providers who operate 17 casinos in British Columbia. With several high-quality casinos now operational in British Columbia, BCLC will begin to develop the out-of-province tourism market.
- For more than a decade, the bingo business has been in decline throughout North America. In order to remain viable, the bingo business must reinvent itself. Competition in the gaming business is fierce and innovation in the entertainment industry is far outpacing any changes introduced in the bingo world in the past decade. BCLC has managed the marketplace by rationalizing the number and location of gaming facilities. Through the introduction of Community Gaming Centres with slot machines, BCLC in conjunction with our service providers are delivering new facilities with improved aesthetics and amenities, while providing improved service and entertainment value for existing and new players. The transformation of bingo halls in key market locations to Community Gaming Centres, in partnership with our service providers, will help ensure the long term viability of the bingo industry.
4. **Build player participation and loyalty by providing a fun and entertaining gaming experience** – In 2006, just more than 60% of adult British Columbians participated in some form of gaming. To maintain and grow this player base, BCLC must provide the player with innovative and entertaining products; high-quality gaming facilities and outstanding customer service. The development of new casino facilities including the River Rock, Cascade and Boulevard casinos with amenities such as fine dining and show theatres, delivers on the promise of an entertaining gaming experience. In the hospitality network, new innovative lottery games such as Pacific Hold'em Poker are providing more entertainment value for our players.

Key Performance Measure 1: Revenue Generation



Importance

This performance indicator measures the Corporation's total revenues as reported in our consolidated financial statements. This measure is directly linked to BCLC's mission of offering responsible gaming and our goal of generating net income for the public good. Success is indicated in our ability to achieve or exceed our revenue targets while offering entertaining and socially responsible products to the player. For every dollar of revenue generated by BCLC, on average 40 cents is distributed to the province to support key Government programs and charitable and community organizations throughout British Columbia.

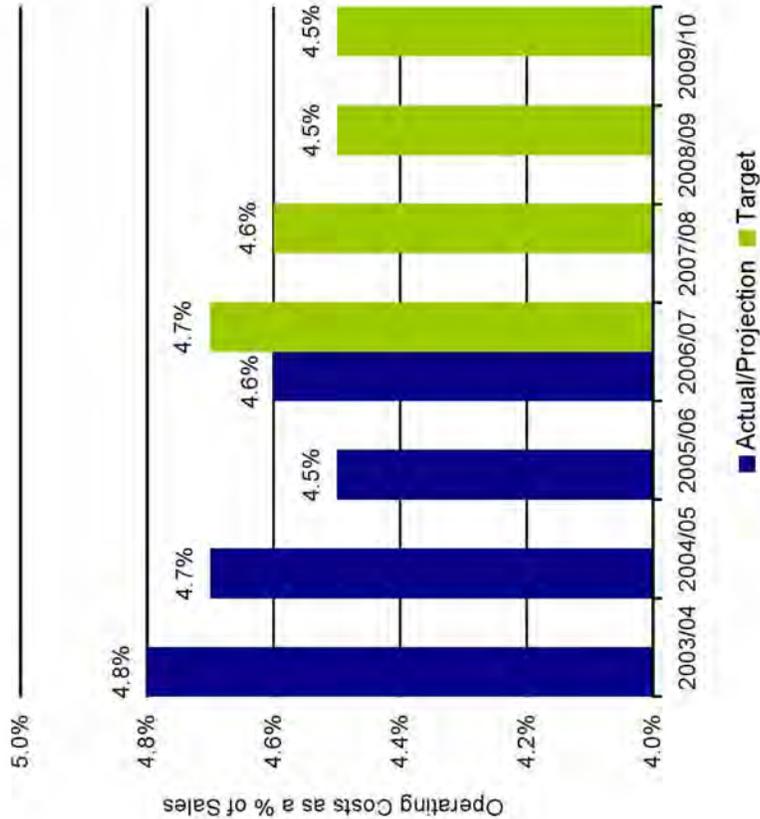
Over the next three years, revenues are projected to increase from \$2.390 billion to \$2.760 billion, an increase of \$370 million or 15.5%. This growth will be achieved through the introduction of new innovative lottery products, continuing enhancements to our eLottery channel, PlayNow, and the continuing development of our casino and bingo facilities to provide improved levels of player entertainment.

Key Performance Measure 2: Operating Cost Ratio

Importance

This performance indicator measures the ratio of operating costs as a percentage of total revenues. Operating costs include all costs excluding direct costs, amortization, other expenses and taxes. This measure is important as it directly impacts our ability to generate net income for the public good. An increase or decrease of .1% in operating costs impacts our bottom line by approximately \$2.5 million.

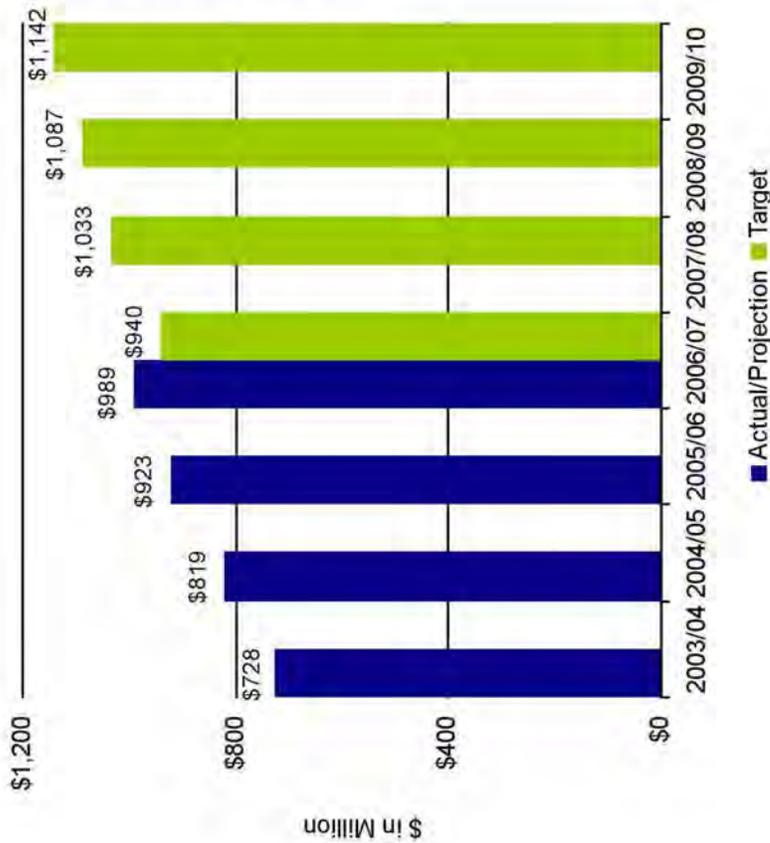
Since fiscal 2000/01, BCLC has been successful in reducing operating costs as a percentage of revenues from 5.7% to 4.6% in fiscal 2006/07. BCLC will continue to utilize technology and implement best practices to ensure the organization is as effective and efficient as possible. It is our goal to reduce operating costs to 4.5% of revenues by fiscal 2008/09.



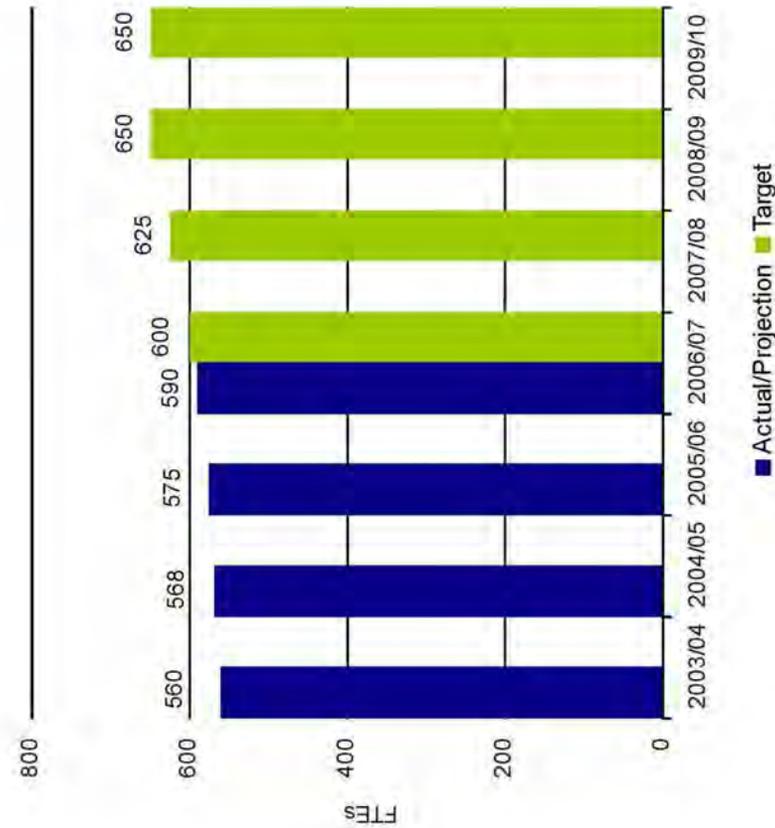
Key Performance Measure 3: Net Income

Importance

This performance indicator measures net income as recorded in BCLC's consolidated financial statements. This measure is directly linked to our goal of generating income for the public good. Over the next three-year period, net income is projected to increase from \$989 million to \$1,142 billion, an increase of \$153 million or 15.5%. BCLC's strategies to transform and reinvent the lottery business to a growth business, the continuing development of eLottery as a viable business, the continued development and build out of casinos and community gaming centres to meet domestic demand and build long term tourism markets and building player participation and loyalty by providing a fun and entertaining gaming experience all support the achievement of this measure.



Key Performance Measure 4: Full Time Equivalents

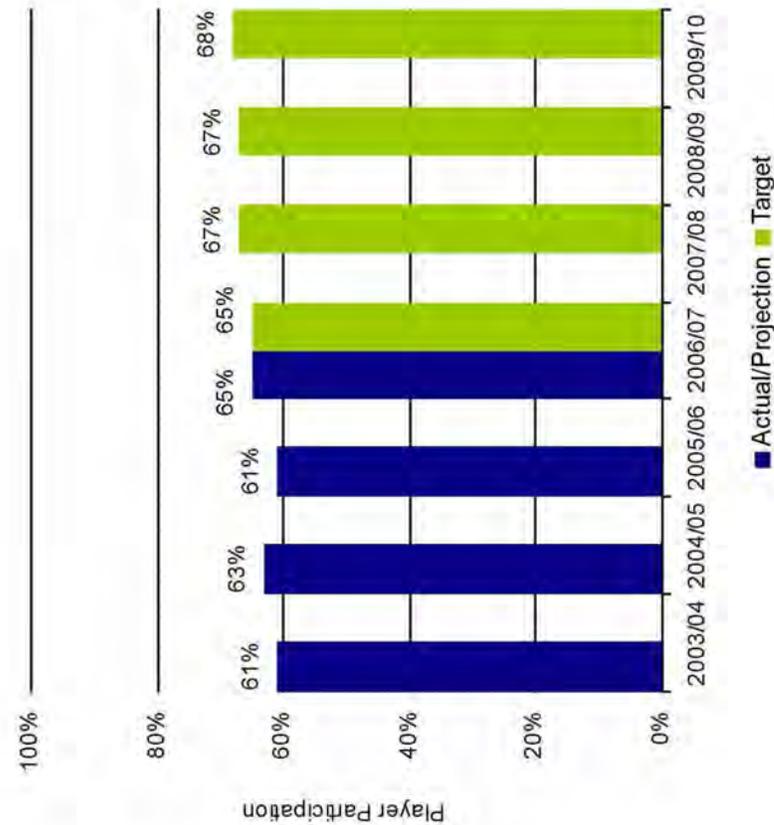


Importance

This performance indicator measures the number of full-time equivalents (FTEs) employed by BCLC. This is an important measure for the organization for two reasons. Firstly, at roughly 45% of our general operating costs, employee salaries and benefits represent BCLC's largest expenditure. Secondly and more importantly, it is only through the efforts of our employees that BCLC is able to achieve its goals and objectives.

Over the next three years, FTEs are projected to increase from 590 to 650. This increase reflects the growing size and complexity of BCLC's gaming business. Our employees are responsible for the conduct and management of the gaming industry in British Columbia that employs more than 10,000 people through our lottery, casino and bingo service providers. The increase in number of FTEs represents additional field staff to support new refurbished casinos and community gaming centres which are projected to come on stream during the planning period.

Key Performance Measure 5: Player Participation

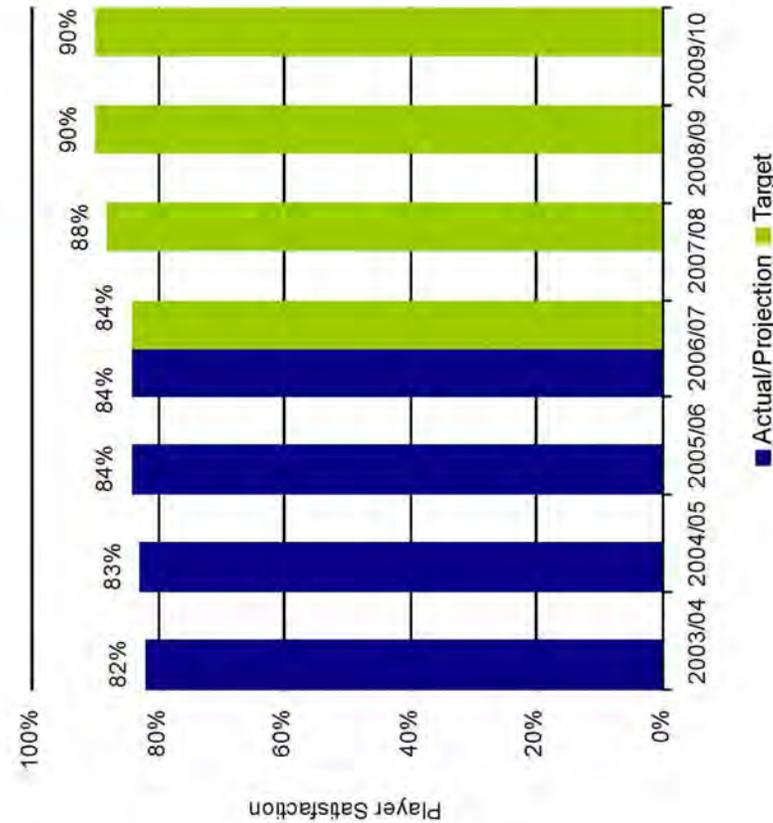


Importance

This performance indicator measures the gaming participation rate of British Columbia adult residents who have played a lottery game or visited a bingo or casino facility in British Columbia in the past month. Within the framework of Government policy, it is BCLC's objective to achieve a high level of public participation while emphasizing responsible play. This measure relates to the strategy of building player participation and loyalty by providing a fun and entertaining gaming experience.

Over the next three-year period, it is BCLC's objective to increase player participation from 65% to 68%. New innovative products and high-quality gaming facilities are aimed at increasing public participation by providing games and entertainment that appeal to new players, while maintaining our existing player base.

Key Performance Measure 6: Player Satisfaction



Importance

This performance indicator measures player satisfaction for the games and gaming facilities offered through the lottery, casino and bingo gaming channels. This performance measure is directly linked to our goal to provide outstanding gaming entertainment and is a key factor in our ability to generate net income for the public good.

Player satisfaction has been maintained in the 80% range over the last several years. Through innovative product development and continuing improvement in our gaming facilities, it is our objective to increase player satisfaction to 90% by fiscal 2008/09.

Goal #2: To be a Respected Organization that has a Broad Base of Public Support

STRATEGIES

- 5. Build public and stakeholder trust and support, including the communication of the beneficiaries of gaming revenues and responsible gaming programs

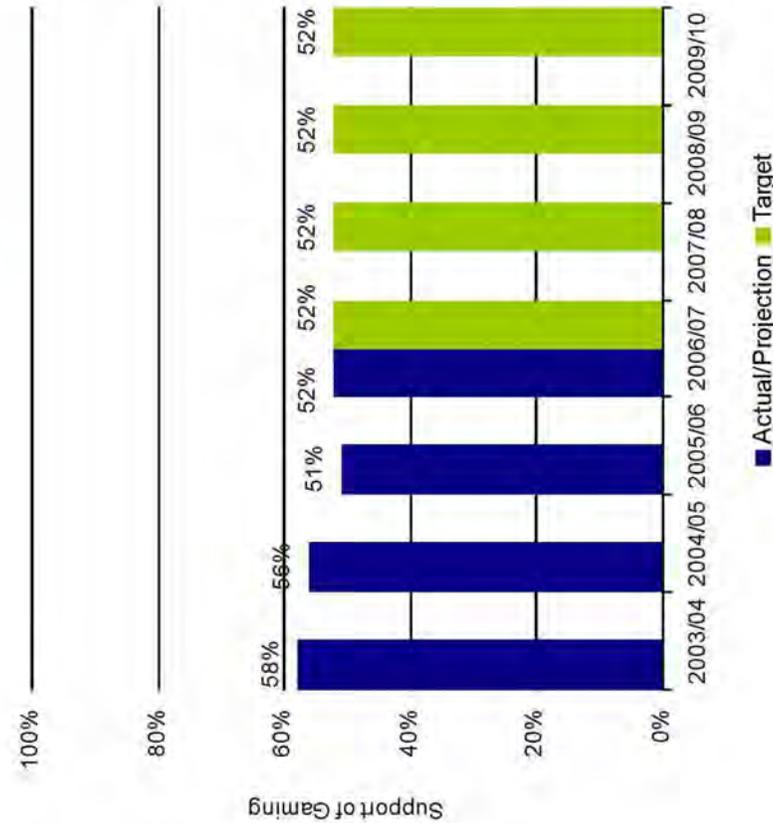
PERFORMANCE MEASURES (%)	FISCAL 2005/06 ACTUAL	FISCAL 2006/07 PROJECTIONS	FISCAL 2007/08 TARGETS	FISCAL 2008/09 TARGETS	FISCAL 2009/10 TARGETS
Public Support of Gaming	51	52	52	52	52
Public Support of BCLC	67	65	65	65	65
Public Recognition of Social Responsibility	56	56	56	56	56
Public Awareness of Beneficiaries of Gaming	36	32	35	40	40

BCLC's success in the marketplace is dependent on public support. BCLC measures public support through four key measures: public support of gaming; public support of BCLC; public recognition of social responsibility; and public awareness of beneficiaries of gaming.

The achievement of BCLC's goal to be a respected organization that has a broad base of public support is supported by the following initiatives:

- > Increase the public's awareness of the beneficiaries of gaming revenues. This will be accomplished through public communication programs.
- > In partnership with GPEB, execute best practice responsible gambling programs including:
 - Continue the three-year responsible gambling strategic plan
 - Expand the British Columbia Partnership for Responsible Gambling
 - Expand responsible play information centres
 - Enhance youth prevention initiatives
 - Continue responsible gambling training with frontline gaming workers
- > Maintain, improve and protect the integrity of our games, services and business operations

Key Performance Measure 7: Public Support of Gaming



Importance

This performance indicator measures the percentage of adults in British Columbia who have a favourable impression of how gaming is managed and conducted in British Columbia. Gaming in Canada is inherently controversial. With increasing levels of gaming, continuing concerns over the impacts of problem gambling in local communities and a lack of awareness of how gaming revenues are spent, public acceptance for gaming in British Columbia and across Canada has been declining for a number of years.

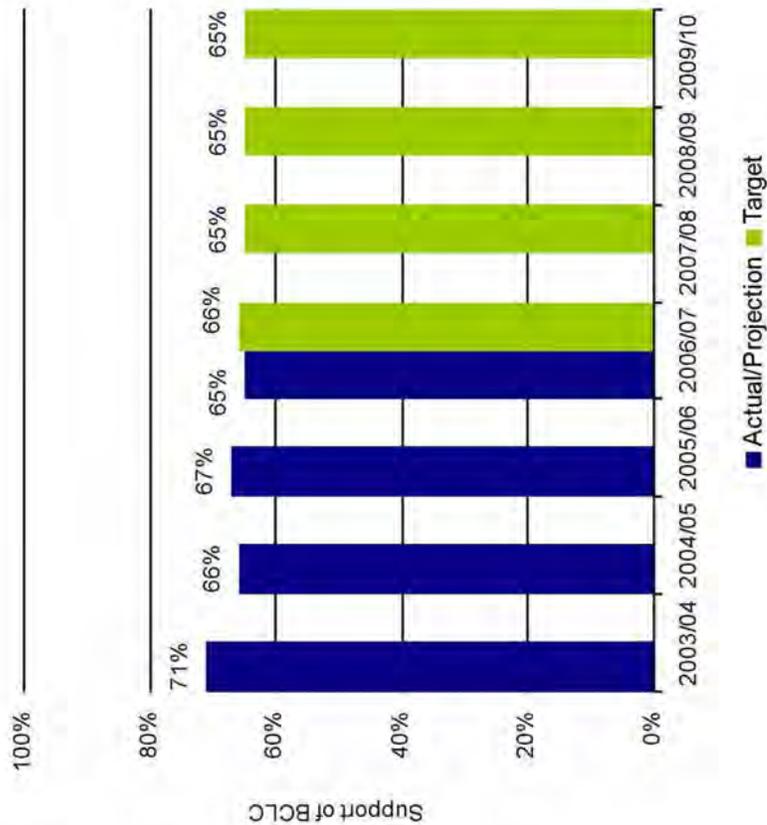
Through the continuing development of "best of practice" responsible gaming programs, by raising the public awareness of the beneficiaries of gaming and by ensuring the integrity and security of our games, it is BCLC's objective to maintain public support of gaming at current levels.

Key Performance Measure 8: Support of BCLC

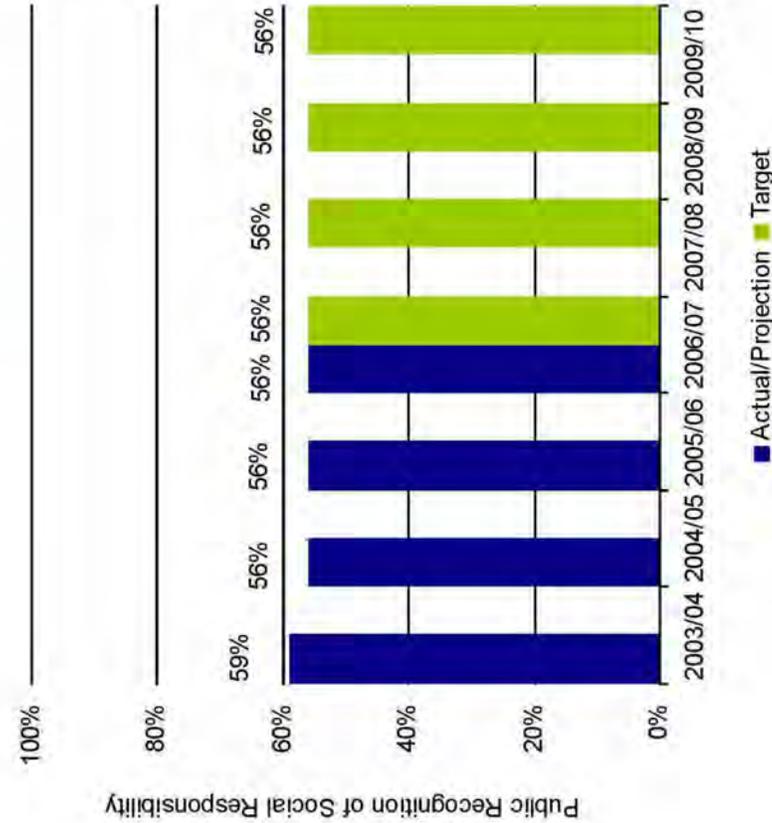
Importance

This performance indicator measures the percentage of adults surveyed in British Columbia who have a favourable impression of BCLC. As with public support of gaming, this measure is important as it serves as the foundation for BCLC to offer responsible gaming to the public in British Columbia.

By offering innovative socially responsible gaming, by being involved in the communities where we sell our products and by raising public awareness of the beneficiaries of gaming, it is BCLC's objective to maintain public support at current levels.



Key Performance Measure 9: Public Recognition of Social Responsibility



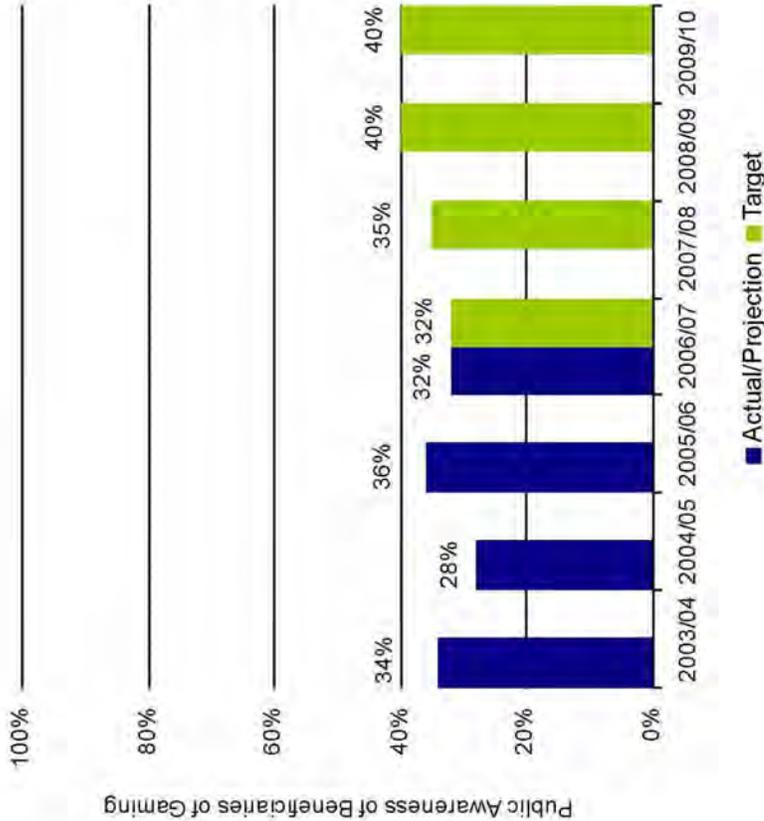
Importance

This performance indicator measures the percentage of adults in British Columbia who agree that the Corporation markets gaming in a socially responsible way. BCLC is committed to promoting the responsible use of our products. We take our responsibility to deliver commercial gaming in the province in a manner that considers the impact on the people and communities of British Columbia very seriously.

BCLC works in partnership with Government, gaming service providers and those involved in the prevention and treatment of problem gambling to encourage the safe and healthy use of our products. This includes an established partnership with GPEB which regulates gaming and manages the province's Problem Gambling Program.

Through the continuing development of socially responsible games and our continuing partnership with Government and other key stakeholders, it is our objective to maintain the public's awareness of BCLC's commitment and involvement in responsible gaming at current levels over the next three years.

Key Performance Measure 10: Public Awareness of the Beneficiaries of Gaming



Importance

This performance indicator measures the percentage of adults in British Columbia who have an awareness of how gaming income is distributed. This measure is important because public awareness of the beneficiaries of gaming is directly related to public acceptance of gaming and BCLC.

BCLC offers great gaming entertainment experiences and chances to win prizes. In addition to the more than \$640 million in prizes that was paid out to players in fiscal 2005/06, the Corporation also paid out \$466 million to our retailers and service providers who distribute and deliver our games. The greatest beneficiaries of gaming though are the residents of British Columbia. In fiscal 2005/06, BCLC generated \$922.7 million in net income that was used to support key Government programs including health care, education and recreation. This net income was also distributed to local communities that offer our gaming products and to charitable and community organizations throughout British Columbia.

Through continuing involvement in the communities where we operate and programs that raise public awareness, it is BCLC's objective to increase the public awareness of the beneficiaries of gaming from 32% to 40% over the next three years.

Goal #3: To Have a Workforce Passionately Driving the Success of Our Business

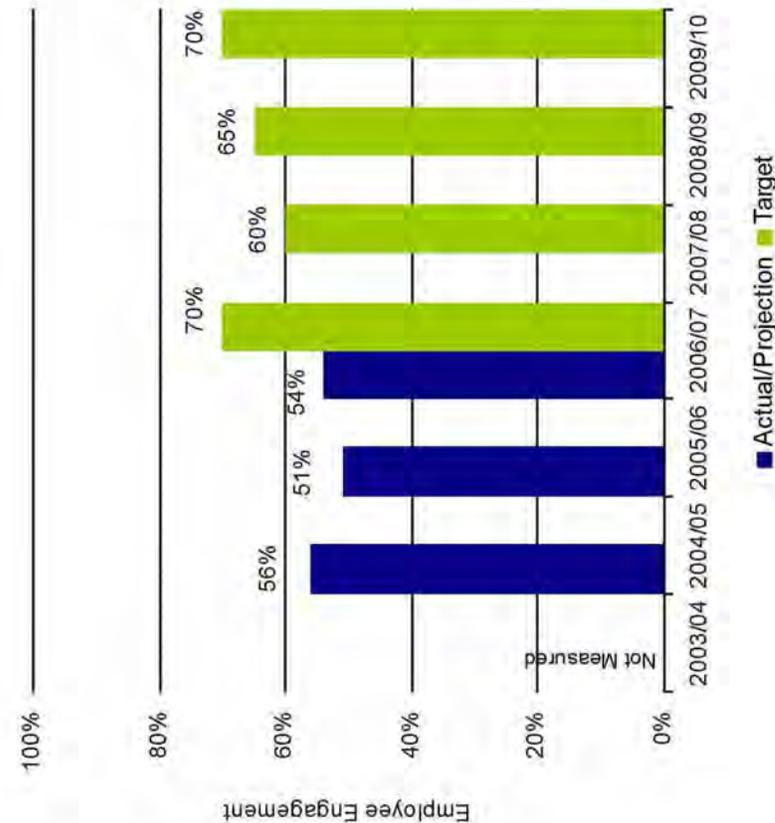
STRATEGIES
 6. Create a high performance culture

PERFORMANCE MEASURES (%)	FISCAL 2005/06 ACTUAL	FISCAL 2006/07 PROJECTIONS	FISCAL 2007/08 TARGETS	FISCAL 2008/09 TARGETS	FISCAL 2009/10 TARGETS
Employee Engagement	51	54	60	65	70

The achievement of BCLC's goal to have a workforce passionately driving the success of our business is supported by the following initiatives:

- > Build leadership and management talent
- > Identify and improve key workplace people practices and work processes
- > Ensure both talent and succession planning meets current and future workforce needs
- > Imbed innovation into the culture of the organization

Key Performance Measure 11: Employee Engagement



Importance

This performance indicator measures the overall engagement of BCLC employees. Employee engagement is defined as the state of intellectual and emotional involvement employees have in an organization. Highly engaged employees exert extra effort and are dedicated to doing the very best job possible to contribute to the organization's success. Organizations with high employee engagement are more successful at retaining and recruiting employees.

At 54%, BCLC's engagement results are close to the North American average of 55% and less than the Canadian average of 62%. Although it is proving to be more difficult than anticipated and taking longer than expected, BCLC is fully committed to improving employee engagement in the organization.

Through programs that support employee recognition, development and productivity, it is BCLC's objective to increase employee engagement from 54% to 70% over the next three-year period.

ALIGNMENT WITH GOVERNMENT'S STRATEGIC PLAN

As a Crown corporation, BCLC was established by Government to conduct and manage gaming in British Columbia. The goals and objectives of BCLC go beyond generating revenue for Government and include ensuring gaming is delivered in a socially responsible way and to promote both economic development and strong vibrant communities in British Columbia. This section is intended to illustrate how the goals and objectives of BCLC are aligned with the strategic direction of Government.

GOVERNMENT STRATEGIC PLAN GOVERNMENT GOALS	BCLC SERVICE PLAN BCLC ALIGNMENT
<ul style="list-style-type: none"> > To make British Columbia the best educated, most literate jurisdiction on the continent. 	<ul style="list-style-type: none"> > Fiscal 2005/06 net income of \$922.7 million generated for key Government programs including healthcare, education and physical fitness.
<ul style="list-style-type: none"> > To lead the way in North America in healthy living and physical fitness. 	<ul style="list-style-type: none"> > Government gaming revenues of \$137.7 million that provide funding to nearly 6,000 charitable organizations, including many that support healthy living, physical fitness and parent advisory groups that support education in British Columbia.
<ul style="list-style-type: none"> > To build the best system of support in Canada for persons with disabilities, special needs, children at risk and seniors. 	<ul style="list-style-type: none"> > BCLC has implemented environmentally friendly policies including recycled paper for ticket printing, recycling computers back into the school system and Power Smart facility initiatives.
<ul style="list-style-type: none"> > To lead the world in sustainable environmental management, with the best air and water quality and the best fisheries management, bar none. 	<ul style="list-style-type: none"> > There are about 10,000 people who are directly employed in the gaming business in British Columbia with close to \$1 billion dollars invested in property assets, pursuant to contracts established and managed by BCLC.
<ul style="list-style-type: none"> > To create more jobs per capita than anywhere else in Canada. 	

ALIGNMENT WITH SHAREHOLDER'S LETTER OF EXPECTATIONS

Requirement	Status
<p>> Optimize the Corporation's financial performance within the gaming and social policy framework established by the Shareholder</p>	<p>> Within the gaming and social policy framework established by Government, BCLC is projecting to generate \$989 million in net income for Government in fiscal 2006/07, \$49 million greater than budget.</p>
<p>> Improve the performance of casino, bingo and lottery gaming through new products and approaches in response to customer and marketplace demand</p>	<p>> BCLC is projecting revenue and net income growth for each of its business units over the three-year planning period. The Corporation will continue to focus on developing new innovative products and distribution channels that provide an exceptional gaming entertainment experience to the player.</p>
<p>> Ensure the Corporation's products are provided in a socially responsible manner</p>	<p>> BCLC and GPEB have jointly developed and implemented the Provinces' Responsible Gaming Strategy, which engages municipalities, the gaming industry and social agencies on three goals:</p> <ul style="list-style-type: none"> i. Reduce the incidence of problem gambling ii. Reduce the harmful impacts of excessive gambling iii. Ensure the delivery of gaming in a manner that encourages responsible gambling and healthy choices
<p>> Improve the quality of the casino product with better locations and casinos sized to suit the market</p>	<p>> Over the last several years BCLC has made significant progress in upgrading existing casino facilities. Specifically, major upgrades have been completed in the following casinos – Richmond River Rock Casino, Vancouver Edgewater Casino, Coquitlam Boulevard Casino, Langley Cascades Casino and Prince George Treasure Cover Casino. BCLC's Service Plan provides for the continued improvement and enhancement of existing casinos to provide the player with high-quality gaming entertainment.</p>
<p>> Develop and maintain a sound, responsive and adaptive technology infrastructure</p>	<p>> BCLC continues to invest in its gaming and technology infrastructure. Over the last several years we have replaced our online lottery gaming system and made major improvements and enhancements to our casino and bingo systems. Currently, we are in the process of upgrading our lottery network from older analog technology to new Internet Protocol technology that will result in greater data transmission speeds, greater bandwidth and reduced cost.</p>

Requirement	Status
<ul style="list-style-type: none"> > Build public and key stakeholder trust/support, improve the quality of service to customers and improve relationships with service providers 	<ul style="list-style-type: none"> > Building public and stakeholder trust, improving the quality of service to customers and improving our relationship with service providers remain key objectives for BCLC
<ul style="list-style-type: none"> > Comply with policy directives issued by the Minister 	<ul style="list-style-type: none"> > BCLC complies with all policy directives issued by the Minister, including all directives and standards that are issued under the <i>Gaming Control Act</i>.
<ul style="list-style-type: none"> > Operating the business in an efficient and effective manner for the benefit of its customers and the Shareholder 	<ul style="list-style-type: none"> > BCLC continues to manage the business with the goals of achieving the highest levels of operational efficiency and effectiveness. Since fiscal 1999/00, BCLC has been successful in reducing operating costs as a percentage of sales from 6.0% to 4.6%
<ul style="list-style-type: none"> > Meet and/or improve on BCLC's financial and non-financial performance going forward 	<ul style="list-style-type: none"> > BCLC's Service Plan includes initiatives that are aimed at maintaining or improving the results from all of our key performance measures. Over the next three-year planning period, net income is projected to increase by \$153 million or 15%.
<ul style="list-style-type: none"> > Participate with the Ministry of Public Safety and Solicitor General in the preparation and presentation of a Strategic Plan for BCLC's Conduct and Management of Gaming, including the proposed Consent to Operate Strategy 	<ul style="list-style-type: none"> > BCLC is currently working in conjunction with Government to prepare a new three-year strategic plan for the Conduct and Management of Gaming, including further program development for responsible and problem gambling.

SUMMARY FINANCIAL OUTLOOK

	FISCAL 05/06 ACTUAL	FISCAL 06/07 PROJECTION	FISCAL 07/08 BUDGET	FISCAL 08/09 TARGET	FISCAL 09/10 TARGET
REVENUES (\$ in millions)					
Lottery	\$967.4	\$980.0	\$1,025.0	\$1,090.0	\$1,170.0
Casino	1,085.3	1,190.0	1,240.0	1,285.0	1,330.0
Bingo	208.0	220.0	230.0	250.0	260.0
	\$2,260.7	\$2,390.0	\$2,495.0	\$2,625.0	\$2,760.0
EXPENDITURES					
Lottery	694.2	703.9	737.5	784.2	839.6
Casino	463.7	513.5	538.7	558.5	580.5
Bingo	180.1	183.6	185.8	195.3	197.9
	\$1,338.0	\$1,401.0	\$1,462.0	\$1,538.0	\$1,618.0
NET INCOME					
Lottery	273.2	276.1	287.5	305.8	330.4
Casino	621.6	676.5	701.3	726.5	749.5
Bingo	27.9	36.4	44.2	54.7	62.1
Total	\$922.7	\$989.0	\$1,033.0	\$1,087.0	\$1,142.0
Debt	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Due to Government of BC	\$175.5	\$191.5	\$197.0	\$207.3	\$217.9
Capital Expenditures	\$82.9	\$43.0	\$85.0	\$80.0	\$80.0
FTEs	575	590	625	650	650

Analysis

- > Revenues are projected to increase by \$370 million or 15.5% over the forecast period
- > Net income is projected to increase by \$153 million or 15.5% over the forecast period
- > Revenue growth from the lottery business will come from the introduction of new innovative games and the continuing development of the new eLottery channel
- > Revenue growth from the bingo business will come from the build out of community gaming centres with slot machines
- > Revenue growth from the casino business will come from the continued development of existing properties and continuing refreshment of slot machines with new higher entertainment games
- > Capital expenditures are projected to remain relatively stable at about \$80 million per annum over the three-year planning period

KEY ASSUMPTIONS

British Columbia Real Gross Domestic Product

GDP growth of 3.0% forecast for fiscal 2007 and 2008 and 3.1% for 2009.

Lottery

Planned product releases of new lottery games will be on schedule.

Casino

The relocation of the Royal City Star casino to the new Queensborough location will occur on schedule in January 2008.

The racetrack casino at Hastings Park will open in fiscal 2008/09.

Bingo

Five planned openings of community gaming centres with slot machines will open on schedule during fiscal 2007/08.

Government Approvals

Revenue and net income assumptions are based on BCLC obtaining all necessary host local government approvals required under the *Gaming Control Act* on a timely basis for the relocation or opening of new facilities.

BCLC receives all necessary Government approvals for launching new games.

Market Place

Casino revenues are not further impacted by cross-border competition.

Unregulated internet gaming will not be a significant competitive threat to British Columbia gaming revenues.

British Columbia casino and bingo marketplace capacity studies are accurate.

BCLC market forecasts for new lottery products are accurate.

Cost of Services

Inflation has been assumed at 2% over the planning period. Interest rates have been assumed at 4.6% for fiscal 2007/08 and 5.0% for fiscal 2008/09 and fiscal 2009/10.

Gaming Policy

No major changes to BCLC's mandate or Government's policy on gaming are made.

Provincial Smoking Ban

No impact of the proposed provincewide smoking ban announced for January 1, 2008 has been taken into consideration in this Service Plan forecast. However, the possible financial risk has been considered in BCLC's risk and sensitivity analysis. BCLC is undertaking further research on the possible financial impact of the smoking ban in British Columbia before considering any adjustments to the forecast.

NET INCOME RISK AND SENSITIVITY PROJECTIONS

BCLC's net income projections are subject to considerable risk. Events that could impact BCLC's net income projections include:

- > The ability of BCLC and Government to maintain and build public acceptance for gaming in British Columbia
 - > Delays in obtaining host local government approvals for the development or rebuilding of casino and bingo properties
 - > The capacity and ability of the Corporation's casino and bingo service providers to build out approved facilities
 - > Economic issues that result in a reduction in personal disposable income
 - > The number and size of lottery jackpots
 - > The ability of the Corporation to develop and launch innovative new lottery products to transform a mature lottery business and achieve projected lottery revenues
 - > The ability of the Corporation to reinvent and transform a declining bingo business
 - > Increasing competition from regulated and unregulated gaming competitors
 - > The effects of Government's proposed total smoking ban in public facilities that will be implemented in January 2008
- Of the risk factors identified, BCLC considers the most significant risks to be the ability of BCLC to maintain and build public trust, economic issues that may result in a reduction in disposable income and the potential effects of the proposed Government ban on smoking in public facilities.
- BCLC has only identified risks that result in a reduction in net income. Other factors such as a greater number of lottery jackpot rollovers, earlier than anticipated host local government approvals and increases in personal disposable income could result in higher than projected net income. As the likelihood of these events is considered low and the revenue impact not material, no estimate on possible net income increases have been included in the projections.

The following table represents the projected net income from gaming operations that may be at risk:

GAMING CHANNEL	2007/08 (in millions)	2008/09 (in millions)	2009/10 (in millions)
Lottery	\$ 20.0	\$ 45.0	\$ 55.0
Casino	20.0	55.0	65.0
Bingo	10.0	20.0	20.0
Total	\$ 50.0	\$ 120.0	\$ 140.0

CAPITAL PLAN AND MAJOR CAPITAL PROJECTS

GAMING SYSTEMS	2005/06 ACTUAL	2006/07 FORECAST	2007/08 FORECAST	2008/09 FORECAST	2009/10 FORECAST
Lottery	21,911	12,157	23,000	15,000	15,000
Casino	53,007	14,761	44,500	43,000	43,000
Bingo	4,063	8,453	10,500	15,000	15,000
	78,981	35,371	78,000	73,000	73,000
CORPORATE FACILITIES AND EQUIPMENT					
Facilities	1,603	834	2,500	2,000	2,000
Corporate Systems	2,296	6,863	4,500	5,000	5,000
	3,899	7,697	7,000	7,000	7,000
Total Capital	\$82,880	\$43,068	\$85,000	\$80,000	\$80,000

BCLC's capital spend is projected at \$43.1 million for fiscal 2006/07, about \$40 million less than fiscal 2005/06 actuals and the 2007/08 forecast. The decision not to proceed with the opening of the Hastings Racetrack casino and the delay in the opening of some community gaming centres resulted in a lower capital spend.

BCLC is projecting an annual capital spend of \$85 million in fiscal 2007/08 and \$80 million in fiscal 2008/09 and 2009/10. The projected capital spend provides for new slot machines and the replacement of obsolete slot machines in the casino network, the development of new games and continued development of the eLottery channel to support the transformation and reinvention of the lottery business and gaming systems and slot machines to support the build out of community gaming centres.

The capital budget also includes funding for upgrades to the Corporation's technical infrastructure that support gaming operations and funding for maintaining and upgrading the Corporation's facilities in Kamloops and Richmond.

BCLC does not have any individual capital programs where the total commitment exceeds \$50 million.

APPENDIX 1 – PERFORMANCE MEASURE DESCRIPTIONS

Fiscal 2007/08 Performance Measures

1. Revenue

This category measures the Corporation's total revenues as reported in the consolidated financial statements.

2. General Operating Cost Ratio

This category measures the ratio of operating costs as a percentage of sales. Operating costs include all costs, excluding direct costs, amortization, other income and GST.

3. Net Income

This category measures the Corporation's net income as reported in the consolidated financial statements, in accordance with generally accepted accounting principles.

4. FTEs

This category measures the number of full-time equivalents employed by BCLC. FTEs are calculated by dividing the total number of regular hours worked by 1,920, the standard number of work hours in a year.

5. Player Participation

This category measures the gaming participation rate of British Columbia adult residents who have played a lottery game or visited a bingo or casino facility in the province in the past month. This information is obtained through a continuous tracking study completed by an external research supplier.

6. Player Satisfaction

This category measures overall player satisfaction for the games and facilities offered by the lottery, casino and bingo business units. Through both a continuous tracking study and exit interviews, players are asked to use a 5-point scale to rate their satisfaction with "5" being excellent and "1" being poor. Player satisfaction is based on the top three boxes.

7. Public Support of Gaming

This category measures the percentage of adults in British Columbia who have a positive perception of how gaming is conducted and managed in British Columbia. In a continuous tracking study conducted by an external research supplier, respondents are asked to use a 7-point scale whereby "1" is strongly disagree and "7" is strongly agree to rate the statement, "I fully support the existence of legalized gaming in British Columbia." Support for gaming is based on the top three box responses.

8. Public Support of BCLC

This category measures the percentage of adults surveyed in British Columbia who have a favourable impression of BCLC. In a continuous tracking study conducted by an external research supplier, respondents are asked if their impressions of the Corporation are very favourable, somewhat favourable, somewhat unfavourable or very unfavourable. Support for BCLC is based on the total mentions of "very favourable" and "somewhat favourable."

9. Public Recognition for BCLC Social Responsibility

This category measures the percentage of adults in British Columbia who agree that the Corporation markets gaming in a socially responsible way. In a continuous tracking study conducted by an external research supplier, respondents are asked to use a 7-point scale whereby "1" is strongly disagree and "7" is strongly agree to rate the statement, "BCLC goes about marketing its games and products in a socially responsible way." Recognition of social responsibility is based on the top three boxes.

10. Public Awareness of the Beneficiaries of Gaming

This category measures the percentage of adults in British Columbia who have an awareness of how the income generated by gaming is distributed. In a continuous tracking study conducted by an external research supplier, respondents are asked whether they feel very well informed, somewhat informed, not very well informed or not at all informed about where the money goes. Awareness of the beneficiaries of gaming is based on the total mentions of "very well informed" and "somewhat informed."

11. Employee Engagement

This category measures the overall engagement of BCLC employees. Employees will be asked in a survey to rank their level of engagement in the organization over a broad range of attributes, including awareness of Corporate goals and strategies, innovation, empowerment and accountability.

This survey is completed by an external Human Resources consulting firm (Hewitt) as part of their cross-Canada survey of Canadian businesses and is published as part of the Globe and Mail's Report on Business – 50 Best Employers in Canada.

Appendix G

BCLC Service Plan 2008/09-2010/11 (BCLC0001007) [DRAFT].

SERVICE PLAN 2008/09 - 2010/11



Draft



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MESSAGE FROM THE BCLC BOARD CHAIR AND PRESIDENT & CEO

On behalf of the Board of Directors and employees of the British Columbia Lottery Corporation (BCLC), we are pleased to present BCLC's 2008/09 – 2010/11 Service Plan.

Since our inception more than 30 years ago, BCLC has evolved from a lottery company to an organization that conducts and manages lottery, casino, bingo and internet in British Columbia. BCLC is reliant on public trust and support of BCLC games to attain our business objective of generating income. BCLC employees, along with our valued private sector business partners, are proud of the gaming experience we provide and the resulting income generated for public, charitable and community programs. The 2008/09 – 2010/11 Service Plan takes this gaming mission to the next level in British Columbia through enhanced player support and social responsibility. A new focus on organizational renewal will transform BCLC to an enterprise well positioned to ensure integrity and provide a solid foundation for our next stage of growth.

Our net income growth will average 4.7% over the three years covered by this Plan, during which BCLC estimates generating a total of \$3.47 billion in income for Government. BCLC is forecasting net income of \$1,035 million in 2007/08, \$2 million greater than anticipated as well as \$628.8 million in lottery and bingo prizes for British Columbians.

BCLC-managed games will provide significant economic benefits this year, including a projected and \$528 million for our lottery, casino and bingo service provider partners and \$200 million to our suppliers.

Public trust and confidence in the integrity of our games and systems is paramount. Over the past year, BCLC's lottery business has been reviewed by the Gaming Policy and Enforcement Branch (GPEB), the Office of the British Columbia Ombudsman, Blair Mackay Mynett and as requested by the Minister, Public Safety and Solicitor General, an audit by Deloitte & Touche LLP.

None of these lottery reviews identified inappropriate payments of lottery prizes.

All of the reviews, except GPEB's, identified significant gaps monitoring lottery retailer play and win rates, prize validation procedures and customer complaint tracking and reporting, including security investigation and resolution. In addressing the recommendations that resulted from each review, BCLC will enhance the fairness, integrity, transparency, security and customer

service of the lottery system that further adds support to players and integrity to the lottery business.

BCLC's number one priority, requiring the dedication of considerable effort and resources over the next two years, is to put in place industry-leading player protection technologies, policies and procedures that set a new standard in lottery system integrity. These efforts will also improve and ensure the integrity of all of BCLC's gaming activities. New governance, policy and risk tolerance frameworks will drive organizational renewal and transformation from a leading lottery, casino and bingo company that has been very product-focused to one that is also player-focused.

Investments in player education are also being made, recognizing that lottery players have a significant role to play in taking the appropriate steps to protect themselves to ensure that they do not leave themselves open to fraud.

Our mission is not only to generate income, but also to ensure that gaming entertainment is offered with a balanced approach to social responsibility. BCLC continues to take a leadership role in the British Columbia Partnership for Responsible Gambling, ensuring that appropriate responsible gambling awareness, education and research programs are in place and treatment programs are available for the small percentage of the adult population who experience gambling problems.

BCLC is proud to be an Official Supporter of the Vancouver 2010 Olympic and Paralympic Winter Games. Our sponsorship has three objectives:

- Enhance BCLC games to provide outstanding gaming experiences for our players and strengthen corporate social responsibility;
- Demonstrate employee leadership and increase engagement; and
- Engage communities around BC in the Olympic experience.

In October, BCLC launched the first of our SportsFunder lottery games to offer players chances to win exciting 'once in a lifetime' experiences with prizes of tickets to Olympic Opening Ceremony and sporting events. Proceeds from the sale of SportsFunder games go to support athletes, coaches and amateur sports programs in BC. Since the launch of SportsFunder lottery games, BCLC has already provided \$2.2 million to benefit all levels of amateur sports in BC.

BCLC is developing our plan to achieve carbon neutrality by 2010, beginning with a comprehensive measurement of our carbon footprint. Based on that information, BCLC will reduce that footprint with corporate programs to address areas such as travel and disposal of goods. We will increase our focus and effort over the term of this plan, with results published annually.

Gaming entertainment is increasingly competitive and complex. BCLC is faced with the challenge of generating income in a competitive marketplace while offering gaming in a socially responsible manner. This Plan is designed to meet these challenges and opportunities ensuring that our players enjoy an outstanding, responsible gaming entertainment experience and that all British Columbians continue to benefit from gaming revenue generated in our province. Our growth will continue through the build out of destination gaming facilities, innovation in our lottery business and the continued development of our PlayNow web site.

British Columbia Lottery Corporation's 2008/09 – 2010/11 Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and *BC Reporting Principles*. The Board is accountable for the contents of this Plan, including the selection of performance measures and targets. The Plan is consistent with Government's Strategic Plan. All significant assumptions, policy decisions and identified risks as of January 24, 2008 have been considered in the preparation of the Plan and the performance targets have been determined based on BCLC's operating environment, forecast conditions, risk assessment and past performance.

insert signatures once approved

John McLernon
Board Chair

Dana Hayden
President and CEO

OVERVIEW OF THE ORGANIZATION

Legislation, Mandate and Services

British Columbia Lottery Corporation (BCLC) was incorporated on October 25, 1984 and is continued under the *Gaming Control Act* of British Columbia (2002) and is provided the authority and responsibility by the Province of British Columbia to, on its behalf, conduct and manage lottery, casino and bingo gaming and eGaming in British Columbia.

As a crown corporation BCLC is under the authority and direction of the Minister responsible for gaming, the Honourable John Les, Minister of Public Safety and Solicitor General. BCLC is accountable to Government through our Board of Directors.

BCLC operates in accordance with the legislative, regulatory and policy gaming framework established by Government, and is regulated by the Gaming Policy and Enforcement Branch (GPEB). GPEB is responsible for responsible gaming policy, standards, registration, licensing, audit and compliance, enforcement and the Responsible Gambling strategy.

Gaming is entertainment, and we operate it within BCLC to provide income to Government, which utilizes BCLC revenue to provide funding to public, charitable and community programs benefiting all British Columbians.

Alignment with Shareholder's Letter of Expectations

A key component of BCLC's governance framework is the *Shareholder's Letter of Expectations* agreed to by the Minister on behalf of Government, and the Board of BCLC. It confirms the shared understanding of Government and BCLC on corporate mandate, public policy issues, strategic priorities and performance expectations. The *Shareholder's Letter of Expectations* is reviewed and discussed with Government annually and updated as required.

BCLC's conduct and management of gaming is done within the legislative, regulatory and policy framework established by Government, reporting to the Minister, Public Safety and Solicitor General and compliance to policies, directives and standards issued by the Minister as well as the regulatory agency Gaming Policy and Enforcement Branch (GPEB). We continue to provide Service Plan and Annual Report documents to detail our business plans and progress, including the mitigation of risk, as well as publicly display all financial information, which is prepared under the *Financial Information Act*.

BCLC optimizes our financial performance within the gaming and social policy framework established by Government, ensuring our games and services are provided in a socially responsible manner consistent with BCLC's responsibilities as reflected in British Columbia's Responsible Gambling Strategy. This strategy was developed by BCLC and GPEB to engage municipalities, the gaming industry and social agencies in advancing three goals:

- o Reduce the incidence of problem gambling;
- o Reduce the harmful impacts of excessive gambling; and
- o Ensure the delivery of gaming in a manner that encourages responsible gambling and healthy choices.

BCLC is implementing the Ombudsman's and Deloitte's recommendations to enhance the fairness, integrity, transparency, security and player focus in the lottery system. It will take until 2009/10 to fully implement all recommendations and we will continue to issue quarterly reports on our progress. The workload and cost associated with implementing the recommendations and the increased regulatory, audit, compliance and enforcement will continue to be a challenge for the organization and has the potential to impact BCLC's ability to meet the income forecast of \$1,035 million for 2007/08 and targeted \$1,110 million in 2008/09. Government is notified of the potential for any major event to impact the achievement of our Service Plan income targets negatively or positively.

A key goal is building public trust and support through the continuous improvement of the quality of service provided to our players. A Player Relations Executive Director has been established to lead the efforts in improving service

quality, which will be achieved in partnership with our service providers. A key challenge will be the ongoing rigor in BCLC's approval of gaming facilities, commission pricing and operational framework including roles, responsibilities and accountabilities.

In order to operate in an efficient and effective manner for the benefit of players and Government, BCLC plans to upgrade systems and processes in order to ensure their integrity. We have planned an aggressive program to achieve these upgrades in 2008/09 and 2009/10; a key challenge will be the culture change required to successfully implement business changes and entrench player focus.

Like other crown corporations, BCLC is developing a plan that will begin implementation this year in order to achieve carbon neutrality by 2010 and we will provide Government reporting on our progress.

BCLC is developing a new strategic plan for BCLC's Conduct and management of Gaming for presentation to Government.

Click here to read BCLC's full [Shareholder's Letter of Expectations](#).

CORPORATE GOVERNANCE

Governance Practices

The governance framework for BCLC's Board of Director's complies with all disclosure requirements and is fully compliant with the standards and guidelines as required in Best Practice Guidelines – BC Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations (2005). It includes the terms of reference for the Board, Board Chair, President and Chief Executive Officer, Directors and standing committees of the Board. The framework includes operating guidelines for the Board and describes processes for strategic planning, succession planning and Board performance evaluations. [Click here to learn more about BCLC's Board Governance](#)

Board of Directors

The Board provides stewardship and ethical leadership, overseeing management of BCLC's affairs in the best interests of BCLC and the long-term interests of the Shareholder, the Government of British Columbia. In carrying out the mandate of the Board, each director is required to act in accordance with fiduciary, duty of care and conflict of interest guidelines.

Board committees and standing committees are established as needed. These committees are responsible for advising and formulating recommendations to the Board.

[Click here to learn more about BCLC's Board of Directors Standing Committees.](#)

Board Members

Chair	John McLernon <i>Appointed December 9, 2005 – liaison between the Board and the Minister responsible for BCLC</i>
Vice Chair	Arthur Willms <i>Appointed September 26, 2001 – Standing Committees: Member Audit, Governance and Corporate Social Responsibility</i>
Directors	David Gillespie <i>Appointed March 31, 2005 – Standing Committees: Chair, Governance and Corporate Social Responsibility, Member Audit</i>
	D. Neil McDonnell <i>Appointed April 23, 2002 – Standing Committees: Member Human Resources and Compensation, Marketing and Sponsorship</i>
	Tazeem Nathoo <i>Appointed July 26, 2002 – Standing Committees: Chair, Human Resources and Compensation, Member Governance and Corporate Social Responsibility</i>
	Kathy Stevenson <i>Appointed April 23, 2002 – Standing Committees: Chair, Audit</i>
	Walter Gray <i>Appointed November 22, 2007</i>

[Click here to learn more about BCLC's Board Members](#)

Senior Executive Team

President and CEO	Dana Hayden <i>Interim</i>
Vice-Presidents	Kevin Gass Corporate Communications and Marketing
	Jim Lightbody Lottery Gaming
	Scott Norman Information Technology, Chief Information Officer
	Doug Penrose Finance and Corporate Services
	Darryl Schiewe Casino Gaming, <i>Acting</i>
	Debbie Toole Human Resources and Organizational Development
	Marsha Walden Bingo Gaming

[Click here to learn more about BCLC's Senior Executive team.](#)

Organizational Structure and Core Business

BCLC has two corporate offices. BCLC's head office, information technology, finance and administration functions are located in Kamloops, with the operations, sales and marketing functions located in Richmond.

BCLC contracts for the sale of our products through a private sector network of approximately 4,100 lottery retailers, 17 casinos, 12 community gaming centres and 15 commercial bingo halls.

Lottery retailers receive an industry-standard commission rate.

BCLC has partnered with six private sector casino service companies. Under contract they provide casino facilities and day-to-day operational services for a percentage of generated revenue.

BCLC also has contractual agreements with commercial, independent and charitable service providers to provide community gaming centre and commercial bingo hall facilities and day-to-day operational services for a percentage of sales revenue. BCLC operations and security staff oversee performance and compliance of service providers.

The consolidated financial statements of BCLC include B.C. Lottotech International Inc., a wholly owned subsidiary of BCLC. The purpose of Lottotech is to purchase capital assets for BCLC; there is no operational revenue or expenses as the management and oversight of Lottotech is consolidated with BCLC operations. The Board reviews and approves Lottotech capital purchases through BCLC's budget process.

STRATEGIC CONTEXT

2006/07 Highlights

In 2006/07, BCLC made significant contributions to British Columbians and the Government of British Columbia. This included \$628.8 million in lottery and bingo prizes to British Columbians and \$1,018.7 million in income to Government. Gaming has also created significant direct and indirect employment opportunities in British Columbia indirectly and through the \$528 million in commissions and service fees paid to lottery, casino and bingo service providers. BCLC good and services purchases approximated \$200 million.

2006/07 (in millions)	LOTTERY	eGAMING	CASINO	BINGO	TOTAL
Revenue	\$983.2	\$14.3	\$1,208.9	\$218.9	\$2,425.2
Net Income	281.7	0.9	698.5	36.7	1,018.8
Distribution Channels	3,000 retailer locations 1,300 hospitality locations	PlayNow.com	17 casinos	20 commercial bingo halls 6 community gaming centres	
Games	Lottery games	Convenience and e-only	Slot machines Table games Poker games	Paper bingo Electronic bingo Slot machines	

Source: Annual Report 2006/07

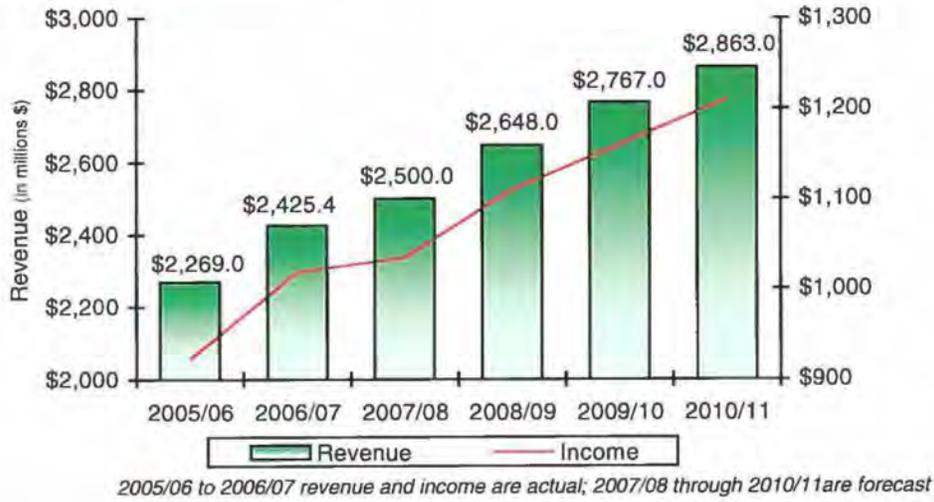
[Click here to learn more about BCLC's results in our Annual Report 2006/07.](#)

2007/08 Forecast

BCLC is forecasting the generation of \$2,493 million in revenue, providing \$1,035 in income to Government and achieving an operating cost ratio of 4.6% (of revenue).

2007/08 (in millions)	LOTTERY	eGAMING	CASINO	COMMUNITY GAMING CENTRES	BINGO HALLS	TOTAL
Revenue	\$950.0	\$18.0	\$1,302.0	\$108.4	\$121.6	\$2,500.0
Net Income	239.5	0.4	\$748.4	CGCs and Bingo Halls	\$46.7	\$1,035.0
Distribution Channels	2,900 retailer locations 1,200 hospitality locations	PlayNow.com	17 commercial casinos	12 community gaming centres	15 commercial bingo halls	
Games	Lottery games	Convenience and e-only	Slot machines Table games Poker games	Slot machines Electronic bingo Paper bingo	Paper bingo Electronic bingo	

BCLC Revenue and Net Income



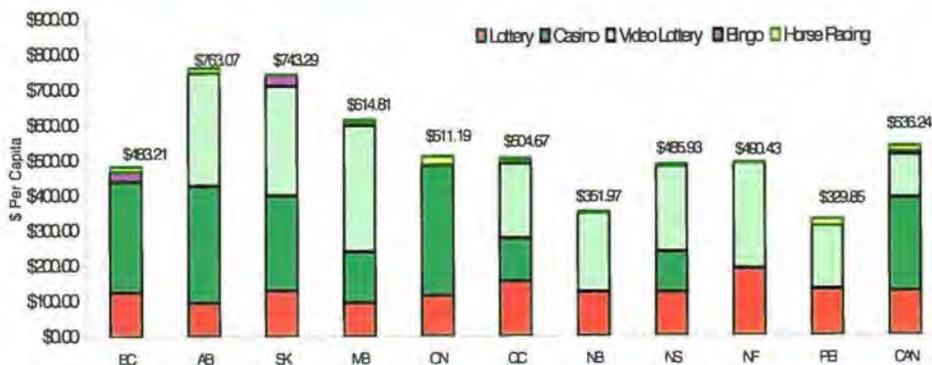
Canadian Gaming Comparisons

Gaming is a major industry in Canada, generating \$15.3 billion in revenue in 2005/06. Gaming's direct impact on the economy sizably exceeds other segments of the entertainment industry, approximating revenue of the combined segments of spectator sports, television, movie, books and magazines and performing arts.

In the province of British Columbia, Government's gaming policy promotes responsible play and prohibits the introduction of video lottery terminals from the marketplace. Growth has come primarily from the casino business and the upgrading of commercial bingo halls to community gaming centres with slot machines.

On a comparative basis, British Columbia ranks 8th in per capita net gaming expenditures (sales less prizes), has the second lowest per capita penetration of electronic gaming devices in Canada and the fewest locations where they can be played.

Canadian Provincial Gaming Revenue Per Capita (March 31, 2006)

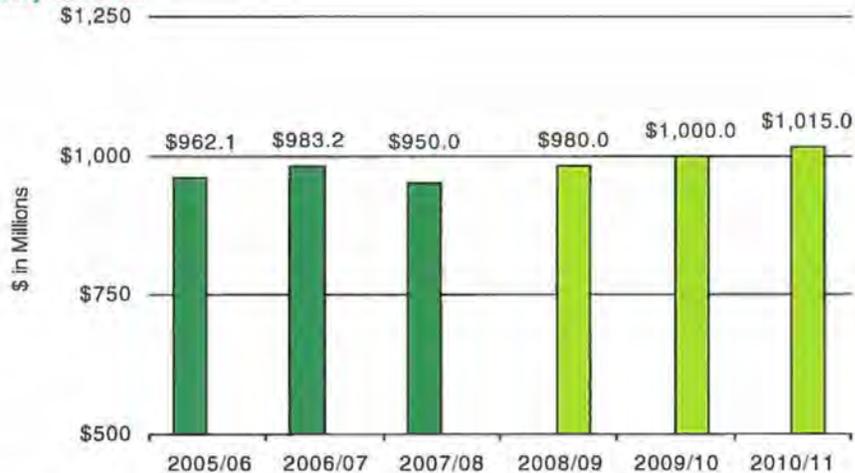


*Sources: Provincial Gaming Authority Annual Reports and Statistics Canada
Gaming spend is an industry standard measure that is defined as total sales minus prizes*

Trends, Opportunities and Challenges

In 2006 and 2007 BCLC's lottery business was audited by four external audit groups. Each provided numerous recommendations designed to improve the fairness, integrity, transparency, security and player focus in the lottery system; improve reporting abilities and the reliability of BCLC's information and control systems. We will spend considerable effort and resources in 2008/09 to effect changes to governance, policy, procedures and technology to implement the recommendations of these auditors.

Lottery Revenue



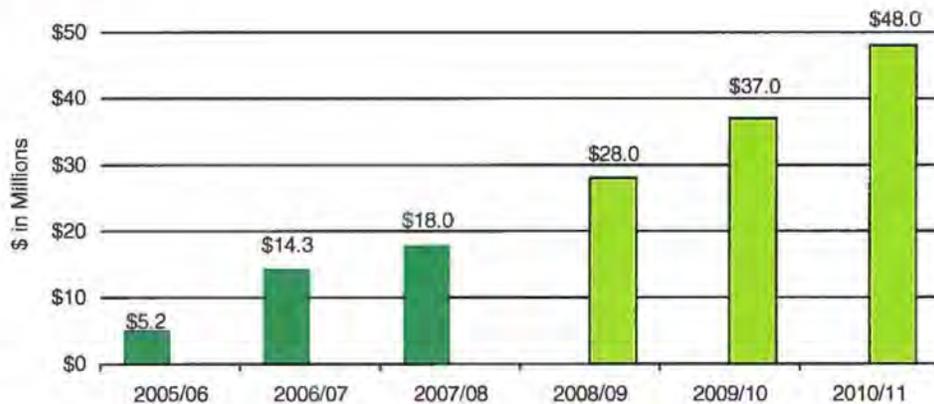
Lotteries have been marketed in British Columbia for more than 30 years. Changing demographics, a shift in consumer preferences, emerging distribution channels and mature products has led to a flattening of sales growth, although BCLC per capita lottery revenue remains in the top 15 of all 53 North American lottery jurisdictions. The transformation and growth of the lottery business is a strategic priority for BCLC.

BCLC will continue to focus on more exciting, entertaining games, including monitor-based games for the hospitality network, games such as SportsFunder linked to worthy causes important to British Columbians and promoting more convenient ways to purchase games such as self-service terminals.

Games and services will be developed with a focus on player support that increases player participation and revenue from this channel.

Revenue generated by lottery games is a gross sales amount, with prizes reported and deducted by BCLC.

eGaming Revenue



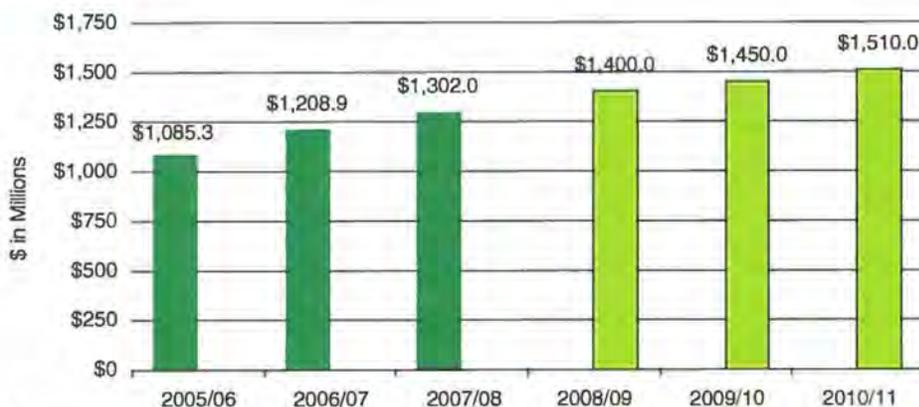
Only two Canadian jurisdictions sell their games over the internet, and BCLC is one of them. We have been marketing our PlayNow web site within British Columbia since July 2005. While revenue growth has been slower than originally forecast, we are currently experiencing steady growth as our players discover the convenience and security of making their purchases online.

The achievement of a robust, secure and successful eGaming business is a strategic priority for BCLC. Social responsibility is incorporated into the site through maximum player wallet limits, age control limits, privacy protection and self exclusion options.

The primary focus has been the introduction of favourite lottery games and interactive games, which offer an instant play experience. Over the coming years, BCLC plans to introduce new innovative games that leverage the technology and increase focus on player acquisition and retention. PlayNow will be redesigned to incorporate player feedback and provide a more engaging and entertaining online experience for our players.

Revenue generated on the eGaming online site is a gross sales amount, with prizes reported and deducted by BCLC.

Casino Revenue



BCLC assumed responsibility for casino games and the introduction of slot machines in the British Columbia marketplace in 1997. Since that time, the casino business has experienced double-digit growth and is now the largest revenue stream for BCLC.

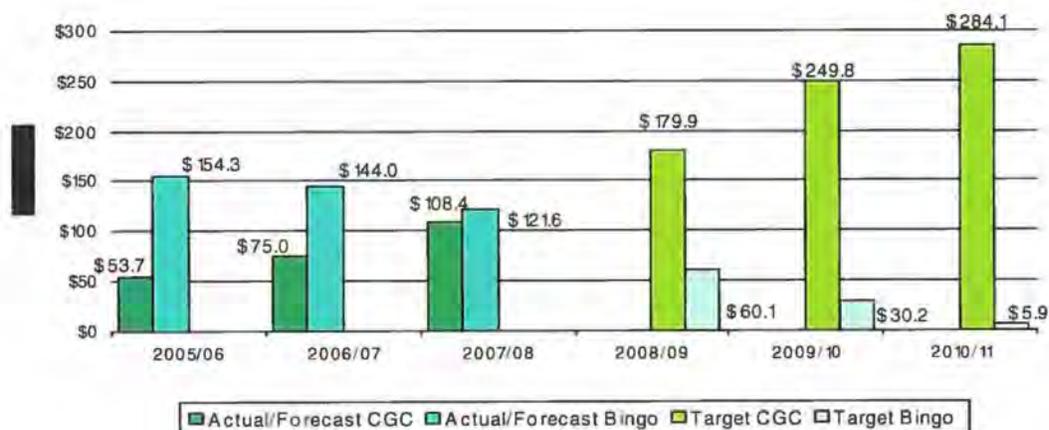
Our priority over the last few years has been to upgrade existing casino facilities with higher quality properties sized to fit an underserved marketplace.

This strategy has resulted in a more diverse entertainment experience for players, with major facilities offering full-service restaurants and theatre-style show lounges and in some cases, resort-style accommodations and conference facilities.

The rate of growth will now slow as casino facility upgrades and relocations are nearing completion. As BCLC looks forward, we will continue to develop casino properties that provide the player with an exceptional entertainment experience and position casino gaming as a major tourism attraction where market demand allows.

Revenue generated from casino games is net win, which is a calculation of sales after prizes which are paid to players during game play. This contrasts with revenue generated by lottery and bingo style games, which are a gross sales amount with prizes reported and deducted by BCLC.

Bingo and Community Gaming Centre Revenue



Traditional bingo is one of the oldest forms of gaming in British Columbia and has been in a steady decline over the past decade.

BCLC is working with bingo service providers to transform bingo halls in key market locations to community gaming centres (CGCs) offering more entertaining products, including slot machines, electronic and other more entertaining games, in upgraded facilities and improved customer service. Revenue generated in community gaming centres is increasing as they are well received in communities.

The change to smoke-free facilities is anticipated to significantly impact traditional bingo gaming revenue, with a decline estimated at 22%. BCLC's introduction of higher entertainment games, including slot machines, in community gaming centres will continue to increase revenues from these facilities.

Revenue generated from casino-style games in community gaming centres is net win, which is a calculation of sales after prizes which are paid to players during game play. This contrasts with revenue generated by lottery and bingo style games, which are a gross sales amount with prizes reported and deducted by BCLC.

External Trends, Opportunities and Challenges

Economy

Supported by a strong economy, annual retail sales in BC will continue to rise at least through 2010. With increased immigration to BC, Asian markets within Canada including tourism, are large and growing and represent a major opportunity for BCLC through targeted products and services.

BC's strong economic performance has a positive impact on disposable income and household consumption, with spending forecast to grow particularly in entertainment. Tourism is growing rapidly and is expected to double in the next decade, in part as a result of exposure to the world in 2010.

BCLC continues to develop casino and community gaming centre facilities that provide a complete entertainment experience for our players as and to attract tourists from within BC and Canada and the global market.

Consumerism

Consumers continue to expect and seek out unique, more personalized and sophisticated experiences in buying products and services. The rapid adoption of new technologies and online socialization and interactivity via the internet and mobile devices will continue to accelerate. British Columbians are amongst the heaviest e-commerce users in Canada.

BCLC must provide players with gaming experiences and services in our gaming facilities, lottery networks and on our PlayNow web site that provide a complete entertainment experience for our players, when and where they want them. This requires a shift in our approach, from product-centric to player-centric.

Retail

The hospitality business is working harder to create total experiences for their customers and is adapting technology to meet the needs of consumers.

BCLC is addressing changing consumer needs with the introduction of new innovative games and distribution channels for the lottery business and the development of casino and community gaming centre facilities providing a complete entertainment experience for players.

BCLC and our service providers and retail partners will also focus on providing better player service and implementing customer relations management activities.

Gaming

Across Canada, traditional lottery offerings are still strong but losing market share, while gaming at casino entertainment centres is experiencing the fastest growth.

Expanded gaming in neighbouring jurisdictions and on the internet continues to compete with BCLC's gaming business. British Columbia loses an estimated \$100 million annually to cross-border casinos offering a selection of food and beverage and entertainment facilities and progressive player card programs. Internet gaming is becoming more widespread among British Columbians, with worldwide internet gaming revenue estimated at \$12 billion (U.S.) and projected to grow to \$28 billion (U.S.) by 2012.

Labour Force

British Columbia's strong economic growth, associated unemployment rate and changing demographics have created a shortage of highly skilled people that businesses need to grow and expand. As the supply of available workers falls short of job growth, competition for employees will increase.

In addition to shortages of candidates with gaming skills, we are experiencing challenges with shortages of professional skills such as project managers, purchasing agents and in the information technology field, where BCLC is already experiencing difficulty in recruiting employees. The experience is similar for our service providers in recruiting service workers for gaming facilities and retailer locations.

With more than 10,000 people estimated to be directly employed in the gaming industry in British Columbia, this will result in a significant challenge for BCLC and service providers who operate gaming facilities on our behalf.

Provincial Smoking Ban

The change to smoke-free facilities in March 2008 is a positive development that will improve the health of British Columbians. It is anticipated there will be a negative impact on gaming revenue, particularly for traditional bingo sales, because a substantial number of gaming patrons smoke.

BCLC will work closely with our lottery hospitality retailers, casino and community gaming service providers to ensure games and facilities remain attractive to players.

Technology

Entertainment and communication technologies are continuing to grow rapidly. Entertainment in the home, including gaming for fun and for free continues to grow.

The growth of cellular and VoIP services will continue, along with high-speed wireless connectivity and a convergence in mobile technologies. This may lead to new competition, changing customer expectations and additional costs.

New technologies can provide product and service innovation for our players and operational efficiencies for the company. BCLC will continue to identify and evaluate the most promising developments in technology and apply these to our gaming business. In particular, BCLC is reviewing new slot machine technologies and back office systems and processes that support our players and gaming integrity, and where required will be implementing newer, more effective technology that provides internal efficiencies and business advantage.

Critical Risks and Mitigation Strategies

BCLC faces a number of risks that could significantly impact our ability to conduct and manage gaming in British Columbia, or our ability to achieve the short and long-term goals of this Service Plan. While risks can not be eliminated, BCLC has developed strategies to minimize the risk and/or mitigate their impact.

BCLC has implemented a formal enterprise risk management process. Risk identification occurs through assessment by an Advisory Committee, the Executive Committee and Board of Directors. Risk mitigation strategies are developed and they are a key factor in business planning and resource decisions.

Key risks that could threaten the achievement of our goals are outlined below and BCLC is assessing the effectiveness of existing practices to minimize and manage these risks, and identifying changes to strengthen them if required.

PLAYER TRUST & SUPPORT RISK	MITIGATION STRATEGIES
<p>Our capacity to meet or exceed player, public and Shareholder expectations and our ability to generate income is threatened if players do not believe that BCLC's gaming systems are trustworthy.</p> <p>Player trust and support encompasses the safety and integrity of a player's wager or transaction and the potential for a player to be defrauded when playing at a BCLC facility, during the prize payout process conducted by a service provider/lottery retailer or at a BCLC location, or any other risk a player may be exposed to while visiting or playing at a BCLC gaming location or facility.</p> <p>BCLC's revenue and net income projections are based on the Government of British Columbia's gaming policy which often follows public opinion. An event that breaches the public trust and confidence could directly impact the operational programs supporting our strategic initiatives and lead to gaming industry restrictions.</p> <p>In their report on the lottery gaming system, Deloitte pointed out that fraud can never be eliminated but measures to reduce the risk should be taken, and that the player has a role to play in taking the appropriate steps to protect themselves.</p> <p>BCLC recognizes that players and the public may have expectations that exceed our current capacity to fulfill.</p>	<p>BCLC has a comprehensive plan to lead the way as a player-focused organization through implementation of recommendations from the GPEB, Ombudsman, Blair Mackay Mynett and Deloitte reviews. A key challenge will be the workload and cost associated with implementing these audit recommendations through our strategies to:</p> <ul style="list-style-type: none"> • "Entrench a player focus in all BCLC activities", including the implementation of Player First initiatives resulting from the external reviews to enhance player protection and service in lottery gaming, the establishment of a player relations senior management function to represent and advance players interests throughout BCLC, and education for the player on how they play a role in ensuring their own protection; • "Provide opportunities within BCLC's business and operating model to encourage innovation and better player service", including the research and development of systems that promote player services and business model innovation; and • "Implement programs to improve business integrity and operational efficiencies", including building governance, policy and compliance frameworks and implementing systems and controls to ensure business integrity.

DECLINE IN PUBLIC CONSENT RISK**MITIGATION STRATEGIES**

The view of gaming as an acceptable form of adult entertainment is key to developing a healthy, customer focused, socially responsible gaming industry. An open and transparent environment is needed to address issues that may be caused by inappropriate gaming.

Under the *Responsible Gambling Strategy*, BCLC is responsible for delivering responsible gaming programs to players, ensuring that players know how to access the programs.

For BCLC to build and maintain public support for gaming, enhanced responsible gambling programs and pro-active communications about responsible gambling initiatives and beneficiary programs are required.

We will strengthen our social responsibility through:

- Reviewing our social responsibility programs and their delivery, including the responsible gambling strategy and voluntary self exclusion program, increasing the involvement of our service providers and measuring our success;
- Promoting BCLC's business as an Official Supporter of the Vancouver 2010 Olympic and Paralympic Winter Games; and
- Improving corporate transparency, particularly around issues related to player protection and support which over time will lead to a decline in the significantly increased number of FOI requests.

ILLEGAL ACTIVITY RISK**MITIGATION STRATEGIES**

There is a risk that the existence of gaming could cause unwanted side-effects in the community, even though the gaming may be offered in a socially responsible way. Events such as loan-sharking, money laundering, alcohol-related incidents, suicide or murder would create a negative public and media reaction that impacts the gaming industry as well as BCLC's ability to continue to pursue business opportunities.

This year BCLC is adding additional resources to review and upgrade all facility gaming policies, procedures and compliance programs to ensure the highest level of gaming integrity and security. This includes establishing a full-time BCLC security presence in all major casinos to collaboratively work with GPEB, police resources and service provider security and surveillance resources to strengthen intelligence and reduce issues, barring individuals from gaming premises where appropriate.

CHANNEL PARTNER RISK

MITIGATION STRATEGIES

If BCLC fails to effectively monitor and manage business relationships with our Service Providers or Lottery Retailers, our ability to meet or exceed player and public expectations could be threatened.

Outsourcing or contracting of activities to third parties may result in these third parties not acting within the intended limits of their authority not performing in a manner consistent with BCLC's direction.

Fraudulent activities perpetrated by Service Providers or retailers or against BCLC may expose BCLC to financial loss and erosion of reputation, negatively impacting income and our Shareholder.

BCLC mitigates the likelihood and impact of this risk through strengthening our relationships with service providers in all business channels, including updating BCLC security compliance and enforcement programs and procedures and technology to ensure the highest level of player focus and gaming integrity is delivered in all business channels and by service providers.

We describe our plans for the continued strengthening of monitoring and management of third party business relationships in our strategies to:

- "Entrench a player focus in all BCLC activities", including the review and update of security compliance and enforcement, procedures and technology to ensure the highest level of gaming integrity and player protection is delivered in all lines of business and by service providers;
- "Provide opportunities within BCLC's business and operating model to encourage innovation and better player service", including through the research and development of systems that promote player services and business model innovation; and
- "Build player participation and loyalty through player-focus on product innovation, continued facility improvement and customer relations management", including strengthening service provider relationships.

OPERATIONAL INEFFICIENCIES RISK

MITIGATION STRATEGIES

There is a risk that BCLC is unable to implement new or updated processes, product or system improvements quickly enough to keep pace with changes in our environment, or to leverage or create capacity to take advantage of new opportunities.

BCLC is already experiencing difficulty in recruiting skilled workers with professions such as project managers, purchasing agents and in the information technology field.

The experience is similar for our service providers in recruiting service workers for gaming facilities and retailer locations

Significant changes are required to BCLC's operations and culture in order to successfully implement business changes, entrench player focus and strengthen our social responsibility.

Planning is well underway for the next three years to ensure that the appropriate level of people resources and skills are available to make the business changes required to ensure operational efficiencies recommended in audits and reviews are implemented. Our strategy is to:

- "Implement programs to improve business integrity and operational efficiencies", including building governance and business transformation, policy and compliance frameworks, implementing systems and controls and implementing business process improvements that result in effective and efficient operations and ensuring the highest level of gaming integrity and internal controls.

EMPLOYEE DISENGAGEMENT & INSUFFICIENT SKILLS AND CAPACITY RISKS

MITIGATION STRATEGIES

BCLC employees are key to the success of the business, and highly motivated employees who are engaged in the work of the company can be a differentiating factor in exceptional performance.

Engagement in the work of the company included empowerment to act appropriately; efficient work processes and appropriate resource allocations and can lead to enhanced creativity and innovation, cross-functional team work where trust is part of the culture.

Reviews and audits in 2007/08 resulted in a high workload and cost. The recommendations resulting from these multiple reviews and audits of BCLC's lottery business have led to Player First and other strategic initiatives, all of which require additional expert employee resources and new skills sets to execute.

BCLC requires a strong, adaptable workforce passionately engaged in driving the success of the business. Strong leadership is being developed that promotes a high-performance culture valuing innovation, integrity, engagement and accountability.

Our strategy is to:

- "Develop and implement a human resource plan" and includes including competitive recruitment, compensation, career development, succession planning, recognition, workforce flexibility and adaptability, and leading-edge work practices that enhance business productivity. These must be put in place to enable BCLC to attract and retain the best and brightest leaders and experts to support the business and increase employee engagement.

CRISIS MANAGEMENT RISK

MITIGATION STRATEGIES

If BCLC has no clear emergency response or issues management plan specific for threats, crises, disasters and tragedies, BCLC, our Service Providers and Shareholder are vulnerable.

In the November 2007 audit report, Deloitte identified business continuity planning for critical business functions, in particular distribution and finance, as a key area for BCLC to broaden focus and documentation. There is also numerous industry and legislative standards and regulations governing the requirement for Business Continuity Planning to be included as part of BCLC's business operations.

BCLC's Business Continuity Management, which complies with all legal and regulatory requirements, encompasses crisis management, Information systems and business recovery. The program continues over the three years covered in this plan.

To date BCLC has concentrated efforts on the development of plans to respond to events that impact or have the potential to impact our ability to conduct normal business operations for an extended period of time. Our strategy is to:

- "Implement programs to improve business integrity and operational efficiencies" includes a Crisis Management plan and Business Continuity planning for the distribution/warehouse and finance areas in the first year of this Service Plan 2008/09.

In addition, operational and project work on strategies concerned with player focus and the continuation of product, services and facilities development will continue to incorporate business continuity planning.

REGULATORY AND POLICY CHANGE RISK

MITIGATION STRATEGIES

Changes to legislation, regulations and policy can negatively affect BCLC's ability to bring new products, services and facilities to market, impacting our ability to meet revenue and player satisfaction targets.

The *Gaming Control Act* requires that BCLC consult with host local governments before any new casino or bingo gaming facility is introduced, relocated or substantially changed in a community. BCLC recognizes that building local community and stakeholder relationships are critical to achieving success for both BCLC and the local communities where gaming opportunities are being considered.

To meet revenue and net income targets, BCLC must meet the regulatory, standards and compliance requirements and obtain the necessary approvals to launch new games and services.

The reviews and audits of BCLC's lottery business have resulted in heightened regulatory, audit, compliance and enforcement activities.

BCLC has developed extensive consultation and relocation processes to ensure host local governments, key stakeholders and communities have the information needed to make informed decisions.

BCLC will work closely with our GPEB regulator and Government to ensure government is aware of the implications of regulatory and/or legislation changes to the Gaming Control Act.

[Click here to learn more about BCLC's critical risks in our Performance Measures Methodology report](#)

Strategic Plan

MISSION

To generate income by offering responsible gaming entertainment

VALUES

Integrity

The games that we offer and the ways we conduct business are fair, honest and trustworthy

Social Responsibility

Everything we do is done with consideration of its impact on and for the people and communities of British Columbia

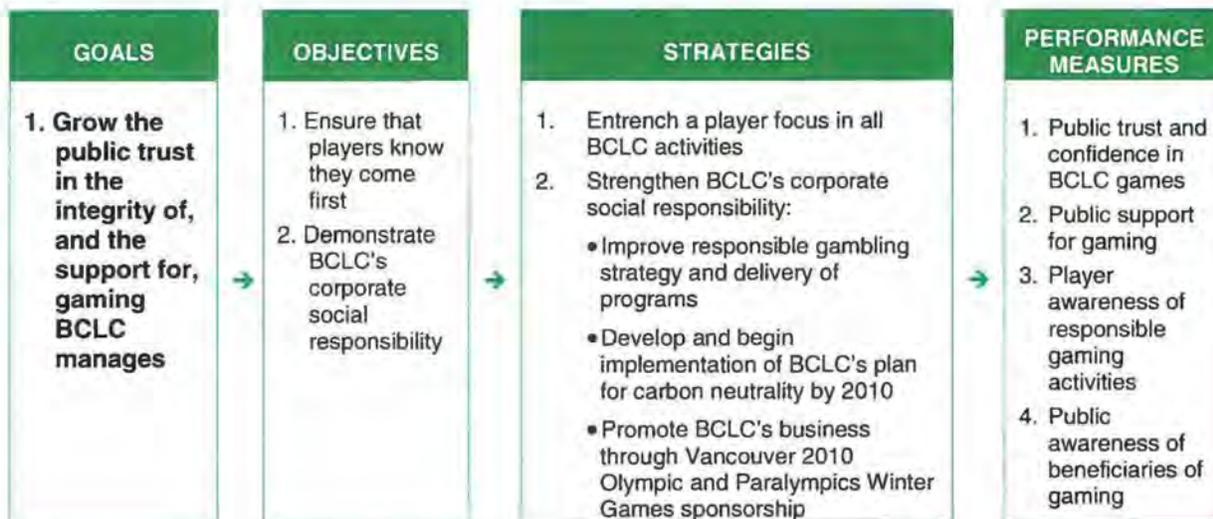
Respect

Our workplace fosters openness, mutual respect and individual development

GOALS and OBJECTIVES

1. Grow the public trust in the integrity of, and the support for, gaming BCLC manages
 - a. Ensure that players know they come first
 - b. Demonstrate BCLC's corporate social responsibility
2. Provide an outstanding gaming experience for players and generate income
 - a. Increase the number of new and repeat players to BCLC's games and service provider facilities
 - b. Optimize net income for our shareholder
3. To have a workforce passionately driving the success of our business
 - a. Create a high performing organization that strives to continually improve

Goals, Objectives, Strategies and Performance Measures



BCLC's success in generating income for Government is reliant on public support, and our strategies in this area are focused on entrenching player focus, business integrity and demonstrating BCLC's social responsibility in all activities; our success will be gauged through four performance measures.

The implementation of all of the audit recommendations from the past year are primarily focused on the lottery gaming system. These are being developed and reported in Player First, a program that in some cases goes beyond the recommendations to achieve superior player protection and service in lottery gaming.

BCLC has established an executive-level function to represent player's interests throughout BCLC, in the gaming activities for all of our business channels and in our social responsibility initiatives.

Our business integrity and operational efficiency will be improved through a review and update of security compliance and enforcement programs, the establishment of risk management and policy frameworks, and process and technology improvements. Business process improvements will result in effective and efficient operations and controls. The Business Continuity Management program will continue to be enhanced, this year focusing on the warehouse and distribution area as well as finance.

The technology infrastructure will continue to be enhanced, ensuring that BCLC continues to have a sound, responsive, adaptive and secure technology infrastructure underlying all of our gaming operations.

BCLC systems also need to be transparent for effectiveness and efficiency, also benefiting our timely response requests such as those made under the *Freedom of Information and Protection of Privacy Act*. New document classification and management systems will provide more current technology tools to support these requirements.

All of these programs are necessary to ensure the highest level of gaming integrity and player protection is delivered in all lines of business and by our service providers and support the size of the gaming business we now operate.

BCLC is a key player in the Partnership for Responsible Gaming, where the current members are BCLC, Government, 10 municipalities and our gaming service providers. In this partnership, BCLC is responsible for ensuring that players have access to and can utilize responsible gambling programs.

BCLC works to ensure that our delivery of gaming is done in a manner that encourages responsible gambling and healthy choices. We do this by increasing player and community awareness of gaming issues and services through industry and player education and awareness. We have established an executive-level function to represent player's interests throughout BCLC, in the gaming activities for all of our business channels and in our social responsibility initiatives.

Responsible gambling behaviour incorporates informed and educated decision-making by the player, such as a self-imposed budget or time limit to play our games. BCLC is improving knowledge about responsible gambling with the industry.

We will continue with our plan to have Responsible Gambling Information Centres at all casinos and community gaming centres in 2008/09, and the development of a self-service model for lottery retailers in shopping mall locations.

All gaming employees will take intervention training and in 2008/09 BCLC will review and update the curriculum. A new program specially developed and targeted at young adults in casinos will increase the knowledge and awareness of a younger demographic of players. And BCLC will continue its research so that we deliver programs in ways that are easily accessed and used by players who need them.

Also this year, enhancements will be made to the voluntary program that provides players experiencing difficulty with an option to self-exclude from gaming activities. Both BCLC and our service provider partners comply with advertising and marketing standards to ensure that we are not marketing to those who should not be gambling.

Lottery organizations worldwide unite under the World Lottery Association, and under this umbrella have endorsed a certification process that publicly demonstrates a commitment to operating gaming products and facilities in a socially responsible manner. BCLC plans to move through this certification process beginning in 2008/09. This will ensure that we are consistently applying the highest international standards established within the industry and provide communication to raise awareness of service providers, interest groups, media and the public.

This year two new performance measures, "Public Trust and Confidence in BCLC Games" and "Player Awareness of Responsible Gaming Activities" have been added. "Public Trust and Confidence in BCLC Games" will assess the percentage of BC adults who have confidence in the safety and integrity of games BCLC manages and conducts. "Player Awareness of Responsible Gaming Activities" will help us assess whether or not our responsible gambling programs are successfully reaching our players, and we will adjust our programs and their delivery depending upon our success.

We will continue to measure "Public Support for Gaming" and "Public Awareness of the Beneficiaries of Gaming". "Public Support for Gaming" measures the percentage of BC adults who believe gaming is an acceptable activity. "Public Awareness of the Beneficiaries of Gaming" measures the percentage of adults who have an awareness of how the more than \$1 billion in gaming income is distributed by Government to support key programs including healthcare, education and recreation, host local communities and charitable and community organizations. The level of awareness is directly related to the measure for the public's acceptance of gaming.



BCLC's ability to continue to generate revenue requires that we continue to provide exciting entertainment experiences for our players and operate BCLC in an effective and efficient manner to optimize the net income for Government. BCLC will measure our success in achieving this goal through three performance measures.

BCLC will continue to develop exciting and innovative new games and services for our players. Game concepts will continue to be developed that provide a more entertaining play experience and variety, including the potential replacement of a national lotto game. The success of Pacific Hold'em Poker will be maintained through a refresh of the character animation, and similar concepts for monitor-style games will be pursued. SportsFunder lottery games are one kind of lottery game that will continue to be refreshed and provide unique and appealing prize opportunities for players. The lottery retailer signage and other "look & feel" aspects will be reviewed with the objective of piloting a more current technology, marketing and merchandising experience for players.

In our casinos and community gaming centres, we will continue to develop properties with a focus on entertainment and where there is market demand, explore casino domestic and international tourism market opportunities. Providing the latest themed slot machines and new table games will continue to provide players with an interesting variety of casino gaming options. In partnership with our service providers, BCLC will continue to offer special tournaments for poker, blackjack, mah jong and slot machine players.

The build out of community gaming centres will continue next year, and will be accelerated where possible in order to reduce the negative revenue impact as BC implements non-smoking public facilities. BCLC will develop new games for bingo players that improve our return on bingo systems capital investment by using the same technology to offer additional play experiences.

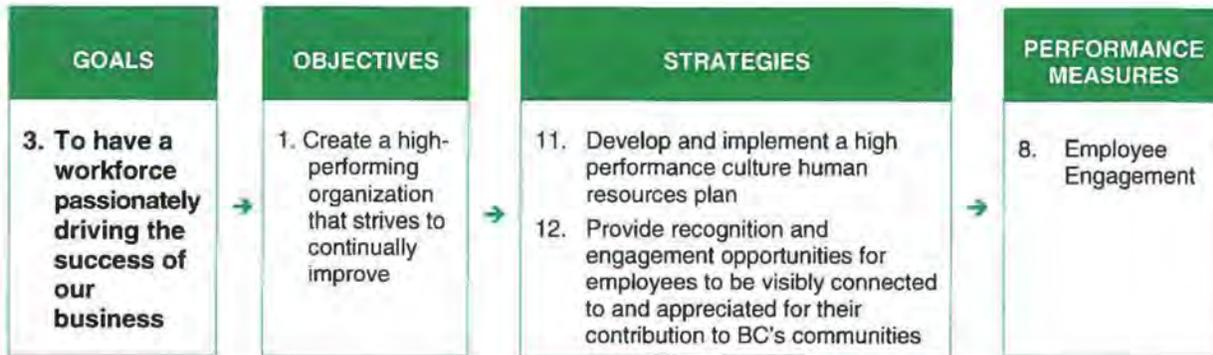
Our casino and bingo business groups will continue to work in partnership with service providers on programs that provide better customer service for our players and with municipalities where we have gaming facilities.

Our PlayNow internet gaming site and BCLC's corporate web site bclc.com will both be redesigned to provide a more engaging player experience and we will continue to implement exciting and entertaining games.

BCLC is also developing player-focused rewards and incentives across all gaming channels. Special rewards and incentives will continue to be provided to members of the BC Gold casino card and the card will be evaluated for use in community gaming centres. We'll also continue to develop special offers for PlayNow purchases. Planning for a customer relationship management solution that extends across all of our business lines will begin this year.

BCLC will also continue to investigate technology that promotes player services and business model efficiencies for all of our business channels.

Our success in achieving this goal will be measured by our success in achieving our \$1,110 million net income target, which is received by Government and our 12.51% operating cost ratio target, which measures the cost of earning each dollar in income. "Player Satisfaction" with our games, services and facilities in our lottery, casino, bingo and egaming business channels, will also be measured. Player satisfaction is a key factor in our continuing ability to generate income.



BCLC needs a passionate workforce to drive the successful operation and management of our gaming business. Our performance will be measured by the level of employee engagement.

While there has been progress towards the desired high performance culture for the organization, significant internal and external changes in 2007/08, including senior leadership changes, require a review of our human resources program activities to ensure alignment with the increased focus on our players and growing the public trust and support of BCLC gaming activities. The review will include an analysis of our external and internal environment and research on best practices.

We have identified four areas as key to successfully effecting workforce change. These areas are the focus of our human resources plan to deliver on the desired a high performance culture for the organization.

The results of this review will provide BCLC with a new workforce plan, recruitment and leadership development models and an employee communications strategy.

We are implementing Standards of Ethical Business Conduct for our employees, which will be key in achieving high performance behaviours and accountabilities within BCLC's ethical standards, focusing and recognizing employees appropriately for their work.

Leadership alignment and commitment, which are the actions required to achieve with BCLC's business priorities and provide continued improvement of the quality of leadership at all levels, will continue have significant focus.

In order to visibly connect our employees to BC communities, and recognize them for their contribution to BCLC's business, we are planning recognition and engagement opportunities, which will include the 150 volunteer positions made possible through our sponsorship of the Vancouver 2010 Olympic and Paralympic Winter Games.

The management of our workforce also includes actions to ensure we are positioned to address anticipated changes in demographics and skill requirements through establishing information to connect the right people with the right skills, values and motivation in the right jobs – all at the right time. An employee communication plan will provide effective two-way communication between management and employees.

Overall, human resources programs will position the organization to be flexible, innovative and responsive.

To assess our success in meeting this goal, BCLC will continue to use the performance measure of "Employee Engagement" which measures the intellectual and emotional involvement employees have in their work for BCLC, which is directly linked to the effort and dedication employees contribute to achieve success for the organization, as well as BCLC's ability to attract and retain employees.

[Click here to learn more about BCLC's Goals, Strategies and Performance Measures.](#)

Performance Measures and Targets

PERFORMANCE MEASURES	2005/06 ACTUAL	2006/07 ACTUAL	2007/08 TARGET	2008/09 TARGET	2009/10 TARGET	2010/11 TARGET
Total Revenue (millions)	\$2,260.6	2,425.4	\$2,500.0	\$2,648.0	\$2,767.0	\$2,863.0
Total Net Income (millions)	\$922.7	\$1,018.8	\$1,035.0	\$1,110.0	\$1,160.0	\$1,210.0
Operating Cost Ratio (of Net Income) (NEW)	N/A	N/A	N/A	12.5%	12.2%	11.8%
Public Trust and Confidence in BCLC Games (NEW)	N/A	N/A	N/A	Baseline to be established	TBD	TBD
Public Support for Gaming	51%	56%	52%	56%	60%	65%
Player Awareness of Responsible Gaming Activities (NEW)	N/A	N/A	N/A	Baseline to be established	TBD	TBD
Public Awareness of Beneficiaries of Gaming ¹	36%	37%	35%	40%	42%	45%
Employee Engagement	51%	54%	60%	65%	70%	70%

- Proposed NEW measures are not applicable (N/A) for 2005/06 through 2007/08

[Click here to learn more about BCLC's Performance Measures and Targets](#)

¹ Measure and targets pending Government approval of BCLC Shareholder's Letter of Expectations

FINANCIAL OUTLOOK

Summary Financials

REVENUE (\$ in millions)	2005/06 ACTUAL	2006/07 ACTUAL	2007/08 TARGET	2007/08 FORECAST	2008/09 TARGET	2009/10 TARGET	2010/11 TARGET
Lottery	962.1	983.2	1,000.0	950.0	980.0	1,000.0	1,015.0
eGaming	5.2	14.3	25.0	18.0	28.0	37.0	48.0
	967.3	997.5	1,025.0	968.0	1,008.0	1,037.0	1,063.0
Casino	1,085.3	1,208.9	1,240.0	1,302.0	1,400.0	1,450.0	1,510.0
Bingo							
Commercial Halls	154.3	144.0	121.6	121.6	60.1	30.2	5.9
Community Gaming Centres	53.7	75.0	108.4	108.4	179.9	249.8	284.1
	208.0	219.0	230.0	230.0	240.0	280.0	290.0
	\$2,260.7	\$2,425.4	\$2,495.0	\$2,500.0	\$2,648.0	\$2,767.0	\$2,863.0
EXPENDITURES							
Lottery	688.0	700.5	716.3	710.5	731.2	747.6	755.1
eGaming	6.1	13.4	21.2	17.6	24.2	30.0	37.1
Casino	463.7	510.4	538.7	553.6	607.7	641.4	666.9
Bingo	180.1	182.3	185.8	183.3	174.9	188.0	193.9
	\$1,337.9	\$1,406.6	\$1,462.0	\$1,465.0	\$1,543.0	\$1,607.0	\$1,653.0
NET INCOME							
Lottery	274.1	282.7	283.7	239.5	248.8	252.4	259.9
eGaming	(0.9)	0.9	3.80	0.4	3.8	7.0	10.9
Casino	621.6	698.5	701.3	748.4	792.3	808.6	843.1
Bingo	27.9	36.7	44.2	46.7	65.1	92.0	96.0
	\$922.7	\$1,018.8	\$1,033.0	\$1,035.0	\$1,110.0	\$1,160.0	\$1,210.0
Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Due to Government	175.5	205.5	197.0	200.0	210.0	220.0	230.0
Capital Expenditures	82.8	43.9	85.0	93.7	109.3	115.8	116.9

Financial Analysis

- Total revenue is projected to increase by \$363 million or 14.5% over the forecast period.
- Net income is projected to increase by \$175 million or 16.9% over the forecast period. Increases in net income over the three year planning period reflect a shift in product mix to higher contribution casino style games.
- Lottery revenue targets have been revised downward to reflect the maturity of existing lottery products and slower than anticipated growth in the hospitality and eGaming channels. Lottery revenue growth of \$65 million or 6.8% over the forecast period will come from the introduction of new innovative games.
- eGaming revenue targets have been revised downward to reflect slower market growth than anticipated. Revenue growth of \$30 million or 166% over the forecast period will be generated as consumer acceptance for the internet gaming channel grows and new, innovative games are introduced.
- Casino revenue targets have been revised upward over the three year planning period to better reflect current estimates. Casino growth of \$208 million or 16.0% over the forecast period will come from enhancements to existing casino facilities, development of the tourism markets and the opening of a new casino at the Hastings Racetrack in 2009/10.
- Growth in the bingo channel has been partially offset by the expected negative impact on traditional bingo revenue from the introduction of new smoking regulations by Government. This impact is expected to be in the range of 20-25% of traditional bingo revenue, or approximately \$40 million. Bingo revenue growth of \$60 million or 26% will come from the continuing build out of community gaming centres with slot machines.
- Direct costs as a percentage of revenue are declining, reflecting a shift in product mix to lower cost casino style games.
- Operating costs are projected to increase from \$127.5 million in the 2007/08 Service Plan (12.3% of net income) to \$142.9 million in 2010/11 (11.81% of net income). In addition to providing for growth in the business, operating costs are increasing in order to implement the recommendations contained in the Ombudsman report and to also address issues resulting from the Deloitte independent audit; this program is referred to as Player First. The additional operating costs also include funding to upgrade BCLC's lottery, casino, bingo and egaming systems with the objective of ensuring that all systems have the highest level of internal control and integrity.
- Capital expenditures in 2008/09 will continue to support gaming operations in over 4,000 lottery retail locations, 17 casinos, 12 community gaming centres, 15 commercial bingo halls and PlayNow. Additional capital expenditures will also be incurred to upgrade BCLC's gaming and back office systems to ensure the highest level of gaming integrity and internal controls.

Key Assumptions

British Columbia Real Gross Domestic Product

This plan assumes GDP growth of 2.9% forecast for 2008, 3.1% for 2009 and 3.3% for 2010.

Lottery

- Planned product releases of new lottery games will be on schedule.

Casino

- Openings, upgrades and relocation of existing casinos will be on schedule.

Bingo

- The planned openings, upgrades and relocation of existing commercial bingo halls to community gaming centres will be on schedule.

eGaming

- Planned product releases of new games will be on schedule.

Government Approvals

Revenue and net income assumptions are based on BCLC obtaining all necessary host local government approvals required under the *Gaming Control Act* on a timely basis for the opening of new facilities.

- All necessary Government and regulator approvals to launch new games are received.

Gaming Market

- Casino revenue is not further impacted by cross-border competition.
- Unregulated Internet gaming will not be a significant competitive threat to British Columbia gaming revenue.
- British Columbia casino and bingo marketplace capacity studies are accurate.
- BCLC market forecasts for new lottery products are accurate.

Cost of Services

- Inflation has been assumed at 2% over the planning period. Interest rates have been assumed at 4.6% for 2007/08 and 4.8% for 2008/09, 2009/10 and 2010/11.

Gaming Policy

No major changes are made to BCLC's mandate or Government's gaming policy.

No major changes are made to Gaming Policy Enforcement Branch (GPEB) mandate, regulations or policy.

Provincial Smoking Ban

The anticipated impact of the proposed province-wide smoking ban has been taken into consideration in the forecast and targets in this Service Plan.

However financial risks could exceed our projections, and have been considered in our net income risk and sensitivity projections.

Net Income Risk and Sensitivity Projections

The figures within this table are the result of negative variances in BCLC revenue estimates that may occur due to risk occurrences and result in decreases in income delivered to Government, as shown below.

GAMING CHANNEL (\$ in millions)	2007/08	2008/09	2009/10	2010/11
Lottery	\$ 5.0	\$ 20.0	\$ 25.0	\$ 30.0
Casino	5.0	20.0	30.0	40.0
Bingo	2.0	15.0	20.0	25.0
Total	\$ 12.0	\$ 55.0	\$ 75.0	\$ 95.0

BCLC's revenue and net income projections have been revised to reflect current market conditions, the expected impact of the smoking ban and facility build outs for casinos and community gaming centres.

BCLC has identified projected net income from gaming operation at risk:

- Delays in obtaining host local government approvals for the development or rebuilding of casino and bingo properties;
- The capacity and ability of our casino and bingo service providers to build out approved facilities;
- Substantial work effort associated with implementing Ombudsman, Deloitte and other recommendations;
- The number and size of lottery jackpots;
- Our ability to develop and launch innovative new lottery products to transform a mature lottery business and achieve projected lottery revenue;
- Economic issues that result in a reduction to personal disposable income;
- Increasing competition from regulated and unregulated gaming competitors; and
- The change to non-smoking in public places proposed for March 2008

Major Capital Projects

(\$ in millions)	2005/06 ACTUAL	2006/07 ACTUAL	2007/08 TARGET	2007/08 FORECAST	2008/09 TARGET	2009/10 TARGET	2010/11 TARGET
Gaming Systems							
Lottery	21,911	7,804	18,100	13,700	11,900	15,000	17,000
eGaming	0	1,502	4,200	2,600	6,000	2,700	2,100
Casino	53,007	22,001	41,600	37,200	48,400	45,000	45,000
Community Gaming Centres	0	6,445	10,900	9,000	12,800	12,900	12,100
Bingo	4,063	779	6,000	7,000	7,100	6,000	7,100
Player First	N/A	N/A	15,600	17,300	19,800	0	0
	\$78,981	\$36,531	\$96,400	\$86,800	\$106,000	\$81,600	\$84,100
Corporate Systems	2,296	4,933	6,500	5,000	14,000	31,100	30,200
Facilities	1,603	463	3,400	1,900	3,900	3,000	3,000
	\$3,899	\$5,396	\$9,900	\$6,900	\$17,900	\$34,100	\$33,200
Total Capital	\$82,880	\$43,927	\$106,300	\$93,700	\$123,900	\$115,700	\$117,300

- BCLC does not have any capital projects that individually exceed \$20 million.
- The primary driver of BCLC's capital expenditures is the acquisition of gaming equipment to support revenue generation in the lottery, casino, bingo and egaming channels. This includes gaming equipment to support over 4,000 lottery retailers, 17 casinos, 11 community gaming centres, 16 commercial bingo halls and the PlayNow internet site.
- BCLC will also be incurring capital expenditures over the next several years to improve systems and processes that support the security and integrity of our lottery prize payout systems. Expenditures will include improvements to retailer validation systems, deployment of new consumer ticket validation technology in all retail locations, deployment of self service terminals in all hospitality locations and development of monitoring systems for retailer prize winners, consumer complaints and incident tracking.
- Capital expenditures will also be incurred to support the upgrading of casino, bingo and back office support systems to ensure the highest level of internal control and integrity.





Service Plan 2008/2009-2010/2011

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In this report

British Columbia Lottery Corporation's Service Plan for 2008/09 to 2010/11 provides an overview of our player, social and economic plans over the next three years as we conduct and manage lottery, casino, bingo and internet gaming in British Columbia, generating \$3.475 billion dollars in net income.

There are significant changes in this plan, as at all levels and in all of our business channels, we shift our primary focus to ensuring BCLC has the trust and confidence of our players in the integrity and security of our lottery system and as we strengthen our social responsibility.

From our Player First program, to strengthened responsible gambling programs and their delivery, the achievement of carbon neutrality by 2010 and providing "once in a lifetime" opportunities to winners through our Vancouver 2010 Olympic and Paralympic Winter Game sponsorship, BCLC is acutely focused players, social responsibility and revenue growth.

Come play with us!

PLAYER FOCUS	SOCIAL RESPONSIBILITY	REVENUE GROWTH
<p>Achievements</p> <ul style="list-style-type: none"> Implementation of some of the recommendations made by GPEB and the Ombudsman, improving the lottery prize payout and validation processes 	<p>Achievements</p> <ul style="list-style-type: none"> Development and began implementation of the Responsible Play Information Centres to provide better access to responsible gambling information SportsFunder games direct contribution so far of \$2.2 million to support athletes, coaches and amateur sports Official Supporter of the Vancouver 2010 Olympic and Paralympic Winter Games 	<p>Achievements</p> <ul style="list-style-type: none"> Forecast of \$1,035 million in income for 2007/08, \$2 million greater than target. Casino income contribution forecast \$47.1 higher than target and facility upgrades are nearing completion 6 new community gaming centres will open in 2007/08 SportsFunder game prizing of "once in a lifetime" Vancouver 2010 Olympic Winter Games event tickets
<p>Challenges</p> <ul style="list-style-type: none"> Improved player support and focus in all BCLC activities Implementation of full recommendations from GPEB, Ombudsman, Blair Mackay Mynett and Deloitte audits Increase employee engagement beyond current levels 	<p>Challenges</p> <ul style="list-style-type: none"> Develop emission footprint, and plan activities to achieve of carbon neutrality by 2010 	<p>Challenges</p> <ul style="list-style-type: none"> Development of new innovative games to counteract flattening of lottery sales Development of new innovative games and redesign of the PlayNow website to provide a more engaging and entertaining experience Development of casinos as major tourism attraction

Welcome to our 2008/09–2010/11 Service Plan

On behalf of the Board of Directors and employees of British Columbia Lottery Corporation (BCLC), we are pleased to present BCLC's fiscal 2008/09 – 2010/11 Service Plan.

On behalf of the Board of Directors and employees of the British Columbia Lottery Corporation (BCLC), we are pleased to present BCLC's 2008/09 – 2010/11 Service Plan.

Since our inception more than 30 years ago, BCLC has evolved from a lottery company to an organization that conducts and manages lottery, internet, casino and bingo gaming in British Columbia. BCLC is reliant on public trust and support of BCLC games to attain our business objective of generating income. BCLC employees, along with our valued private sector business partners, are proud of the gaming experience we provide and the resulting income generated for public, charitable and community programs. The 2008/09 – 2010/11 Service Plan takes this gaming mission to the next level in British Columbia through enhanced player support and social responsibility. A new focus on organizational renewal will transform BCLC to an enterprise well positioned to ensure integrity and provide a solid foundation for our next stage of growth.

Our net income growth will average 4.7% over the three years covered by this Plan, during which BCLC estimates generating a total of \$3.47 billion in income for Government. BCLC is forecasting

net income of \$1,035 million in 2007/08, \$2 million greater than anticipated as well as \$628.8 million in lottery and bingo prizes for British Columbians.

BCLC-managed games will provide significant economic benefits this year, including a projected and \$528 million for our lottery, casino and bingo service provider partners and \$200 million to our suppliers.

BCLC has four goals:

1. Grow the public trust in the integrity of, and the support for, gaming BCLC manages
 2. Provide an outstanding gaming experience for players and generate income
 3. Demonstrate social responsibility in all of our activities
 4. To have a workforce passionately driving the success of our business
-

Public trust and confidence in the integrity of our games and systems is paramount. Over the past year, BCLC's lottery business has been reviewed by the Gaming Policy and

Enforcement Branch (GPEB), the Office of the British Columbia Ombudsman, Blair Mackay Mynett and as requested by the Minister, Public Safety and Solicitor General, an audit by Deloitte & Touche LLP.

None of these lottery reviews identified inappropriate payments of lottery prizes.

All of the reviews, except GPEB's, identified significant gaps monitoring lottery retailer play and win rates, prize validation procedures and customer complaint tracking and reporting, including security investigation and resolution. In addressing the recommendations that resulted from each review, BCLC will enhance the fairness, integrity, transparency, security and customer service of the lottery system that further adds support to players and integrity to the lottery business.

BCLC's number one priority, requiring the dedication of considerable effort and resources over the next two years, is to put in place industry-leading player protection technologies, policies and procedures that set a new standard in lottery system integrity. These efforts will also improve and ensure the integrity of all of BCLC's gaming activities. New governance, policy and risk tolerance frameworks will drive organizational renewal and

transformation from a leading lottery, casino and bingo company that has been very product-focused to one that is also player-focused.

Investments in player education are also being made, recognizing that lottery players have a significant role to play in taking the appropriate steps to protect themselves to ensure that they do not leave themselves open to fraud.

Our mission is not only to generate income, but also to ensure that gaming entertainment is offered with a balanced approach to social responsibility. BCLC continues to take a leadership role in the British Columbia Partnership for Responsible Gambling, ensuring that appropriate responsible gambling awareness, education and research programs are in place and treatment programs are available for the small percentage of the adult population who experience gambling problems.

BCLC is proud to be an Official Supporter of the Vancouver 2010 Olympic and Paralympic Winter Games. Our sponsorship has three objectives:

- Enhance BCLC games to provide outstanding gaming experiences for our players and strengthen corporate social responsibility;
- Demonstrate employee leadership and increase engagement; and
- Engage communities around BC in the Olympic experience.

In October, BCLC launched the first of our SportsFunder lottery games to offer players chances to win exciting 'once in a lifetime' experiences with prizes of tickets to Olympic Opening Ceremony and sporting events. Proceeds from the sale of SportsFunder games go to support athletes, coaches and amateur sports programs in BC. Since the launch of SportsFunder lottery games, BCLC has already provided \$2.2 million to benefit all levels of amateur sports in BC.

BCLC is developing our plan to achieve carbon neutrality by 2010, beginning with a comprehensive measurement of our carbon footprint. Based on that information, BCLC

will reduce that footprint with corporate programs to address areas such as travel and disposal of goods. We will increase our focus and effort over the term of this plan, with results published annually.

Gaming entertainment is increasingly competitive and complex. BCLC is faced with the challenge of generating income in a competitive marketplace while offering gaming in a socially responsible manner. This Plan is designed to meet these challenges and opportunities ensuring that our players enjoy an outstanding, responsible gaming entertainment experience and that all British Columbians continue to benefit from gaming revenue generated in our province. Our growth will continue through the build out of destination gaming facilities, innovation in our lottery business and the continued development of our PlayNow web site.

British Columbia Lottery Corporation's 2008/09 – 2010/11 Service Plan was prepared under the Board's direction in accordance with the Budget Transparency and Accountability Act and BC Reporting Principles. The Board is accountable for the contents of this Plan, including the selection of performance measures and targets. The Plan is consistent with Government's Strategic Plan. All significant assumptions, policy decisions and identified risks as of January 24, 2008 have been considered in the preparation of the Plan and the performance targets have been determined based on BCLC's operating environment, forecast conditions, risk assessment and past performance.

John McLernon
Board Chair

Dana Hayden
President and CEO

Who we are

British Columbia Lottery Corporation (BCLC) was incorporated on October 25, 1984 and is continued under the Gaming Control Act of British Columbia (2002) and is provided the authority and responsibility by the Province of British Columbia to, on its behalf, conduct and manage lottery, casino and bingo gaming and eGaming in British Columbia.

As a crown corporation BCLC is under the authority and direction of the Minister responsible for gaming, the Honourable John Les, Minister of Public Safety and Solicitor General. BCLC is accountable to Government through our Board of Directors.

BCLC operates in accordance with the legislative, regulatory and policy gaming framework established by Government, and is regulated by the Gaming Policy and Enforcement Branch (GPEB). GPEB is responsible for responsible gaming policy, standards, registration, licensing, audit and compliance, enforcement and the Responsible Gambling strategy.

Gaming is entertainment, and we operate it within BCLC to provide income to Government, which utilizes BCLC revenue to provide funding to public, charitable and community programs benefiting all British Columbians.

Where we are and what we do

BCLC's corporate head office is in Kamloops, where information technology, finance and administration functions are located. Sales, operations and marketing functions are located in Richmond. Employees are also located in communities around the province.

**BCLC operates the lottery,
casino, bingo and eGaming
entertainment business.**

BCLC contracts for the sale of our products through a private sector network of over 4,000 lottery retailers, 17 casinos, 12 community gaming centres and 16 commercial bingo halls as well as over the internet directly to players in BC. Lottery retailers receive an industry-standard commission rate. BCLC has partnered with six private sector casino service provider companies, who under contract provide casino facilities and day-to-day operational services for a percentage of sales revenue. We also have contractual agreements with commercial, independent and charitable bingo service

providers to provide bingo and community gaming centre facilities and day-to-day operational services for a percentage of sales revenue. BCLC operations and security staff oversee performance and compliance of service providers.

The consolidated financial statements of BCLC include a wholly owned subsidiary, BC Lottotech International Inc., for the sole purpose of purchasing capital assets for BCLC. There are no operational Revenue or expenses for Lottotech as the management and oversight is completely consolidated within BCLC.

Since 1985, BCLC has grown from a \$300 million lottery company, to a gaming entertainment company generating more than \$2 billion in annual revenue in 2007/08. BCLC integrates responsible gambling and player security into the design and development of new games and services, marketing and advertising our games, managing the technology necessary to run our games, the contract and management of our retailers and service providers and the overall administration needs of a large company.

What is BCLC's corporate governance framework?

Each year, we start our planning by updating the business requirements that are important to our Government shareholder. This key component of BCLC's governance framework is the "Shareholder's Letter of Expectations" and is an agreement between the Minister on behalf of Government, and the Board of BCLC. It confirms the shared understanding of Government and BCLC on corporate mandate, public policy issues, strategic priorities and performance expectations.

BCLC's conduct and management of gaming is done within the legislative, regulatory and policy framework established by Government, reporting to the Minister, Public Safety and Solicitor General and compliance to policies, directives and standards issued by the Minister as well as the regulatory agency Gaming Policy and Enforcement Branch (GPEB). We continue to provide Service Plan and Annual Report documents to detail our business plans and progress, including the mitigation of risk, as well as publicly display all financial information, which is prepared under the Financial Information Act.

BCLC optimizes our financial performance within the gaming and social policy framework established by Government, ensuring our games and services are provided in a socially responsible manner consistent with BCLC's responsibilities as reflected in British Columbia's Responsible Gambling Strategy. This strategy was developed by BCLC and GPEB to engage municipalities, the gaming industry and social agencies in advancing three goals:

- Reduce the incidence of problem gambling;
- Reduce the harmful impacts of excessive gambling; and
- Ensure the delivery of gaming in a manner that encourages responsible gambling and healthy choices.

BCLC is implementing the Ombudsman's and Deloitte's recommendations to enhance the fairness, integrity, transparency, security and player focus in the lottery system. It will take until 2009/10 to fully implement all recommendations and we will continue to issue quarterly reports on our progress. The workload and cost associated with implementing the recommendations and the increased regulatory, audit, compliance and enforcement will continue to be a challenge for the

organization and has the potential to impact BCLC's ability to meet the income forecast of \$1,035 million for 2007/08 and targeted \$1,110 million in 2008/09. Government is notified of the potential for any major event to impact the achievement of our Service Plan income targets negatively or positively.

A key goal is building public trust and support through the continuous improvement of the quality of service provided to our players. A Player Relations Executive Director has been established to lead the efforts in improving service quality, which will be achieved in partnership with our service providers. A key challenge will be the ongoing rigor in BCLC's approval of gaming facilities, commission pricing and operational framework including roles, responsibilities and accountabilities.

In order to operate in an efficient and effective manner for the benefit of players and Government, BCLC plans to upgrade systems and processes in order to ensure their integrity. We have planned an aggressive program to achieve these upgrades in 2008/09 and 2009/10; a key challenge will be the culture change required to successfully implement business changes and entrench player focus.

Like other crown corporations, BCLC is developing a plan that will begin implementation this year in order to achieve carbon neutrality by 2010 and we will provide Government reporting on our progress.

BCLC is developing a new strategic plan for BCLC's conduct and management of gaming for presentation to Government.

[Click here to read BCLC's full Shareholder's Letter of Expectations.](#)

Our Board of Directors

The role of the Board is to provide stewardship and ethical leadership to oversee the management of BCLC's affairs in the best interests of BCLC as the long-term interests of the Shareholder, the Government of British Columbia. In carrying out the mandate of the Board, each director is required to act in accordance with fiduciary, duty of care and conflict of interest guidelines. Board committees and standing committees are established as needed. These committees are responsible for advising and formulating recommendations to the Board.

[Click here to learn more about BCLC's Board of Directors Standing Committees.](#)

Our Board Members

Chair	John McLernon <i>Appointed December 9, 2005</i> <i>– liaison between the Board and the Minister responsible for BCLC</i>
Vice Chair	Arthur Willms <i>Appointed September 26, 2001</i> <i>Standing Committees: Member Audit, Governance and Corporate Social Responsibility</i>
Directors	David Gillespie <i>Appointed March 31, 2005</i> <i>Standing Committees: Chair, Governance and Corporate Social Responsibility, Member Audit</i>
	D. Neil McDonnell <i>Appointed April 23, 2002</i> <i>Standing Committees: Member Human Resources and Compensation, Marketing and Sponsorship</i>
	Tazeem Nathoo <i>Appointed July 26, 2002</i> <i>Standing Committees: Chair, Human Resources and Compensation, Member Governance and Corporate Social Responsibility</i>
	Kathy Stevenson <i>Appointed April 23, 2002</i> <i>Standing Committees: Chair, Audit</i>
	Walter Gray <i>Appointed November 22, 2007</i>

Our Senior Executive Team

President and CEO	Dana Hayden <i>Interim</i>
Vice Presidents	Kevin Gass Corporate Communications and Marketing
	Jim Lightbody Lottery Gaming
	Scott Norman Information Technology, Chief Information Officer
	Doug Penrose Finance and Corporate Services
	Darryl Schiewe Casino Gaming, <i>Acting</i>
	Debbie Toole Human Resources and Organizational Development
	Marsha Walden Bingo Gaming
	Click here to learn more about BCLC's Senior Executive team.

About BCLC?

Our mission

To generate income by offering responsible gaming entertainment

Our values

Integrity: The games that we offer and the ways we conduct business are fair, honest and trustworthy

Social responsibility: Everything we do is done with consideration of its impact on and for the people and communities of British Columbia

Respect: Our workplace fosters openness, mutual respect and individual development

Our goals and objectives

1. Grow the public trust in the integrity of, and the support for, gaming BCLC manages
 - Ensure that players know they come first
 - Demonstrate BCLC's corporate responsibility
2. Provide an outstanding gaming experience for players and generate income
 - Increase the number of new and repeat players to BCLC's games and service provider facilities
 - Optimize net income for our shareholder
3. Demonstrate social responsibility in all of our activities
 - Ensure our games are provided in a socially responsible manner
 - Optimize our impact on our communities as we operate our business
4. To have a workforce passionately driving the success of our business
 - Create a high performing organization that strives to continually improve

2006/07 achievements and challenges

In 2006/07, BCLC made significant contributions to British Columbians and the Government of British Columbia.

This included \$628.8 million in prizes to British Columbians, \$528 million in commissions and service fees paid to lottery, casino and bingo service providers and \$1,018.7 million in income to Government. Gaming has also created significant direct and indirect employment opportunities in British Columbia. BCLC purchases approximated \$200 million in goods and services.

(in millions)	LOTTERY	eGAMING	CASINO	BINGO	TOTAL
Revenue	\$983.2	\$14.3	\$1,208.9	\$218.9	\$2,425.2
Net Income	\$281.7	\$0.9	\$698.5	\$36.7	\$1,018.8
Distribution Channels	3,000 retailer locations	PlayNow.com	16 commercial casinos	20 commercial bingo halls	
	1,300 hospitality locations		2 racetrack casinos	6 community gaming centres	
Games	Lottery games	Convenience and e-only	Slot machines Table games Poker games	Paper bingo Electronic bingo Slot machines	

Source: Annual Report 2006/07

[Click here to learn more about BCLC's results in our Annual Report 2006/07.](#)

2007/08 forecast

BCLC is forecasting the generation of \$2,493 in revenue, providing \$1,035 in income to Government and achieving an operating cost ratio of 4.6% (of revenue).

(in millions)	LOTTERY	eGAMING	CASINO	COMMUNITY GAMING CENTRES	BINGO	TOTAL
Revenue	\$950.0	\$18.0	\$1,302.0	\$108.4	\$121.6	\$2,500.0
Net Income	\$239.5	\$0.4	\$748.4		\$46.7*	\$1,035.0
Distribution Channels	2,900 retailer locations	PlayNow.com	17 commercial casinos	12 community gaming centres	15 commercial bingo halls	
	1,200 hospitality locations					
Games	Lottery games	Convenience and e-only	Slot machines Table games Poker games	Slot machines Electronic bingo Paper bingo	Electronic bingo Paper bingo	*CGCs and Bingo Halls

Revenue and Net Income



2005/06 to 2006/07 revenue and income are actual; 2007/08 through 2010/11 revenue and income is forecast

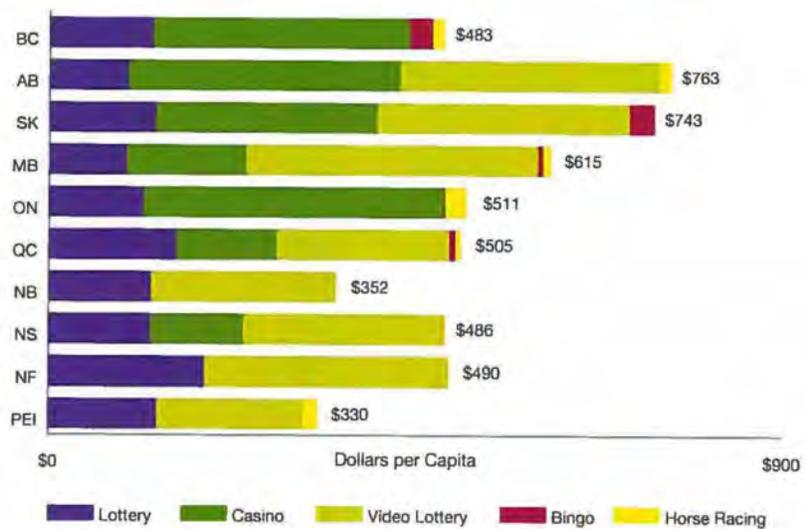
How does gaming in BCLC compare with other provinces in Canada?

Gaming is a major industry in Canada generating \$15.3 billion in revenue in 2005/06. Gaming's direct impact on the economy sizably exceeds other segments of the entertainment industry, approximating revenue of the combined segments of spectator sports, television, movie, books and magazines and performing arts.

In the province of British Columbia, Government's gaming policy promotes responsible play and prohibits the introduction of video lottery terminals from the marketplace. Growth has come primarily from the casino business and the upgrading of commercial bingo halls to community gaming centres with slot machines.

British Columbia ranks eighth in Canadian per capita net gaming expenditures (sales less prizes) has the second lowest per capita penetration of electronic gaming devices in Canada and the fewest locations where they can be played.

Canadian Provincial Gaming Revenue Per Capita (March 31, 2006)



Sources: Provincial Gaming Authority Annual Reports and Statistics Canada Gaming spend is an industry standard measure that is defined as total sales minus prizes

What trends, opportunities and challenges did BCLC experience in 2007/08?

In 2006 and 2007 BCLC's lottery business was audited by four external audit groups. Each provided numerous recommendations designed to improve the fairness, integrity, transparency, security and player focus in the lottery system; improve reporting abilities and to improve the reliability and ability of BCLC's information and control systems. We will spend considerable effort and resources in 2008/09 to effect changes to governance, policy, procedures and technology to implement the recommendations of these auditors.

Lottery Revenue

Lotteries have been marketed in British Columbia for more than 30 years. Changing demographics, a shift in consumer preferences, emerging distribution channels and mature products has led to a flattening of sales growth, although BCLC per capita lottery revenue remains in the top 15 of all 53 North American lottery jurisdictions. The transformation and growth of the lottery business is a strategic priority for BCLC.

BCLC will continue to focus on more exciting, entertaining games, including monitor-based games for the hospitality network, games such as SportsFunder linked to worthy causes important to British Columbians and more convenient ways to purchase games such as self-service terminals.

Games and services will be developed with a focus on player support that increases player participation and revenue from this channel.



eGaming Revenue

Only two Canadian jurisdictions sell their games over the internet, and BCLC is one of them. We have been marketing our PlayNow web site within British Columbia since July 2005. While revenue growth has been slower than originally forecast, we are currently experiencing steady growth as our players discover the convenience and security of making their purchases online.

The achievement of a robust, secure and successful eGaming business is a strategic priority for BCLC. Social responsibility is incorporated into the site through maximum player wallet limits, age control limits, privacy protection and self exclusion options.

The primary focus has been the introduction of favourite lottery games and interactive games, which offer an instant play experience. Over the coming years, BCLC plans to introduce new innovative games that leverage the technology and increase focus on player acquisition and retention. PlayNow will be redesigned to incorporate player feedback and provide a more engaging and entertaining online experience for our players.

Revenue generated on the eGaming online site is a gross sales amount, with prizes reported and deducted by BCLC.



Casino Revenue

BCLC assumed responsibility for casino games and the introduction of slot machines in the British Columbia marketplace in 1997. Since that time, the casino business has experienced double-digit growth and is now the largest revenue stream for BCLC.

Our priority over the last few years has been to upgrade existing casino facilities with higher quality properties sized to fit an underserved marketplace.

This strategy has resulted in a more diverse entertainment experience for players, with major facilities offering full-service restaurants and theatre-style show lounges and in some cases, resort-style accommodations and conference facilities.

The rate of growth will now slow as casino facility upgrades and relocations are nearing completion. As BCLC looks forward, we will continue to develop casino properties that provide the player with an exceptional entertainment experience and position casino gaming as a major tourism attraction where market demand allows.

Revenue generated from casino games is net win, which is a calculation of sales after prizes which are paid to players during game play. This contrasts with revenue generated by lottery and bingo style games, which are a gross sales amount with prizes reported and deducted by BCLC.



Bingo and Community Gaming Centre Revenue

Traditional bingo is one of the oldest forms of gaming in British Columbia and has been in a steady decline over the past decade.

BCLC is working with bingo service providers to transform bingo halls in key market locations to community gaming centres (CGCs) offering more entertaining products, including slot machines, electronic and other more entertaining games, in upgraded facilities and improved customer service. Revenue generated in community gaming centres is increasing as they are well received in communities.

The change to smoke-free facilities is anticipated to significantly impact traditional bingo gaming revenue, with a decline estimated at 22%. BCLC's introduction of higher entertainment games, including slot machines, in community gaming centres will continue to increase revenues from these facilities.

Revenue generated from casino-style games in community gaming centres is net win, which is a calculation of sales after prizes which are paid to players during game play. This contrasts with revenue generated by lottery and bingo style games, which are a gross sales amount with prizes reported and deducted by BCLC.



Economy

Supported by a strong economy, annual retail sales in BC will continue to rise at least through 2010. With increased immigration to BC, Asian markets within Canada including tourism, are large and growing and represent a major opportunity for BCLC through targeted products and services.

BC's strong economic performance has a positive impact on disposable income and household consumption, with spending forecast to grow particularly in entertainment. Tourism is growing rapidly and is expected to double in the next decade, in part as a result of exposure to the world in 2010.

BCLC continues to develop casino and community gaming centre facilities that provide a complete entertainment experience for our players as and to attract tourists from within BC and Canada and the global market.

Consumerism

Consumers continue to expect and seek out unique, more personalized and sophisticated experiences in buying products and services. The rapid adoption of new technologies and online socialization and interactivity via the internet and mobile devices will continue to accelerate. British Columbians are amongst the heaviest e-commerce users in Canada.

Increasing competition for the discretionary entertainment dollars of British Columbians will continue to affect BCLC's business environment. As entertainment options continue to increase, delivering high entertainment value and building loyal customer relationships are increasingly important as competitive differentiators.

BCLC must provide players with gaming experiences and services in our gaming facilities, lottery networks and on our PlayNow web site that provide a complete entertainment experience for our players, when and where they want them. This requires a shift in our approach, from product-centric to player-centric.

Retail

The hospitality business is working harder to create total experiences for their customers and is adapting technology to meet the needs of consumers.

BCLC is addressing changing consumer needs with the introduction of new innovative games and distribution channels for the lottery business and the development of casino and community gaming centre facilities providing a complete entertainment experience for players.

BCLC and our service providers and retail partners will also focus on providing better player service and implementing customer relations management activities.

Gaming

Across Canada, traditional lottery offerings are still strong but losing market share, while gaming at casino entertainment centres is experiencing the fastest growth.

Expanded gaming in neighbouring jurisdictions and on the internet continues to compete with BCLC's gaming business. British Columbia loses an estimated \$100 million annually to cross-border casinos offering a selection of food and beverage and entertainment facilities and progressive player card programs. Internet gaming is becoming more widespread among British Columbians, with worldwide internet gaming revenue estimated at \$12 billion (U.S.) and projected to grow to \$28 billion (U.S.) by 2012.

Labour Force

British Columbia's strong economic growth, associated unemployment rate and changing demographics have created a shortage of highly skilled people that businesses need to grow and expand. As the supply of available workers falls short of job growth, competition for employees will increase.

With more than 10,000 people estimated to be directly employed in the gaming industry in British Columbia, this will result in a significant challenge for BCLC and service providers who operate gaming facilities on our behalf.

Provincial Smoking Ban

The change to smoke-free facilities in March 2008 is a positive development that will improve the health of British Columbians. It is anticipated there will be a negative impact on gaming revenue for a period of time as smokers adjust to this change, particularly for traditional bingo sales, because a substantial number of gaming patrons smoke

BCLC will work closely with our lottery hospitality retailers, casino and community gaming service providers to ensure games and facilities remain attractive to players.

Technology

Entertainment and communication technologies are continuing to grow rapidly. Entertainment in the home, including gaming for fun and for free continues to grow.

The growth of cellular and VoIP services will continue, along with high-speed wireless connectivity and a convergence in mobile technologies. This may lead to new competition, changing customer expectations and additional costs.

New technologies can provide product and service innovation for our players and operational efficiencies for the company. BCLC will continue to identify and evaluate the most promising developments in technology and apply these to our gaming business. In particular, BCLC is reviewing new server-based slot machine technologies and back office systems and processes that support our players and gaming integrity and where required will be implementing newer, more effective technology that provides internal efficiencies and business advantage.

What risks is BCLC facing and what are we doing about them?

BCLC faces a number of risks that could significantly impact our ability to conduct and manage gaming in British Columbia, or our ability to achieve the short and long-term goals of this Service Plan. While risks can not be eliminated, BCLC has developed strategies to minimize the risk and/or mitigate their impact.

BCLC has implemented a formal enterprise risk management process. Risk identification occurs through assessment by an Advisory Committee, the Executive Committee and Board of Directors. Risk mitigation strategies are developed and they are a key factor in business planning and resource decisions.

Key risks that could threaten the achievement of our goals are outlined below and BCLC is assessing the effectiveness of existing practices to minimize and manage these risks, and identifying changes to strengthen them if required.

PLAYER TRUST & SUPPORT RISK	MITIGATION STRATEGIES
<p>Our capacity to meet or exceed player, public and Shareholder expectations and our ability to generate income is threatened if players do not believe that BCLC's gaming systems are trustworthy.</p> <p>Player trust and support encompasses the safety and integrity of a player's wager or transaction and the potential for a player to be defrauded when playing at a BCLC facility, during the prize payout process conducted by a service provider/lottery retailer or at a BCLC location, or any other risk a player may be exposed to while visiting or playing at a BCLC gaming location or facility.</p> <p>BCLC's revenue and net income projections are based on the Government of British Columbia's gaming policy which often follows public opinion. An event that breaches the public trust and confidence could directly impact the operational programs supporting our strategic initiatives and lead to gaming industry restrictions.</p> <p>In their report on the lottery gaming system, Deloitte pointed out that fraud can never be eliminated but measures to reduce the risk should be taken, and that the player has a role to play in taking the appropriate steps to protect themselves.</p> <p>BCLC recognizes that players and the public may have expectations that exceed our current capacity to fulfill.</p>	<p>BCLC has a comprehensive plan to lead the way as a player-focused organization through implementation of recommendations from the GPEB, Ombudsman, Blair Mackay Mynett and Deloitte reviews. A key challenge will be the workload and cost associated with implementing these audit recommendations through our strategies to:</p> <ul style="list-style-type: none"> • "Entrench a player focus in all BCLC activities", including the implementation of Player First initiatives resulting from the external reviews to enhance player protection and service in lottery gaming, the establishment of a player relations senior management function to represent and advance players interests throughout BCLC, and education for the player on how they play a role in ensuring their own protection; • "Provide opportunities within BCLC's business and operating model to encourage innovation and better player service", including the research and development of systems that promote player services and business model innovation; and • "Implement programs to improve business integrity and operational efficiencies", including building governance, policy and compliance frameworks and implementing systems and controls to ensure business integrity.

DECLINE IN PUBLIC CONSENT RISK	MITIGATION STRATEGIES
<p>The view of gaming as an acceptable form of adult entertainment is key to developing a healthy, customer focused, socially responsible gaming industry. An open and transparent environment is needed to address issues that may be caused by inappropriate gaming.</p> <p>Under the Responsible Gambling Strategy, BCLC is responsible for delivering responsible gaming programs to players, ensuring that players know how to access the programs.</p>	<p>For BCLC to build and maintain public support for gaming, enhanced responsible gambling programs and pro-active communications about responsible gambling initiatives and beneficiary programs are required.</p> <ul style="list-style-type: none"> • We will strengthen our social responsibility through: • Reviewing our social responsibility programs and their delivery, including the responsible gambling strategy and voluntary self exclusion program, increasing the involvement of our service providers and measuring our success; • Promoting BCLC's business as an Official Sponsor of the Vancouver 2010 Olympic and Paralympic Winter Games; and • Improving corporate transparency, particularly around issues related to player protection and support which over time will lead to a decline in the significantly increased number of FOI requests.

ILLEGAL ACTIVITY RISK	MITIGATION STRATEGIES
<p>There is a risk that the existence of gaming could cause unwanted side-effects in the community, even though the gaming may be offered in a socially responsible way. Events such as loan-sharking, money laundering, alcohol-related incidents, suicide or murder would create a negative public and media reaction that impacts the gaming industry as well as BCLC's ability to continue to pursue business opportunities.</p>	<p>This year BCLC is adding additional resources to review and upgrade all facility gaming policies, procedures and compliance programs to ensure the highest level of gaming integrity and security. This includes establishing a full-time BCLC security presence in all major casinos to collaboratively work with GPEB, police resources and service provider security and surveillance resources to strengthen intelligence and reduce issues, barring individuals from gaming premises where appropriate.</p>

CHANNEL PARTNER RISK	MITIGATION STRATEGIES
<p>If BCLC fails to effectively monitor and manage business relationships with our Service Providers or Lottery Retailers, our ability to meet or exceed player and public expectations could be threatened.</p> <p>Outsourcing or contracting of activities to third parties may result in these third parties not acting within the intended limits of their authority not performing in a manner consistent with BCLC's direction.</p> <p>Fraudulent activities perpetrated by Service Providers or retailers or against BCLC may expose BCLC to financial loss and erosion of reputation, negatively impacting income and our Shareholder.</p>	<p>BCLC mitigates the likelihood and impact of this risk through strengthening our relationships with service providers in all business channels, including updating BCLC security compliance and enforcement programs and procedures and technology to ensure the highest level of player focus and gaming integrity is delivered in all business channels and by service providers.</p> <p>We describe our plans for the continued strengthening of monitoring and management of third party business relationships in our strategies to:</p> <ul style="list-style-type: none"> • "Entrench a player focus in all BCLC activities", including the review and update of security compliance and enforcement, procedures and technology to ensure the highest level of gaming integrity and player protection is delivered in all lines of business and by service providers; • "Provide opportunities within BCLC's business and operating model to encourage innovation and better player service", including through the research and development of systems that promote player services and business model innovation; and • "Build player participation and loyalty through player-focus on product innovation, continued facility improvement and customer relations management", including strengthening service provider relationships.

OPERATIONAL INEFFICIENCIES RISK	MITIGATION STRATEGIES
<p>There is a risk that BCLC is unable to implement new or updated processes, product or system improvements quickly enough to keep pace with changes in our environment, or to leverage or create capacity to take advantage of new opportunities.</p> <p>BCLC is already experiencing difficulty in recruiting skilled workers with professions such as project managers, purchasing agents and in the information technology field.</p> <p>The experience is similar for our service providers in recruiting service workers for gaming facilities and retailer locations</p>	<p>Significant changes are required to BCLC's operations and culture in order to successfully implement business changes, entrench player focus and strengthen our social responsibility.</p> <p>Planning is well underway for the next three years to ensure that the appropriate level of people resources and skills are available to make the business changes required to ensure operational efficiencies recommended in audits and reviews are implemented. Our strategy is to:</p> <ul style="list-style-type: none"> • "Implement programs to improve business integrity and operational efficiencies", including building governance and business transformation, policy and compliance frameworks, implementing systems and controls and implementing business process improvements that result in effective and efficient operations and ensuring the highest level of gaming integrity and internal controls.

EMPLOYEE DISENGAGEMENT AND INSUFFICIENT SKILLS/CAPACITY RISK	MITIGATION STRATEGIES
<p>BCLC employees are key to the success of the business, and highly motivated employees who are engaged in the work of the company can be a differentiating factor in exceptional performance.</p> <p>Engagement in the work of the company included empowerment to act appropriately; efficient work processes and appropriate resource allocations and can lead to enhanced creativity and innovation, cross-functional team work where trust is part of the culture.</p>	<p>Reviews and audits in 2007/08 resulted in a high workload and cost. The recommendations resulting from these multiple reviews and audits of BCLC's lottery business have lead to Player First and other strategic initiatives, all of which require additional expert employee resources and new skills sets to execute.</p> <p>BCLC requires a strong, adaptable workforce passionately engaged in driving the success of the business. Strong leadership is being developed that promotes a high-performance culture valuing innovation, integrity, engagement and accountability. Our strategy is to:</p> <ul style="list-style-type: none"> • "Develop and implement a human resource plan" and includes including competitive recruitment, compensation, career development, succession planning, recognition, workforce flexibility and adaptability, and leading-edge work practices that enhance business productivity. These must be put in place to enable BCLC to attract and retain the best and brightest leaders and experts to support the business and increase employee engagement.

CRISIS MANAGEMENT RISK	MITIGATION STRATEGIES
<p>If BCLC has no clear emergency response or issues management plan specific for threats, crises, disasters and tragedies, BCLC, our Service Providers and Shareholder are vulnerable.</p> <p>In the November 2007 audit report, Deloitte identified business continuity planning for critical business functions, in particular distribution and finance, as a key area for BCLC to broaden focus and documentation. There is also numerous industry and legislative standards and regulations governing the requirement for Business Continuity Planning to be included as part of BCLC's business operations.</p>	<p>BCLC's Business Continuity Management, which complies with all legal and regulatory requirements, encompasses crisis management, Information systems and business recovery. The program continues over the three years covered in this plan.</p> <p>To date BCLC has concentrated efforts on the development of plans to respond to events that impact or have the potential to impact our ability to conduct normal business operations for an extended period of time. Our strategy is:</p> <ul style="list-style-type: none"> • "Implement programs to improve business integrity and operational efficiencies" includes a Crisis Management plan and Business Continuity planning for the distribution/warehouse and finance areas in the first year of this Service Plan 2008/09. <p>In addition, operational and project work on strategies concerned with player focus and the continuation of product, services and facilities development will continue to incorporate business continuity planning.</p>

REGULATORY AND POLICY CHANGE RISK	MITIGATION STRATEGIES
<p>Changes to legislation, regulations and policy can negatively affect BCLC's ability to bring new products, services and facilities to market, impacting our ability to meet revenue and player satisfaction targets.</p> <p>The Gaming Control Act requires that BCLC consult with host local governments before any new casino or bingo gaming facility is introduced, relocated or substantially changed in a community. BCLC recognizes that building local community and stakeholder relationships are critical to achieving success for both BCLC and the local communities where gaming opportunities are being considered.</p> <p>To meet revenue and net income targets, BCLC must meet the regulatory, standards and compliance requirements and obtain the necessary approvals to launch new games and services.</p>	<p>The reviews and audits of BCLC's lottery business have resulted in heightened regulatory, audit, compliance and enforcement activities.</p> <p>BCLC has developed extensive consultation and relocation processes to ensure host local governments, key stakeholders and communities have the information needed to make informed decisions.</p> <p>BCLC will work closely with our GPEB regulator and Government to ensure government is aware of the implications of regulatory and/or legislation changes to the Gaming Control Act.</p>

[Click here to learn more about BCLC's critical risks in our Performance Measures Methodology report](#)

Here's our plans for the next three years

Our mission

To generate income by offering responsible gaming entertainment

Our values

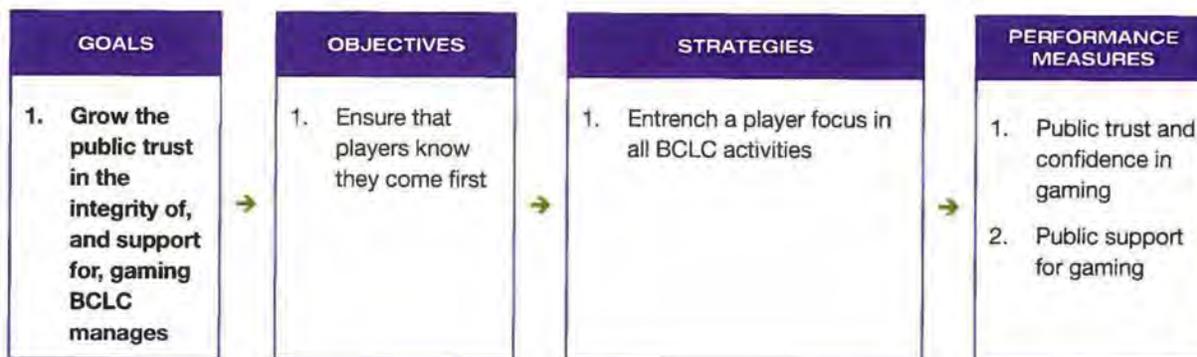
Integrity: The games that we offer and the ways we conduct business are fair, honest and trustworthy

Social responsibility: Everything we do is done with consideration of its impact on and for the people and communities of British Columbia

Respect: Our workplace fosters openness, mutual respect and individual development

Our goals and objectives

1. Grow the public trust in the integrity of, and the support for, gaming BCLC manages
 - Ensure that players know they come first
 - Demonstrate BCLC's corporate responsibility
2. Provide an outstanding gaming experience for players and generate income
 - Increase the number of new and repeat players to BCLC's games and service provider facilities
 - Optimize net income for our shareholder
3. Demonstrate social responsibility in all of our activities
 - Ensure our games are provided in a socially responsible manner
 - Optimize our impact on our communities as we operate our business
4. To have a workforce passionately driving the success of our business
 - Create a high performing organization that strives to continually improve



What are BCLC and its service providers doing to ensure the public trusts the integrity of BCLC's games?

BCLC and our service providers are committed to putting the player first.

BCLC can never eliminate the potential for a dishonest person to take advantage our players. We know there is a chance that at sometime, a dishonest person might be in a position to defraud one of our players, so we consider this risk carefully as we develop and implement Player First improvements and overall improve the integrity and security of all of our business channels, balancing the reduction of the risk of fraud with a reduction in player satisfaction, as well as loss of revenue.

The Player First program includes initiatives from retailer education and training, to new messaging and technology that provides more information and control to our players, reducing the potential for an unscrupulous person to defraud a player, to player education on the appropriate steps for customers to take to adequately protect themselves.

In 2006 BCLC's regulator, Gaming Policy and Enforcement Branch (GPEB) conducted an audit of BCLC's lottery operations. In 2007, the BC Ombudsman conducted a review, BCLC engaged Blair Mynett Mackay to conduct an audit and Deloitte conducted an audit ordered by the Minister. None of them identified any incorrect payments of lottery prizes but each of them recommended ways that BCLC can enhance the integrity and security of the lottery system, particularly the prize

payout and validation processes, security investigations and overall support provided to the player.

As Deloitte highlighted out in their report:

"Eliminating fraud is impossible as perpetrators will design schemes to try and defeat any systems in place. Clearly, minimizing the opportunity for fraud to occur must be the focus of lottery corporations and regulators."¹ and

"...a variable that is not directly within the control of BCLC is whether the player decides to heed the warnings and education activity underway, and there remains a risk that the player will not take the appropriate steps to protect themselves. ...the player has an important role to play to ensure they are not open to fraudulent activity".²

BCLC has developed "Player First" and it is our most important initiative this year, whereby we plan to significantly enhance our focus on our lottery players and enhance our lottery prize payout and validation

¹ Report on the Independent Review and Assessment of the Retailer Lottery System in BC", Deloitte, October 31, 2007 (page 5)

² Report on the Independent Review and Assessment of the Retailer Lottery System in BC", Deloitte, October 31, 2007 (page 7)

processes. Player First is a comprehensive response to implementing all 23 recommendations made by the Ombudsman and related Deloitte recommendations, and in many cases going even further, to put the player first in our lottery business. Some of the recommendations have already been implemented, but others require research and development into 2008/09.

Some of the key areas addressed in Player First are:

- Establishing a senior management function responsible for player protection and support.
- Communication, training and certification programs for players and retailers.
- Improved player support, through extended prize payout hours, enhanced call and complaint tracking systems and the ability to answer and if required, investigate concerns more quickly.
- Adding technology that provides players with alternative ways to check tickets themselves.
- For retailers, a new code of conduct, no play at work policy, new validation procedures and improved policies and procedures.
- Programs such as Mystery Shopper to ensure that retailers are consistently delivering the required service levels and adhering to procedures and a discipline system so that if there are issues that affect the security, integrity or reputation of lottery games BCLC can take corrective action.
- Our Play With Confidence program, which educates players about the measures they should take to protect themselves from potential fraud.

In our major casinos, BCLC is adding full time security to augment and liaison with the security and surveillance provided by the service providers, as well as liaise with local police authorities where required. Our back office casino systems are being upgraded to ensure they can continue to support the integrity of casino and community gaming centres. In community gaming centres, BCLC is also adding staff to improve our oversight of the controls and integrity in the system. We're also adding staff in Audit Services, Legal and Security, as well as a new Compliance responsibility.

Our back office systems are being upgraded and added to in order to provide the internal framework and controls to ensure business integrity and support the transparency of company systems, such as a new document management system, The Business Continuity Management program will focus on warehouse/distribution as well as Finance in the coming year.

This year a new performance measure "Public Trust and Confidence in BCLC Games" will help us assess whether or not our programs to improve the security and integrity of the gaming systems are successful, and we will adjust our programs and their delivery depending upon our success.

If you want to comment on changes we're making to our gaming business, or ask us a question, [click here](#).

What is BCLC doing to improve our business integrity?

Player First will strengthen the integrity and security of our lottery business and we've made it our priority. There are other areas of our business that need improvement.

We're focused on business transformation, programs that will improve our business integrity and operational efficiencies. We've started with a comprehensive review of all our business processes, systems and infrastructure within BCLC. From governance and risk, to policy frameworks, systems and controls, document management, business continuity plans and the ongoing development and maintenance of a technology infrastructure that is sound and secure, we're moving the business to the next level.

Without this effort,
we won't be able
to transform and grow
our business

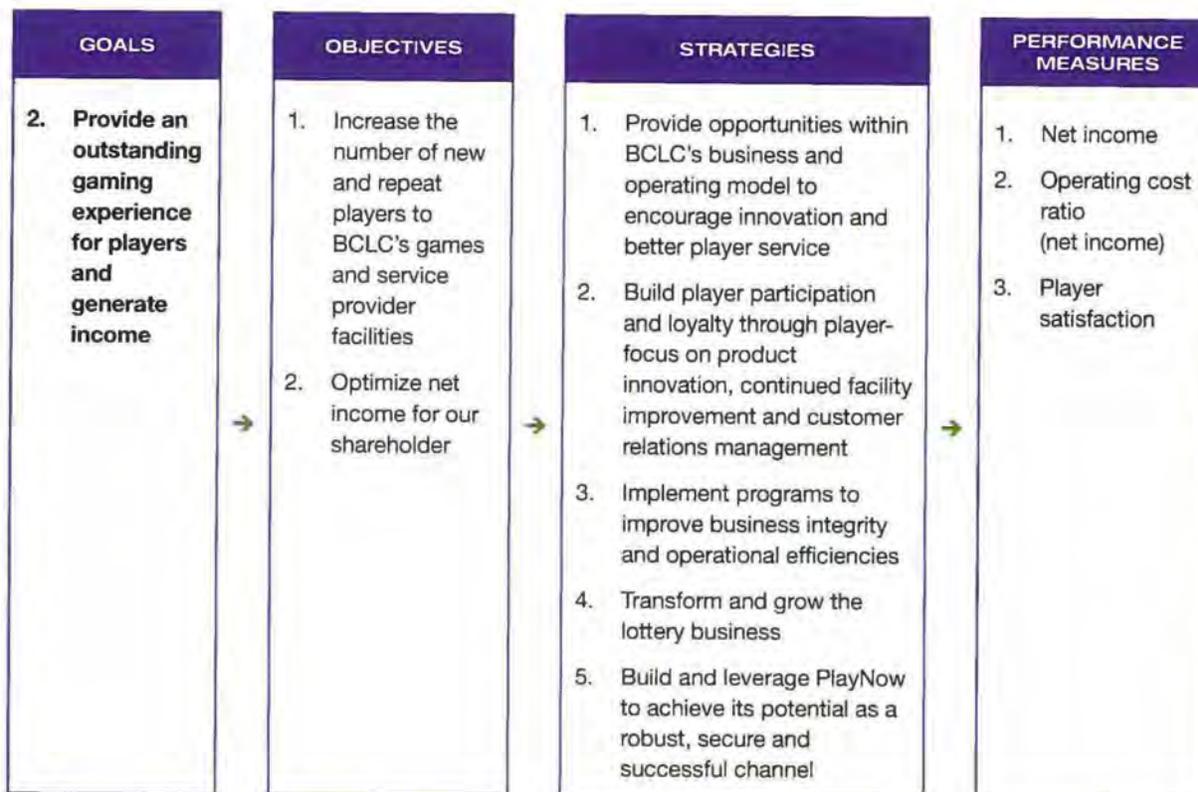
As the business has changed, there will be more audit and compliance focus both on BCLC and within BCLC and a newly formalized Ethical Code for our employees is just one small step in this direction.

We are also working to better assess the information needs of our players and the public, so that we can be more transparent in the release of information while continuing to respect the Freedom of Information and Protection of Privacy Act.

Our business transformation is supporting a player-focused organization that is aligned with and supports our gaming integrity for well into the future. And that's in the long-term best interests of our players, our employees, Government and ultimately the people of British Columbia.

We will measure our success in achieving this corporate goal based on performance measure targets in:

- Public trust and confidence in BCLC games, a new measure of the percentage of BC adults who have confidence in the safety and integrity of games BCLC conducts and manages;
- Public support for gaming, which measures the percentage of BC adults who believe gaming is an acceptable activity;



How are we providing an outstanding gaming experience for players that will generate income?

BCLC's ability to continue to generate revenue requires that we continue to provide exciting entertainment experiences for our players and operate BCLC in an effective and efficient manner to optimize the net income for Government. BCLC will measure our success in achieving this goal through three performance measures.

BCLC will continue to develop exciting and innovative new games and services for our players. Game concepts will continue to be developed that provide a more entertaining play experience and variety, including the potential replacement of a national lotto game. The success of Pacific Hold'em Poker will be maintained through a refresh of the character animation, and similar concepts for monitor-style games will be pursued.

SportsFunder lottery games are one kind of lottery game that will continue to be refreshed and provide unique and appealing prize opportunities for players. The lottery retailer signage and other "look & feel" aspects will be reviewed with the objective of piloting a more current technology, marketing and merchandising experience for players.

In our casinos and community gaming centres, we will continue to develop properties with a focus on entertainment and where there is market demand, explore casino domestic and international tourism market opportunities. Providing the latest themed slot machines and new table games will continue to provide players with an interesting variety of casino gaming options.

In partnership with our service providers, BCLC will continue to offer special tournaments for poker, blackjack, mah jong and slot machine players.

The build out of community gaming centres will continue next year, and will be accelerated where possible in order to reduce the negative revenue impact as BC implements non-smoking public facilities. BCLC will develop new games for bingo players that improve our return on bingo systems capital investment by using the same technology to offer additional play experiences.

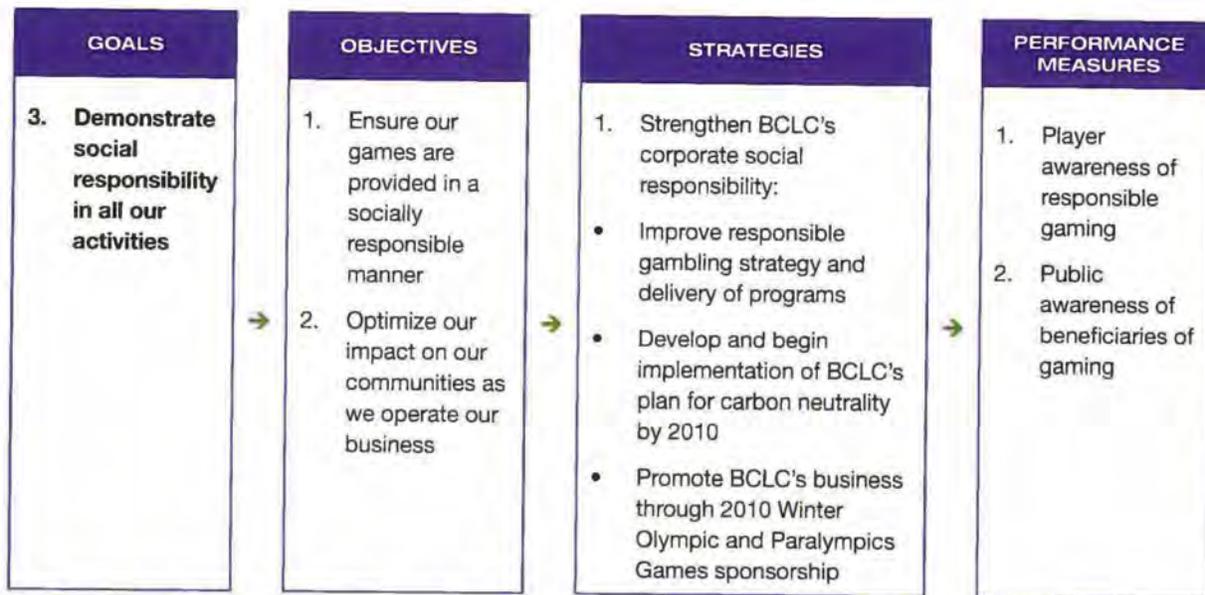
Our casino and bingo business groups will continue to work in partnership with service providers on programs that provide better customer service for our players and with municipalities where we have gaming facilities.

Our PlayNow internet gaming site and BCLC's corporate web site bcl.com will both be redesigned to provide a more engaging player experience and we will continue to implement exciting and entertaining games.

BCLC is also developing player-focused rewards and incentives across all gaming channels. Special rewards and incentives will continue to be provided to members of the BC Gold casino card and the card will be evaluated for use in community gaming centres. We'll also continue to develop special offers for PlayNow purchases. Planning for a customer relationship management solution that extends across all of our business lines will begin this year.

BCLC will also continue to investigate technology that promotes player services and business model efficiencies for all of our business channels.

Our success in achieving this goal will be measured by our success in achieving our \$1,110 million net income target, which is received by Government and our 12.51% operating cost ratio target, which measures the cost of earning each dollar in income. "Player Satisfaction" with our games, services and facilities in our lottery, casino, bingo and egaming business channels, will also be measured. Player satisfaction is a key factor in our continuing ability to generate income.



What is BCLC doing to ensure our games are provided in a socially responsible manner?

BCLC is a key player in the Partnership for Responsible Gaming, where the current members are BCLC, Government, 10 municipalities and our gaming service providers. In this partnership, BCLC is responsible for ensuring that players have access to and can utilize responsible gambling programs.

BCLC works to ensure that our delivery of gaming is done in a manner that encourages responsible gambling and healthy choices. We do this by increasing player and community awareness of gaming issues and services through industry and player education and awareness. We have established an executive-level function to represent player's interests throughout BCLC, in the gaming activities for all of our business channels and in our social responsibility initiatives.

Responsible gambling behaviour incorporates informed and educated decision-making by the player, such as a self-imposed budget or time limit to play our games. BCLC is improving knowledge about responsible gambling with the industry.

We will continue with our plan to have Responsible Gambling Information Centres at all casinos and community gaming centres in 2008/09, and the

development of a self-service model for lottery retailers in shopping mall locations.

All gaming employees will take intervention training and in 2008/09 BCLC will review and update the curriculum. A new program specially developed and targeted at young adults in casinos will increase the knowledge and awareness of a younger demographic of players. And BCLC will continue its research so that we deliver programs in ways that are easily accessed and used by players who need them.

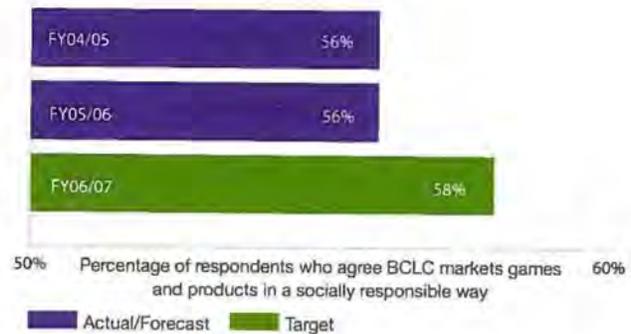
Also this year, enhancements will be made to the voluntary program that provides players experiencing difficulty with an option to self-exclude from gaming activities. Both BCLC and our service provider partners comply with advertising and marketing standards to ensure that we are not marketing to those who should not be gambling.

Lottery organizations worldwide unite under the World Lottery Association, and under this umbrella have endorsed a certification process that publicly demonstrates a commitment to operating gaming products and facilities in a socially responsible manner. BCLC plans to move through this certification process beginning in 2008/09. This will ensure that we are consistently applying the highest international standards established within the industry and provide communication to raise awareness of service providers, interest groups, media and the public.

This year a new performance measure "Player Awareness of Responsible Gaming Activities" will help us assess whether or not our responsible gambling programs are successfully reaching our players, and we will adjust our programs and their delivery depending upon our success.

These performance measure targets will be used to measure our success in ensuring our games are provided in a socially responsible manner through assessment of :

- Player awareness of responsible gaming activities, a new measure of the percentage of BCLC's customers who have an awareness of the symptoms of problem gaming, the assistance available for problem gamblers and how to access it; and
- Public awareness of the beneficiaries of gaming, which measures the percentage of adults who have an awareness of how the more than \$1 billion in gaming income is distributed by Government to support key programs including healthcare, education and recreation, host local communities and charitable and community organizations. The level of awareness is directly related to the measure for the public's acceptance of gaming.



How will we optimize BCLC's impact on our communities as we operate our business?

BCLC is very proud to be an Official Supporter of the Vancouver 2010 Olympic and Paralympic Winter Games.

Our plans are still being developed, but there are some great things we'll be able to do leading up to the games that will benefit our players as well as the public. Our sponsorship has three objectives:

- Enhance BCLC games to provide outstanding gaming experiences for our players and strengthen corporate social responsibility;
- Demonstrate employee leadership and increase engagement; and
- Engage communities around BC in the Olympic experience.

In October, BCLC launched the first of our SportsFunder lottery games to offer players chances to win exciting 'once in a lifetime' experiences, with prizes of tickets to Olympic Opening Ceremony and sporting events. Proceeds from the sale of SportsFunder games go to support athletes, coaches and amateur sports programs in BC. Since the launch of SportsFunder lottery games, BCLC has already provided \$2.2 million to benefit all levels of amateur sports in BC.

This year BCLC will increase its environmental initiatives to meet proposed legislation that will require BCLC as a crown corporation to be carbon neutral by 2010.

BCLC's plan includes establishing our carbon footprint in 2008/09 to determine the sources of our carbon emissions. By doing this, we'll be able to identify the critical areas to address. Once we've established the sources of our carbon emissions, we will identify our key activities that will allow use to reduce them. This may include adopting eco-friendly rated vehicles as the standard for BCLC's vehicle fleet, recycling power use, flying less or other things.

BCLC already has made the environment a priority, and our practice is already to reuse and recycle. From equipment trade-ins to asset resale, disposal, donation and recycling, we've been working on "going green" in

partnership with our suppliers for a number of years. It's good for the organization – recycling reduces costs and storage requirements.

When we buy new goods, we recognize suppliers who have environmentally friendly practices in place, including materials, manufacturing processes and delivery methods, so that our vendors use green options where and when available.

Our lottery Scratch & Win tickets are printed on recycled paper, and our standard paper for copiers and printers is 100% recycled and "processed chlorine free", with waste including all shredding of confidential materials sent for recycling.

And aside from what the company is doing, an employee group is also busy making sustainable behaviour a permanent part of BCLC's culture through a self-organized committee. Living Green is a way of life for the people in this group, who have promoted the awareness as well as programs for BCLC staff to make the earth a little healthier.

From finding recycling for slot machines, old computers and other technology, to taking old magazines to the dump, the Green Committee is an active presence when decisions are being made about what to do instead of sending unusable items to the dump. In addition, our Warehouse staff are busy helping out by gathering and shipping items to selected recyclers.

The Living Green group also participates in and solicits employees to help out with Communities in Bloom and Earth Day. On Earth Day April 2007, the committee celebrated by offering personal electronic waste recycling to employees. Eight pallets of computers, speakers, cell phones and TVs were shipped off to a recycler. A staff member who had recently bought a hybrid vehicle gave a presentation to interested employees, and disposable materials from the cafeterias are being phased out.

BCLC employees helping their communities

Our employees will also play a role, demonstrating their leadership by bringing the Olympic experience to their communities and workplace through volunteer opportunities. And we're exploring other ways that our sponsorship can benefit British Columbians.

As an Official Supporter of the Vancouver 2010 Olympic and Paralympic Winter Games, BCLC has a unique opportunity to support our province in hosting the games. BCLC has 150 volunteer positions that will provide staff a unique opportunity to assist Olympic Games athletes, their communities and their province. BCLC's sponsorship has three objectives:

- Enhance BCLC games to provide outstanding gaming experiences for our players and strengthen corporate social responsibility;
- Demonstrate employee leadership and increase engagement; and
- Engage communities around BC in the Olympic experience.

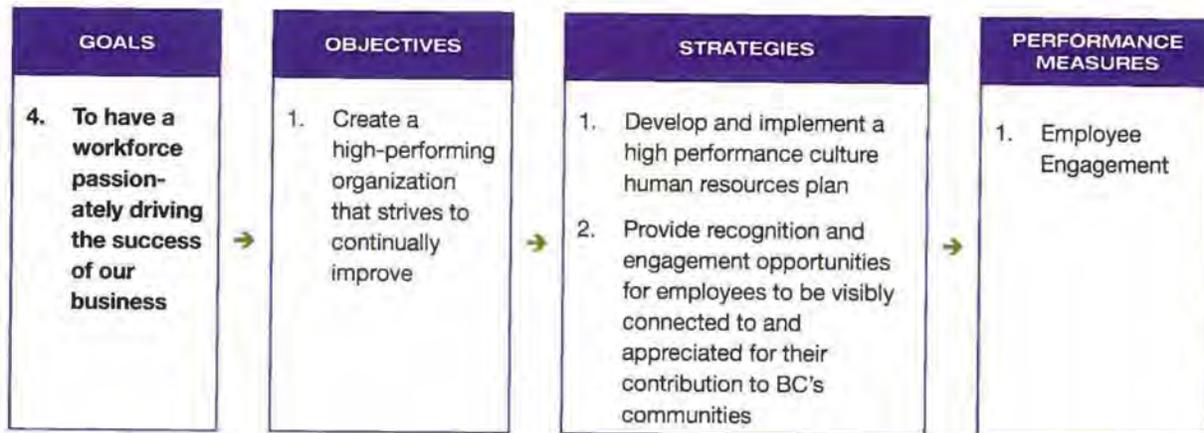
While BCLC has been recognized for two years in a row as one of the Top 40 Employer's in BC, we're also challenged as our employee engagement score continues to be lower than the targets we set three years ago. So we're also working hard with our employee group, strengthening our leadership and talent management programs to ensure that we have a workforce motivated and capable of transforming the business. Re-energized and flexible systems and processes will help us to attract and retain the skilled and talented employees needed to transform the business.

Since 1994, BCLC employees have raised funds for the United Way. From just over \$5,000 in donations in 1994, to the current total of over \$35,000 for 2007, employees make a difference in their local communities. In Kamloops, a crew has participated for two years in the United Way Day of Caring, building two new garden structures at the Cariboo Manor supported living centre for seniors this year.

"This is a great way to give back to the community, and its an opportunity for BCLC employees to do something fun outside of work," Mary Strandt, Senior Programmer Analyst & BCLC Kamloops United Way Chair.

Two Christmas Charity groups also actively volunteer their time to enable BCLC employees to help disadvantaged families in the community. During the Christmas season families are sponsored and provided with gift and grocery hampers that make the season magical. Fundraising is year round, and in 2006 made it possible for six Kamloops families that included 28 children and three Richmond families with a total of six children received gift and grocery hampers to make the season special. In Kamloops, donations of over \$8,000 in goods and donations were also provided to the Food Bank and Christmas Amalgamated. Throughout the year, a crew of Kamloops staff sponsors, cooks, serves and cleans up at Easter, Thanksgiving and Christmas dinners held at the local Salvation Army facility and the Community Crisis Response mobile kitchen.

Whether actively involved in Search and Rescue, at the Easter Seals 24 Hour Relay, as an auxiliary RCMP officer, or simply helping out at a local school's parent advisory council or coaching a sports team, BCLC employees are passionately involved in their communities.



We're passionate about our business

BCLC needs a passionate workforce to drive the successful operation and management of our gaming business. Our performance will be measured by the level of employee engagement.

While there has been progress towards the desired high performance culture for the organization, significant internal and external changes in 2007/08, including senior leadership changes, require a review of our human resources program activities to ensure alignment with the increased the focus on our players and growing the public trust and support of BCLC gaming activities. The review will include an analysis of our external and internal environment and research on best practices.

We have identified four areas as key to successfully effecting workforce change. These areas are the focus of our human resources plan to deliver on the desired a high performance culture for the organization.

The results of this review will provide BCLC with a new workforce plan, recruitment and leadership development models and an employee communications strategy.

We are implementing Standards of Ethical Business Conduct for our employees, which will be key in achieving high performance behaviours and accountabilities within BCLC's ethical standards, focusing and recognizing employees appropriately for their work.

Leadership alignment and commitment, which are the actions required to achieve with BCLC's business priorities and provide continued improvement of the

quality of leadership at all levels, will continue have significant focus.

In order to visibly connect our employees to BC communities, and recognize them for their contribution to BCLC's business, we are planning recognition and engagement opportunities, which will include the 150 volunteer positions made possible through our sponsorship of the Vancouver 2010 Olympic and Paralympic Winter Games.

The management of our workforce also includes actions to ensure we are positioned to address anticipated changes in demographics and skill requirements through establishing information to connect the right people with the right skills, values and motivation in the right jobs – all at the right time. An employee communication plan will provide effective two-way communication between management and employees.

Overall, human resources programs will position the organization to be flexible, innovative and responsive.

To assess our success in meeting this goal, BCLC will continue to use the performance measure of "Employee Engagement" which measures the intellectual and emotional involvement employees have in their work for BCLC, which is directly linked to the effort and dedication employees contribute to achieve success for the organization, as well as BCLC's ability to attract and retain employees.

[Click here to learn more about BCLC's Goals and Strategies.](#)

How will BCLC be able to tell whether we're doing a good job?

This year, BCLC established several new ways to better measure our performance, and has dropped some others that we didn't feel were measuring the right things.

Where the measure is new, there is no previous history to allow us to set targets. We will establish a baseline for these measures in 2008/09. Where a measure is being discontinued, we have forecast our achievement for 2007/08 and have not set new targets. Those measures that have remained in place show both historical actual scores and future targets.

BCLC contracts with external professional agencies to conduct surveys to assess our level of success in achieving some of our performance targets by asking questions that are pertinent to our performance measures. For example, to measure "public trust and confidence in BCLC games", questions about how safe and fair lottery games are thought to be, might be asked. These provide a score, which is assessed against the target BCLC sets. If we're doing well, we should be reaching our targets. If we're not doing well, with a rating below our target, we need to adjust what programs we're implementing and how we're doing implementing them.

[Click here to learn more about BCLC's Performance Measures and Targets](#)

PERFORMANCE MEASURES	2005/06 ACTUAL	2006/07 ACTUAL	2007/08 TARGET	2008/09 TARGET	2009/10 TARGET	2010/11 TARGET
Total Revenue (millions)	\$2,260.6	\$2,425.4	\$2,500.0	2,648.0	\$2,767.0	\$2,863.0
Total Net Income (millions)	\$922.7	\$1,018.8	\$1,035.0	\$1,110.0	\$1,160.0	\$1,210.0
Operating Cost Ratio (of Net Income)	N/A	N/A	N/A	12.5%	12.2%	11.8%
Public Trust and Confidence in BCLC Games	N/A	N/A	N/A	Baseline to be established	TBD	TBD
Public Support for Gaming	51%	56%	52%	56%	60%	65%
Player Awareness of Responsible Gaming Activities	N/A	N/A	N/A	Baseline to be established	TBD	TBD
Public Awareness of Beneficiaries of Gaming ³	36%	37%	35%	40%	42%	45%
Employee Engagement	51%	54%	60%	65%	70%	70%

- Proposed NEW measures are not applicable for 2005/06 through 2007/08

³ Measure and targets pending Government approval of BCLC Shareholder's Letter of Expectations

How much we're selling, spending, and will provide to Government

REVENUE \$ millions	2005/06 ACTUAL	2006/07 ACTUAL	2007/08 TARGET	2007/08x FORECAST	2008/09 TARGET	2009/10 TARGET	2010/11 TARGET
Lottery	\$962.1	\$983.2	\$1,000.0	\$950.0	\$980.0	\$1,000.0	\$4,015.0
eGaming	5.2	14.3	25.0	18.0	28.0	37.0	48.0
	967.3	997.5	1,025.0	968.0	1,008.0	1,037.0	1,063.0
Casino	1,085.3	1,208.9	1,240.0	1,302.0	1,400.0	1,450.0	1,510.0
Bingo							
Commercial Halls	154.3	144.0	121.6	121.6	60.1	30.2	5.9
Community Gaming Centres	53.7	75.0	108.4	108.4	179.9	249.8	284.1
	208.0	219.0	230.0	230.0	240.0	280.0	290.0
	\$2,260.7	\$2,425.4	\$2,495.0	\$2,500.0	\$2,648.0	\$2,767.0	\$2,863.0
EXPENDITURES							
Lottery	688.0	700.5	716.3	710.5	731.2	747.6	755.1
eGaming	6.1	13.4	21.2	17.6	24.2	30.0	37.1
Casino	463.7	510.4	538.7	553.6	607.7	641.4	666.9
Bingo	180.1	182.3	185.8	183.3	174.9	188.0	193.9
	\$1,337.9	\$1,406.6	\$1,462.0	\$1,465.0	\$1,543.0	\$1,607.0	\$1,653.0
NET INCOME							
Lottery	274.1	282.7	283.7	239.5	248.8	252.4	259.9
eGaming	(0.9)	0.9	3.8	0.4	3.8	7.0	10.9
Casino	621.6	698.5	701.3	748.9	794.2	808.8	843.4
Bingo	27.9	36.7	44.2	47.0	66.2	91.9	96.0
	\$922.7	\$1,018.8	\$1,033.0	\$1,035.0	\$1,110.0	\$1,160.0	\$1,210.0
Debt	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Due Gov't of BC	175.5	205.5	197.0	200.0	210.0	220.0	230.0
Capital Expenditures	82.9	43.9	85.0	91.0	109.3	115.8	116.9

Financial Analysis

- Total revenue is projected to increase by \$363 million or 14.5% over the forecast period.
- Net income is projected to increase by \$175 million or 16.9% over the forecast period. Increases in net income over the three year planning period reflect a shift in product mix to higher contribution casino style games.
- Lottery revenue targets have been revised downward to reflect the maturity of existing lottery products and slower than anticipated growth in the hospitality and eGaming channels. Lottery revenue growth of \$65 million or 6.8% over the forecast period will come from the introduction of new innovative games.
- eGaming revenue targets have been revised downward to reflect slower market growth than anticipated. Revenue growth of \$30 million or 166% over the forecast period will be generated as consumer acceptance for the internet gaming channel grows and new, innovative games are introduced.
- Casino revenue targets have been revised upward over the three year planning period to better reflect current estimates. Casino growth of \$208 million or 16.0% over the forecast period will come from enhancements to existing casino facilities, development of the tourism markets and the opening of a new casino at the Hastings Racetrack in 2009/10.
- Growth in the bingo channel has been partially offset by the expected negative impact on traditional bingo revenue from the introduction of new smoking regulations by Government. This impact is expected to be in the range of 20-25% of traditional bingo revenue, or approximately \$40 million. Bingo revenue growth of \$60 million or 26% will come from the continuing build out of community gaming centres with slot machines.
- Direct costs as a percentage of revenue are declining, reflecting a shift in product mix to lower cost casino style games.
- Operating costs are projected to increase from \$127.5 million in the 2007/08 Service Plan (12.3% of net income) to \$142.9 million in 2010/11 (11.81% of net income). In addition to providing for growth in the business, operating costs are increasing in order to implement the recommendations contained in the Ombudsman report and to also address issues resulting from the Deloitte independent audit; this program is referred to as Player First. The additional operating costs also include funding to upgrade BCLC's lottery, casino, bingo and egaming systems with the objective of ensuring that all systems have the highest level of internal control and integrity.
- Capital expenditures in 2008/09 will continue to support gaming operations in over 4,000 lottery retail locations, 17 casinos, 12 community gaming centres, 15 commercial bingo halls and on PlayNow. Additional capital expenditures will also be incurred to upgrade BCLC's gaming and back office systems to ensure the highest level of gaming integrity and internal controls.

Service Plan assumptions

British Columbia Real Gross Domestic Product

This plan assumes GDP growth of 2.9% forecast for 2008, 3.1% for 2009 and 3.3% for 2010.

Lottery

Planned product releases of new lottery games will be on schedule.

Casino

Openings, upgrades and relocation of existing casinos will be on schedule.

Bingo

The planned openings, upgrades and relocation of existing commercial bingo halls to community gaming centres will be on schedule.

eGaming

Planned product releases of new games will be on schedule.

Government Approvals

Revenue and net income assumptions are based on BCLC obtaining all necessary host local government approvals required under the Gaming Control Act on a timely basis for the opening of new facilities.

- All necessary Government and regulator approvals to launch new games are received.

Gaming Market

- Casino revenue is not further impacted by cross-border competition.
- Unregulated Internet gaming will not be a significant competitive threat to British Columbia gaming revenue.
- British Columbia casino and bingo marketplace capacity studies are accurate.
- BCLC market forecasts for new lottery products are accurate.

Cost of Services

Inflation has been assumed at 2% over the planning period. Interest rates have been assumed at 4.6% for 2007/08 and 4.8% for 2008/09, 2009/10 and 2010/11.

Gaming Policy

- No major changes are made to BCLC's mandate or Government's gaming policy.
- No major changes are made to Gaming Policy Enforcement Branch (GPEB) mandate, regulations or policy.

Provincial Smoking Ban

The anticipated impact of the proposed province-wide smoking ban has been taken into consideration in the forecast and targets in this Service Plan.

However financial risks could exceed our projections, and have been considered in our net income risk and sensitivity projections.

Net Income Risk and Sensitivity Projections

The figures within this table are the result of negative variances in BCLC revenue estimates that may occur due to risk occurrences and result in decreases in income delivered to Government, as shown below.

BCLC's revenue and net income projections have been revised to reflect current market conditions, the expected impact of the smoking ban and facility build outs for casinos and community gaming centres.

GAMING CHANNEL \$ millions	2007/08	2008/09	2009/2010	2010/2011
Lottery	5.0	20.0	25.0	30.0
Casino	5.0	20.0	30.0	40.0
Bingo	2.0	15.0	20.0	25.0
Total	\$12.0	\$55.0	\$75.0	\$95.0

BCLC's revenue and net income projections have been revised to reflect current market conditions, the expected impact of the smoking ban and facility build outs for casinos and community gaming centres.

BCLC has identified projected net income from gaming operation at risk:

- Delays in obtaining host local government approvals for the development or rebuilding of casino and bingo properties;
- The capacity and ability of our casino and bingo service providers to build out approved facilities;
- Substantial work effort associated with implementing Ombudsman, Deloitte and other recommendations;
- The number and size of lottery jackpots;
- Our ability to develop and launch innovative new lottery products to transform a mature lottery business and achieve projected lottery revenue;
- Economic issues that result in a reduction to personal disposable income;
- Increasing competition from regulated and unregulated gaming competitors; and
- The change to non-smoking in public places proposed for March 2008.

Major capital projects

\$ millions	2005/06 ACTUAL	2006/07 ACTUAL	2007/08 TARGET	2007/08x FORECAST	2008/09 TARGET	2009/10 TARGET	2010/11 TARGET
Gaming Systems							
Lottery	\$21,911	\$7,804	\$18,100	\$13,700	\$11,900	\$15,000	\$17,000
eGaming	0	1,502	4,200	2,600	6,000	2,700	2,100
Casino	53,007	22,001	41,600	37,200	48,400	45,000	45,000
Community Gaming Centres	0	6,445	10,900	9,000	12,800	12,900	12,100
Bingo	4,063	779	6,000	7,000	7,100	6,000	7,100
Player First	N/A	N/A	15,600	17,300	19,800	0	0
	\$78,981	\$36,531	\$5,000	\$86,800	\$106,000	\$81,600	\$84,100
Corporate Systems							
	2,296	4,933	6,500	5,000	14,000	31,100	30,200
Facilities							
	1,603	463	5,000	1,900	3,900	3,000	3,000
	\$3,899	\$5,396	\$9,900	\$6,900	\$17,900	\$34,100	\$33,200
Total Capital	\$82,880	\$43,927	\$106,300	\$93,700	\$123,900	\$115,700	\$117,300

- BCLC does not have any capital projects that individually exceed \$20 million.
- The primary driver of BCLC's capital expenditures is the acquisition of gaming equipment to support revenue generation in the lottery, casino, bingo and egaming channels. This includes gaming equipment to support over 4,000 lottery retailers, 17 casinos, 11 community gaming centres, 16 commercial bingo halls and the PlayNow internet site.
- BCLC will also be incurring capital expenditures over the next several years to improve systems and processes that support the security and integrity of our lottery prize payout systems. Expenditures will include improvements to retailer validation systems, deployment of new consumer ticket validation technology in all retail locations, deployment of self service terminals in all hospitality locations and development of monitoring systems for retailer prize winners, consumer complaints and incident tracking.
- Capital expenditures will also be incurred to support the upgrading of casino, bingo and back office support systems to ensure the highest level of internal control and integrity



Appendix H

BCLC Service Plan 2009/10-2011/12 (BCLC0001011).



Service Plan
2009/2010–2011/2012

Contact BCLC at:

74 West Seymour Street
Kamloops, BC V2C 1E2
250-828-5500

10760 Shellbridge Way
Richmond, BC V6X 3H1
604-276-0649

Online at www.bclc.com

Consumer Services: 1-866-815-0222
or by email to consumerservices@bclc.com

Lottery Player Complaints: 1-866-601-1818



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Welcome to BCLC's Service Plan 2009/10–2011/12

On behalf of the Board of Directors and employees of BCLC, we are pleased to present our BCLC Service Plan 2009/10–2011/12.

BCLC is responsible for the conduct and management of lottery, egaming, casino and community gaming and commercial bingo gaming in British Columbia. BCLC employees, along with our valued private sector retailers and service providers, are proud of the gaming experience we provide in a socially responsible way, and the resulting income generated for Government to fund public, charitable and community programs.

This past year has seen significant and positive changes for BCLC as employees welcomed our new President & CEO. New senior roles have been established that will focus on our players, on compliance activities across the organization and will lead the transformation and renewal of our business, seeking innovative and fresh solutions that focus on our players and create a strong infrastructure that will support future business opportunities.

For this 2008/09 year, BCLC's net income generated for Government is expected to meet the target of \$1,110.0 million, a 1.9% increase over the previous year. BCLC's net win, the amount of revenue after prizes are paid, will grow from the 2008/09 forecast \$1,989.9 million to over \$2,247.0 million in 2011/12.

Net win growth will average 4.1% annually over the three years covered by this plan, during which we estimate a total of \$3,546.9 million in income will be generated for Government. An additional \$2,133.3 million will be directed to commissions and other direct costs for our private sector lottery retailers and casino, community gaming and bingo service providers, and lucky lottery and bingo players will win \$1,954.6 million in prizes.

This Service Plan reflects a shift in focus to investments that support sustainable revenue and net income for the future. The investments BCLC is planning to our gaming

and back office systems will continue to increase the integrity, security and capacity of our gaming operations.

While infrastructure improvements are important, so is the measured growth of our business. BCLC will grow our business through the continued development of casino and community gaming centre facilities, our PlayNow egaming site, and game and service innovation in our lottery business.

Through our Player First program BCLC has implemented significant changes in lottery gaming and those industry-leading programs will continue this year, setting new standards in gaming and business system

integrity. These efforts will enhance the integrity, transparency, security and customer service of all of BCLC's gaming activities with a focus on providing our player with the best experience.

BCLC strives to ensure our gaming delivery encourages healthy choices and responsible play to help make sure that playing our games stays fun. Through education and communication we are increasing player awareness of responsible gaming to easily identify where responsible gambling information,

services and help is available, and we will launch a new awareness program that will raise broader public awareness on how to play responsibly.

This will be an exciting year for all British Columbians, culminating with the 2010 Vancouver Olympic and Paralympic Winter Games to be held in February and March 2010. BCLC is proud of our Official Supporter sponsorship of the Games and are excited to have the opportunity to offer our players chances to win thousands of event tickets through lottery prizes that each provide a 'once in a lifetime' experience.

BCLC has four goals:

1. Build public trust and support for BCLC gaming
2. Provide facilities and games to develop the business
3. Invest in infrastructure to support current business operations and future growth
4. Have a workforce passionately driving the success of our business

BCLC employees will host public events at 17 BC communities throughout the next year, bringing the spirit of the games to those communities.

BCLC has measured our carbon footprint and will use this information to help us achieve carbon neutrality by 2010. We are extending our actions beyond Government requirements to offset our emissions; looking at our facilities, operations and business practices and how we can make them greener by embedding sustainability in our culture. We will do this by encouraging our employees environmental viewpoint and influencing our retailers, service providers and vendors to engage in more sustainable behaviours.

BCLC's 2009/10–2011/12 Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the *BC Reporting Principles*. The plan is consistent with Government's strategic priorities and fiscal plan. The Board is accountable for the contents of this plan, including the selection of performance measures and targets.

All significant assumptions, policy decisions and identified risks as of November, 2008 have been considered in preparing the plan. The performance measures presented are consistent with BCLC's mandate and goals, and focus on aspects critical to the organization's performance. The performance targets in this plan have been determined based on an assessment of BCLC's operating environment, forecast conditions, risk assessment and past performance.

John McLernon
Board Chair

Michael Graydon
President and CEO



Who we are

BCLC is a Crown Agency with the authority and responsibility provided by the Province of British Columbia to, on its behalf, conduct, manage and operate lottery, casino, bingo and egaming in British Columbia under the *Criminal Code of Canada* and the *Gaming Control Act* of British Columbia (2002).

The Minister responsible for gaming, the Honourable Rich Coleman, Minister of Housing and Social Development, provides direction to BCLC on behalf of Government. We operate our commercial gaming business in accordance with the legislative, regulatory and policy framework established by Government and are regulated by the Gaming Policy and Enforcement

Division (GPE). We comply with written directives to BCLC from the Minister and the Assistant Deputy Minister/General Manager of GPE.

GPE is responsible for standards, registration, licensing, audit and compliance enforcement, as well as BC's responsible gambling policy and strategy.

Gaming is entertainment, and BCLC provides exciting gaming opportunities to players in British Columbia to generate income. Government utilizes that income to fund public, charitable and community programs that benefit all British Columbians.

Where we are and what we do

BCLC employees work from two offices: one in Kamloops and a second office in Richmond, as well as field staff who work in gaming facilities and with our lottery retailers and service providers in communities around the province. Our Kamloops office is the primary location of our information technology, finance and administration functions. Gaming operations, security, marketing and communications functions are primarily located in Richmond.

BCLC conducts and manages the lottery, casino, bingo and egaming entertainment business in British Columbia.

BCLC's products are sold through contracted private sector retailers and service providers. We are forecasting closing the 2008/09 year with approximately 4,000 lottery locations, 17 casinos, 15 community gaming centres and 12 commercial bingo halls. We also sell our products directly to over 100,000 registered players in British Columbia through our PlayNow egaming site.

Our lottery retailers earn an industry-standard commission rate and six private sector casino service providers and 17 service providers for commercial,

independent and charitable community gaming and bingo facilities earn a percentage of sales revenue for providing gaming facilities and day-to-day operational services. BCLC owns all gaming equipment, including lottery and bingo terminals, gaming tables and slot machines.

The consolidated financial statements of BCLC include a wholly owned subsidiary, BC Lottotech International Inc., which has as its sole business the purchase of capital assets for BCLC. There are no revenue or expenses for Lottotech since the management and oversight is consolidated within BCLC operations.

Since 1985, BCLC has grown from a lottery company with \$300 million in sales revenue, to a commercial gaming entertainment organization generating a forecast \$1,990.4 million in net win¹ (\$2,611.4 million in revenue) in 2008/09. BCLC integrates responsible gaming and player security into the design and development of new games and services, markets and advertises our games, manages the technology necessary to run our gaming business, and oversees contracted retailer and service provider operations to ensure gaming integrity, security, compliance and performance.

¹ Net win is the calculation of sales revenue after prizes are deducted.



BCLC's corporate governance framework

The Government of British Columbia establishes the legislative, regulatory and policy framework under which BCLC conducts and manages gaming.

BCLC optimizes our financial performance within the gaming and social policy framework established by Government, ensuring our games and services are provided in a socially responsible manner consistent with our responsibilities reflected in British Columbia's *Responsible Gambling Strategy*.

A key component of BCLC's governance framework is the "Shareholder's Letter of Expectations", an agreement between the Minister, on behalf of Government, and BCLC's Board. This agreement,

intended to define and promote a positive and cooperative working relationship, establishes BCLC's mandate and identifies Government's strategic priorities and performance expectations for BCLC. Government directs BCLC to take specific actions and our actions and the status of our activities to implement them are shown in the following chart.

[Click here to read BCLC's full *Shareholder's Letter of Expectations*.](#)

BCLC's *Shareholder's Letter of Expectations* Summary

GOVERNMENT DIRECTION	BCLC ACTIONS
Optimize the Corporation's financial performance within the gaming and social policy framework established by the Shareholder;	Within the gaming and social policy framework established by Government, BCLC achieved \$2,559.2 million in revenue and \$1,088.9 million in net income in 2007/08 and is forecasting \$2,611.4 million in revenue and \$1,110.0 million in net income for 2008/09, meeting the net income target.
Enhance the performance, integrity and efficiency of casino, bingo, lottery and eGaming in response to customer and marketplace demand, through products, services and technology consistent with the Corporation's mandate;	BCLC is increasing the focus on the player and forecasting net income growth through innovative new games, services and marketing, continued improvements to casino and community gaming facilities and customer relations management. Processes and technology to support the performance, integrity and efficiency of the business are a key focus of this Service Plan.
Ensure the Corporation's products and services are provided in a socially responsible manner and strengthen the Corporation's activities related to its social objectives in a manner that is consistent with the Province's Responsible Gambling Strategy and the Corporation's responsibilities reflected in that Strategy;	<p>BCLC delivers gaming in a manner that encourages responsible gambling and healthy choices. Our responsible gaming efforts are focused on enhancing responsible gaming programs for our players and communication about the availability of and access to programs, including voluntary self exclusion.</p> <p>We support GPE in their efforts to reduce the incidence and harmful impacts of problem gambling and to educate and raise public awareness of responsible gaming and problem gambling.</p>
Ensure gaming products and services offered by the Corporation are consistent with the objectives of gaming security and integrity;	<p>The integrity and security of BCLC's gaming systems is paramount to ensuring public trust and confidence in the games and services we offer our players.</p> <p>BCLC's processes and technology are being upgraded and will be continuously improved in order for us to continue to ensure the integrity of and security in, our gaming systems.</p>
Implement the recommendations made by the provincial Ombudsman in May 2007 related to the Corporation;	BCLC continues to implement the Ombudsman's recommendations and enhance the fairness, integrity, transparency, security and player focus of our lottery system. BCLC regularly issues reports that assess our progress in implementing programs to meet these recommendations.

GOVERNMENT DIRECTION	BCLC ACTIONS
Implement recommendations made by Deloitte and Touche LLP in their independent audit of lottery operations in BC undertaken in 2007 as directed by the Shareholder;	BCLC continues to implement Deloitte's recommendations and further enhance the integrity and transparency of BCLC's lottery business.
Notify the Shareholder of BCLC's resolution of any significant issues related to the implementation of recommendations of either the Ombudsman or Deloitte and Touche LLP;	BCLC is working closely with our Shareholder as we implement these recommendations to ensure a shared understanding of any issues, including the associated costs and workload and the increased regulatory, audit, compliance and enforcement activities.
Operate in a manner consistent with the GPE regulatory responsibilities as they apply to BCLC;	<p>BCLC operates its gaming business and financial activities within the legislative, regulatory and policy framework established by Government.</p> <p>BCLC & GPE continue to meet on a quarterly basis to enhance cooperation and coordination between the organizations while respecting GPE's independent role as regulator.</p>
Build public and key stakeholder trust/support, by continuously improving the quality of service to customers and relationships with service providers;	Building public and stakeholder trust and support by improving the service for our players is a key strategy for BCLC. Continuous improvement is planned through programs such as player-focused training, ongoing management oversight, and collaboration with our service providers.
Comply with the policy directives that may be issued from time to time by the Minister Responsible for the <i>Gaming Control Act</i> and with policies, directives and standards that may be issued from time to time by the regulatory agency (Gaming Policy and Enforcement) established under the <i>Gaming Control Act</i> ;	BCLC continues to comply with policy directives issued by the Minister, including directives and standards issued by GPE.
Report to Government, by March 31, 2009, BCLC's progress in implementing its action plan on reporting suspicious and large cash transactions;	BCLC continues to direct its service providers to report suspicious and large cash transactions as required under <i>Proceeds of Crime (Money Laundering) and Terrorist Financing Act of Canada</i> through the Casino and Community Gaming Standards, Policies and Procedures. We have strengthened training programs, monitoring of submitted reporting and compliance audit frequency, and will continue to report to Government on our progress.
Inform the Shareholder on a regular basis of any major changes occurring or likely to occur that may impact on BCLC's achievement of its Service Plan targets either negatively or positively; and	BCLC regularly notifies our Shareholder of any major changes occurring or likely to occur that may impact the achievement of our Service Plan targets.
Operationalize carbon reduction plans developed by the Corporation in compliance with the Climate Action Secretariat's <i>Framework for Greenhouse Gas Measurement and Reporting: Guidance for Crown Corporations</i> .	<p>BCLC is developing plans that adhere to Government requirements to report on and offset our carbon emissions as part of company operations.</p> <p>We are extending our efforts to advance environmentally sustainable behaviours in our organizational culture through actively encouraging the development of ideas and solutions from employees in all levels of the organization, including an employee committee that is engaged in this work.</p>

Our Board of Directors

BCLC's Board of Directors complies with each of the disclosure requirements and is fully compliant with the standards and guidelines as required in *Best Practice Guidelines—BC Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations* (2005). The framework includes the terms of reference for the Board, the Board Chair, President and Chief Executive Officer, Directors, Standing and Ad Hoc Board Committees, as well as processes for strategic planning, succession planning and Board performance evaluations.

Our Board of Directors has the primary responsibility to foster BCLC's short and long-term success, consistent with their responsibility to our Shareholder, the Government of British Columbia, and considering the legitimate interests held by other stakeholders including employees, players, retailers, service providers, suppliers, communities and the public.

The Board Chair and the Directors, are appointed by the Government. Where not appointed as a full member, the Chair is an ex-officio member of Board Committees and works closely with the Corporate Secretary.

The Directors are stewards of BCLC, with collective responsibility to oversee the conduct of BCLC's business and to supervise management, who are responsible for day-to-day operations.

Reporting to the President, the Corporate Secretary facilitates communication between the Board of Directors and senior management and plays a key role in the administration of corporate and governance matters, working with the Board through the Chair.

The President and CEO is also an ex-officio member of all Committees.

[Click here to learn more about BCLC's Corporate Governance and Board of Directors.](#)

The Honourable Rich Coleman, Minister of Housing and Social Development
Minister Responsible for Gaming

BOARD OF DIRECTORS

Role	To provide stewardship and ethical leadership to oversee the management of BCLC's affairs in the best interests of BCLC and the long-term interests of our Shareholder, the Government of British Columbia. In carrying out the mandate of the Board, each director has specific statutory duties and obligations under employment, environmental and financial reporting and is required to act in accordance with fiduciary, duty of care and conflict of interest guidelines and do so: <ul style="list-style-type: none"> i) honestly and in good faith; ii) with a view to the best interests of the Corporation; iii) with the care, diligence, and skill of a reasonably prudent person; and iv) the powers of the Directors are conferred upon them to exercise on behalf of and for the benefit of BCLC.
Chair:	John McLernon
Members:	Arthur Wilms (Vice-Chair), Trudi Brown, David Gillespie, Walter Gray, D. Neil McDonnell, Tazeem Nathoo, Michael Riley, Kathy Stevenson

Standing Board Committees have been established and other committees are established as needed. These Committees are responsible for advising and formulating recommendations to the Board. Current Standing Board Committees are:

Audit	<p>Purpose: To assist the Board in fulfilling oversight responsibilities for BCLC's financial reporting to government, internal control systems, audit processes and compliance with laws, regulations and policies.</p> <p>Chair: Kathy Stevenson</p> <p>Members: Art Wilms, David Gillespie, Michael Riley</p>
Governance and Corporate Social Responsibility	<p>Purpose: To provide a focus on governance that enhances BCLC performance and oversight responsibility for BCLC corporate social responsibility policy.</p> <p>Chair: David Gillespie</p> <p>Members: Trudi Brown, Walter Gray, Tazeem Nathoo</p>
Human Resources and Compensation	<p>Purpose: To assist the Board in fulfilling obligations relating to human resources and compensation matters to enhance BCLC's performance against the strategic plan.</p> <p>Chair: Tazeem Nathoo</p> <p>Members: Neil McDonnell, vacant</p>
Ad Hoc Committees	Are established for a specific period of time to undertake a specific task, and then disbanded.

Our Senior Executive Team

The President and CEO reports to the Board of Directors and maintains open communication with the Board and Board Chair.

All Vice Presidents report to the President and CEO.

[Click here to learn more about BCLC's Senior Executive team.](#)

The Honourable Rich Coleman, Minister of Housing and Social Development
Minister Responsible for Gaming

Board of Directors
John McLernon (Chair)

President and CEO
Michael Graydon

Responsible for BCLC's leadership and vision, directing and supporting his Senior Executive Team in the development of the plans and actions required to realize the goals of the organization.

Corporate Affairs

Kevin Gass, Vice President

Responsible for corporate social responsibility, communications and e-business, including stakeholder and media relations, public affairs, sponsorship and promotions, PlayNow.com and bclc.com.

Human Resources

Debbie Toole, Vice President

Responsible for the human resources and organizational development programs, including recruitment, compensation, rewards and recognition, leadership and other training programs.

Business Transformation

Lynette Hughes, Vice President

Responsible for business transformation and processes to align employees, business models and technology with business strategy, including strategic planning, corporate policy and the program management office.

Corporate Security and Compliance

Terry Towns, Vice President

Responsible for corporate security and compliance, including complaint investigations, legal services, privacy and freedom of information administration, and player, employee, retailer and service provider compliance.

Lottery Gaming

Jim Lightbody, Vice President

Responsible for the development and operations of lottery gaming, including products, marketing, sales and distribution, and contracted private sector lottery retailers.

Customer Strategy and Corporate Marketing

Marsha Walden, Vice President

Responsible BCLC's player-centricity strategies, including player advocacy and support, player and corporate marketing, product innovation and research.

Information Technology

Scott Norman, Vice President and Chief Information Officer

Responsible for the technology architecture and infrastructure that supports BCLC's gaming and back office systems and business processes.

Finance and Corporate Services

Tom Williamson, Vice President

Responsible for finance, including financial reporting and liaison with government, procurement, administration and facilities.

Casino and Community Gaming

Darryl Schiewe, Vice President

Responsible for the development and operations of casino, community gaming and commercial bingo, including products, marketing, sales and distribution and contracted private sector service providers.



2007/08 summary

BCLC gaming operations are significant and in 2007/08 total revenue and income exceeded our targets.

In 2007/08 gaming managed by BCLC provided \$1,088.9 million in net income to Government. The number of lottery retail and hospitality locations decreased as a result of regulatory and policy changes that required new registration and equipment requirements for lottery locations aimed at increasing public trust and confidence in the lottery system. This resulted in retailers choosing to no longer do business with BCLC as well as caused BCLC to cease business with a number of locations.

British Columbians won \$647 million in lottery, egaming and bingo prizes. Our lottery retailers and casino, community gaming and bingo service providers were paid \$557 million in commissions, service fees, and other direct costs, and host local governments shared \$83 million. Gaming has also created significant direct and indirect employment opportunities in British Columbia. BCLC purchased approximated \$137 million in goods and services.

(in millions)	LOTTERY	eGAMING	CASINO	COMMUNITY GAMING & BINGO	TOTAL
Sales Revenue	\$958.2	\$18.7	\$1,322.1	\$260.2	\$2,559.2
Net Win	425.7	8.3	1,322.1	155.9	1,912.1
Net Income	\$261.7	2.2	761.8	63.2	1,088.9
Distribution Channels	4,033 Retail and Hospitality locations	PlayNow.com	17 Commercial Casinos	12 Community Gaming Centres 15 Commercial Bingo Halls	
Games	Lottery Games	Lottery Games e-only Games	Slot Machines Table Games Poker Games	Paper Bingo Electronic Bingo Slot Machines	

Net win is the amount of sales revenues less prizes.

Source: BCLC Annual Report 2007/08 (financial information) and internal reporting (distribution and games).
Click here to learn more about BCLC's results in our [Annual Report 2007/08](#).

2008/09 forecast

BCLC is forecasting \$1,989.9 million in net win, a 3.9% increase from 2007/08 results. Net income will reach the target \$1,110.0 million, a 1.9% increase over last year.

(in millions)	LOTTERY	eGAMING	CASINO	COMMUNITY GAMING & BINGO	TOTAL
Sales Revenue	\$953.0	\$22.0	\$1,369.4	\$267.0	\$2,611.4
Net Win	427.8	9.9	1,369.4	182.8	1,989.9
Net Income	251.2	2.9	777.2	78.7	1,110.0
Distribution Channels	2,927 Retailer Locations 1,124 Hospitality Locations	<u>PlayNow.com</u>	17 Commercial Casinos	15 Community Gaming Centres 12 Commercial Bingo Halls	
Games	Lottery Games	Lottery Games e-only Games	Slot Machines Table Games Poker Games	Slot Machines Electronic Bingo Paper Bingo	

Net win is the amount of gross sales revenues less prizes.

Trends, opportunities and challenges BCLC experienced in 2008/09 and is anticipating for the future

Gaming is a major industry in Canada generating \$14.6 billion in gaming net win in 2006.¹

The gaming industry is one of the largest entertainment industries in Canada, directly or indirectly supporting 267,000 jobs. The significant growth in the Canadian gaming industry is the result of the development of casino facilities and electronic gaming devices.²

In British Columbia, Government's gaming policy promotes responsible play and prohibits the introduction of video lottery terminals (VLT's). Traditional lottery offerings are substantial but continue to lose market share. Revenue and income growth in recent years has come primarily from the redevelopment of the casino business and the upgrading of commercial bingo halls to community gaming centres with more entertainment options including slot machines and enhanced food and beverage amenities.

The growth of gaming in neighbouring jurisdictions and on the internet continues to compete with BCLC's gaming business. The Las Vegas trend to diversify entertainment and service offerings to include hotels, restaurants and entertainment as well as to differentiate through product offerings is becoming more relevant in the industry as casino markets mature.

Internet gaming is becoming more widespread among British Columbians. Worldwide internet gaming net win in 2005 was estimated at \$12 billion (US) with 23 million players and is projected to grow to \$24.5 billion (US) by 2010. Lottery games account for \$4 billion (U.S.) in this projection.³

In 2007, BC's gaming industry is estimated to generate 32,246 jobs (full time equivalent). Amongst North American jurisdictions, BC's annual lottery spending per capita moved up from 15th place in 2006 to 12th place in 2007.⁴

The global mobile gaming market is also growing, with estimated 2007 revenue at just under \$1.3 billion forecast to grow to \$26 billion in 2012 as consumers shift from cell phones to multi-functional devices that include a phone.⁵ BCLC does not offer its games on mobile technology.

In previous years, BCLC has compared its gross sales revenue from lottery and bingo games to the net win from casino games. Net win is the calculation of sales after prizes are paid to players during game play. Lottery and bingo net win is the calculation of gross sales after lottery and bingo prizes are deducted.

In order to compare BCLC's gaming channels with each other and to compare our gaming business with other gaming jurisdictions, we have revised our reporting to net win. BCLC will continue to make gross sales revenue, net revenue and net income financial information publicly available in our financial statements.

BCLC Revenue, Net Win and Net Income



Revenue, net win and net income figures for 2006/07 and 2007/08 are actual; 2008/09 are forecast and 2009/10 through 2011/12 are targets

² Source: Economic Impact of the Canadian Gaming Industry, HLT Advisory Inc. for the Canadian Gaming Association January 2008

³ Source: Christiansen Capital Advisors

⁴ Source: LaFleur's 2008 World Lottery Almanac

⁵ Source: Mobile Gambling—A Good Bet for the Future, Juniper Research white paper, October 2007

Economy

The recent global financial crisis has had a major impact on BC's economy. The impact on BCLC's gaming operations is unknown at this time. In previous economic downturns, gaming has performed relatively well in comparison to other industry sectors. Due to the uncertainty, BCLC has not factored the current economic conditions into revenue and net income forecasts and targets.

A strong economic performance in early 2008 was expected to have a positive impact on disposable income and BC's exposure to the world in 2010 and other tourism initiatives were anticipated to provide opportunities for growing sales of BCLC's games and services.

Consumers

Consumers continue to expect and seek out unique, more personalized and sophisticated experiences. Entertainment and communication technologies are continuing to evolve rapidly, particularly for the home market, and we are living in an increasingly self-service world.

BCLC is addressing changing consumer needs with the introduction of new innovative games and distribution channels, including the development of casino and community gaming centre facilities and self-service terminals in the lottery hospitality network. A redesigned PlayNow.com will provide a better player egaming experience.

As entertainment options continue to increase, delivering high entertainment value and building loyal customer relationships are increasingly important as competitive differentiators. BCLC must provide games and services that provide a complete entertainment experience for our players, when and where they want them. This requires a shift in our approach from product-centric to player-centric.

BCLC and our service providers in all gaming channels will also focus on providing better player service and customer relations.

Labour Force

British Columbia's economic growth, associated low unemployment rate and changing demographics and the more limited availability of highly skilled people has increased the market competition for employees. This competition and labour shortage provides challenges for BCLC and our gaming service providers.

BCLC's recruitment and retention program improvements and our status as one of BC's Top 50 Employers are areas where we will continue to focus so that we attract and retain skilled employees.

Technology

New technologies can lead to business advantages, product and service innovation for our players and operational efficiencies for BCLC.

We will continue to identify and evaluate the most promising developments and apply these to our gaming business in order to provide internal efficiencies and support our gaming and business systems and their security and integrity.

Lottery Gaming

Subsequent to the growth in lottery revenue experienced in 2005 to 2007, sales declined in 2007/08 as a result of BCLC's focus on the regulation, infrastructure and processes in the lottery system, which led to the postponement of business development programs.

BCLC's per capita lottery revenue ranks 12th amongst the 53 North American lottery jurisdictions. BCLC's lottery gaming is still a major profit generator and remains a strategic priority.

BCLC will renew the focus on innovation that provides more exciting, entertaining games, including a new monitor-based game for the hospitality network, a potential new lotto game and SportsFunder games that benefit BC amateur sports. A more contemporary image and more convenient ways to purchase games such as self-service terminals are other ways we plan to increase player participation and revenue from this channel while strengthening player security and system integrity.

Lottery net win is calculated by deducting prizes from total sales revenue.

Lottery Revenue and Net Win



Revenue and net win figures for 2006/07 and 2007/08 are actual; 2008/09 are forecast and 2009/10 through 2011/12 are targets

eGaming

Creating a successful egaming business is a strategic priority for BCLC. Steady growth continues in this channel, which provides players in BC the convenience and security of purchasing at PlayNow.com, our egaming site. Compared with other gaming jurisdictions that offer internet gaming, particularly in Europe, BCLC's product line is more limited.

PlayNow.com incorporates social responsibility through maximum player weekly wallet limits, age control limits, privacy protection and self exclusion options.

New site designs that offer a more engaging and entertaining experience for our players and innovative games that leverage new technology will continue to increase our acquisition and retention of players.

eGaming net win is calculated by deducting prizes from total sales revenue.

eGaming Revenue and Net Win



Revenue and net win figures for 2006/07 and 2007/08 are actual; 2008/09 are forecast and 2009/10 through 2011/12 are targets

Casino Gaming

Since 1997, when BCLC assumed responsibility for casino games and introduced slot machines in the BC marketplace, the casino business has experienced double-digit growth and is now our largest revenue stream.

Our priority to upgrade existing casino facilities with higher quality properties has resulted in a more diverse entertainment experience for players that includes full-service restaurants and theatre-style show lounges, and in some cases, resort-style accommodations and conference facilities. This strategy is nearing completion, resulting in slower growth forecast for the next three year period.

We will continue to develop casino properties that provide players with an exceptional entertainment experience and position casino gaming as a major tourism attraction where market demand allows.

Casino revenue is shown as net win, which is the amount after prizes are paid to players during game play.

Casino Net Win



Community Gaming Centre and Commercial Bingo Gaming

BCLC continues to work with bingo service providers to transform commercial bingo halls in key market locations to community gaming centres. Community gaming centres are upgraded facilities with improved customer service and amenities such as restaurants and lounges, and offer more entertaining products, including slot machines and other electronic games.

Because community gaming centres have been well received by players and their local communities, the net win generated from community gaming centres is increasing as more are developed.

Bingo is one of the oldest forms of gaming in British Columbia and has been in a steady decline over the past decade as interest in the game diminishes. Commercial bingo revenue was negatively affected as regulations to establish smoke-free facilities were put in place. BCLC's challenge is to find more entertaining games for bingo players.

Community gaming and bingo net win is the amount after prizes are deducted from sales revenue.

Community Gaming and Bingo Revenue and Net Win



What BCLC is doing about our risks

BCLC faces risks specific to our business that could impact our ability to conduct and manage gaming in British Columbia and achieve the mission and goals of this Service Plan.

While risks can not be eliminated, BCLC's strategies are targeted at minimizing the risks and/or mitigating their impact. BCLC continues to formalize an enterprise risk management process for application to our business activities. Guided by risk management standards, enterprise risk identification occurs through assessment by an Advisory Committee, the Executive Committee and the Board of Directors, and is a key factor in our strategic planning, including resource decisions. A management role supports the process through focus on education, accountability and administration.

Future activities will include an assessment of the effectiveness of existing practices for managing or mitigating the identified risks, and recommending changes to strengthen them, if required.

To identify key critical risks, we considered the likelihood of their occurrence, the impact of not managing them adequately, and the existing management effectiveness. Five residual risks where the most significant difference between the criticality of risk and management effectiveness were noted for increased focus this year. The risk and the mitigation strategies for each are included here.

UNAUTHORIZED SALES RISK	MITIGATION STRATEGIES
<p>If BCLC fails to continuously monitor and manage our regulatory or legal requirements to engage in sales to unauthorized customers, we could face legal action or sanctions.</p>	<p>BCLC must continuously monitor and manage its regulatory and legal requirements to mitigate the risk of engaging in sales to unauthorized customers which could result in an erosion of public trust.</p> <p>Our plans to mitigate this risk exposure are supported through:</p> <p>Strategy #1: Demonstrate a high level of corporate citizenship and social responsibility in all of our activities</p>
LACK OF PLAYER FOCUS RISK	MITIGATION STRATEGIES
<p>If BCLC fails to focus on our players, our capacity to meet or exceed player, public and Shareholder expectations is threatened.</p> <p>The risk of not having "player focused" aspects considered in all decision making processes could result in not being able to meet player expectations.</p>	<p>BCLC recognizes that players and the public may have expectations that exceed our current capacity to fulfill.</p> <p>Our comprehensive plans to lead the way as a player-focused organization are included in our strategy:</p> <p>Strategy #2: Transform to a player-centric company</p>

SERVICE PROVIDER/CHANNEL PROVIDER RISK	MITIGATION STRATEGIES
<p>If BCLC fails to effectively monitor and manage business relationships with our retailers and service providers, our ability to meet or exceed player and public expectations could be threatened.</p> <p>Outsourcing or contracting activities to third parties may result in these third parties not acting within the intended limits of their authority or not performing in a manner consistent with BCLC's strategies, objectives and directives.</p> <p>Fraudulent activities perpetrated by service providers or retailers, or against BCLC would expose us to financial loss and erosion of reputation, negatively impacting our Shareholder.</p>	<p>BCLC mitigates the likelihood and impact of this risk by strengthening our relationships with retailers and service providers in all business channels; updating BCLC security compliance and enforcement programs, policies, procedures and technology to ensure a high level of gaming integrity and player security is delivered.</p> <p>We describe our plans for the continued strengthening of monitoring and management of third party business relationships in:</p> <p>Strategy #3: Create an integrated, multi-channel player community</p>

SYSTEM OR DATA INTEGRITY BREACH	MITIGATION STRATEGIES
<p>BCLC is highly reliant on information technology systems to sustain its operations. We are capturing confidential player information; the unintentional dissemination or loss of this data is a major risk.</p> <p>We could face a gaming or significant support system failure that leads to breaches in integrity, privacy, or data continuity.</p>	<p>BCLC has always been committed to ensuring a high degree of protection of our data and systems.</p> <p>Technology is changing at a rapid pace and BCLC needs to keep up with the changes in the marketplace. The games that players want have more unique technology components.</p> <p>BCLC is committed to sustain our business through:</p> <p>Strategy #4: Transform the business infrastructure and enterprise technology to improve the gaming experience, business integrity and operational efficiency</p>

INSUFFICIENT SKILLS/CAPACITY RISKS	MITIGATION STRATEGIES
<p>Significant changes in the labour market in areas such as workforce demographics or the availability of technical skills could adversely affect BCLC's ability to attract and retain the highly skilled and motivated employees required to execute business plans and operate the company.</p> <p>If managers and employees do not know what is expected of them, do not believe they are empowered to act, do not have efficient work processes or do not have the appropriate allocation of resources, there is a risk that they will feel lack the motivation needed to achieve BCLC's business objectives. A lack of empowerment can also stifle creativity and innovation, hinder cross-functional teamwork and foster a culture of fear and distrust.</p> <p>For BCLC to continue to succeed will require a strong, adaptable workforce passionately engaged in driving the success of the business.</p>	<p>BCLC is currently able to leverage our strong gaming knowledge, expertise and skill advantage in the British Columbia entertainment marketplace.</p> <p>The recommendations resulting from past reviews and audits have lead to Player First and other strategic initiatives, all of which have planned for additional expert employee resources and new skill sets to execute.</p> <p>Strong leadership is being developed that promotes a culture that values innovation, integrity, engagement and accountability.</p> <p>BCLC is committed to our people and culture through:</p> <p>Strategy #5: Make BCLC a great place to work</p>



Here's our plan for the next three years

BCLC's Board and Senior Executive review our mission, goals, strategies, performance measures and the associated targets on an annual basis.

Our Mission

We create outstanding gaming experiences

Our Values

- Integrity:** The games that we offer and the ways we conduct business are fair, honest and trustworthy
- Social Responsibility:** Everything we do is done with consideration of its impact on and for the people and communities of British Columbia
- Respect:** We value and respect our players, service providers and each other

Our Goals and Strategies

1. Build public trust and support for BCLC gaming
 - Demonstrate a high level of corporate citizenship and social responsibility in all of our activities
2. Provide facilities and games to develop the business
 - Transform to a player-centric company
 - Create an integrated multichannel player community
3. Invest in infrastructure to support current business operations and future growth
 - Transform the business infrastructure and enterprise technology to improve the gaming experience, business integrity and operational efficiency
4. Have a workforce passionately driving the success of our business
 - Make BCLC a great place to work

[Click here](#) to review a comparison of our strategic framework from the previous service plan to this Service Plan 2009/10–2011/12, located in the Appendix.

How we can tell if we're doing a good job

In 2008 BCLC's performance measures were compared with information available publicly for other gaming organizations. The result is the addition of some new measures in the framework we use to assess BCLC's level of success in achieving our business plans.

Data for BCLC's performance targets are obtained from internal and external sources. Data for benchmarking our performance measures with other gaming organizations is obtained from publicly available reporting.

BCLC revenue, net win and net income results are obtained from our audited financial statements. Other financial measures are obtained from internal management reports. BCLC contracts with external professional agencies to conduct surveys to assess our level of success. These agencies conduct surveys by asking questions pertinent to our performance measures.

Performance measure results are reviewed against the targets BCLC has set. If we're doing well, we should be reaching our targets. If BCLC has a rating below our target, we'll need to adjust the programs we're implementing and how we're delivering them.

PERFORMANCE MEASURES	2006/07 ACTUAL	2007/08 ACTUAL	2008/09 TARGETS	2008/09 FORECAST	2009/10 TARGETS	2010/11 TARGETS	2011/12 TARGETS
Public Support for Gaming	56%	62%	62%	62%	63%	64%	65%
Public Trust and Confidence in BCLC Games	N/A	N/A	61%	59%	61%	63%	65%
Player Awareness of Responsible Gambling Activities	N/A	N/A	82%	84%	88%	90%	90%
Player Satisfaction	85%	84%	88%	84%	85%	86%	87%
Player Participation (past year)	83%	81%	N/A	81%	82%	83%	83%
Net Win per Capita ⁶	\$407	\$432	\$455	\$449	\$476	\$497	\$507
Operating Cost Ratio (of Net Win) ⁷	39.6%	40.1%	41.9%	41.2%	43.0%	42.9%	42.9%
Employee Engagement	54%	44%	55%	55%	60%	65%	68%
Employee Vacancy Rate	N/A	N/A	N/A	N/A	7%	5%	5%

⁶ Net win is the calculation of sales after prizes; per capita uses total 2007 BC population to determine the net win per 1,000 BC residents

⁷ Actuals and targets for 2005/06 through 2008/09 are re-stated to conform to this new measure, as previous Service Plans measured the operating cost ratio based on revenue or net income.

Public/Planet – Goal #1: Build public trust and support for BCLC gaming

STRATEGY	PERFORMANCE MEASURES	2009/2010 TARGET	2010/2011 TARGET	2011/2012 TARGET
1. Demonstrate a high level of corporate citizenship and social responsibility in all of our activities	1. Public Support for Gaming	63%	64%	65%
	2. Public Trust and Confidence in BCLC Games	61%	63%	65%
	3. Player Awareness of Responsible Gambling Activities	88%	90%	90%

What we are doing to ensure our games are provided in a socially responsible manner and BCLC is a good corporate citizen

We promote responsible play with our customers and positively affect BC communities through our business.

BCLC wants to ensure our gaming delivery encourages responsible gambling and healthy choices. Through education and communication we are increasing player awareness of gaming issues and the services available if a player encounters difficulties. We offer our players options such as weekly play budgets, play time limits and self-exclusion programs.

Recognizing that accessing information about responsible gambling can be difficult, BCLC is preparing to launch a new education program to promote broader public awareness on how to play responsibly, to make sure that playing our games stays fun.

Responsible Play Information Centres are located at all casinos, community gaming centres and both horseracing venues with slot machines. Trained specialists staff the casino locations and interactive kiosks provide players with choices on accessing information about game odds, voluntary self exclusion programs, tips for keeping it fun and information about resources such as free problem gambling counselling.

More than 8,000 gaming employees have taken BCLC's Appropriate Responsible Training (ART). The curriculum

for manager-level ART has been updated to incorporate the latest in responsible gambling research and education methods, and in the coming months curriculum for front line staff will be similarly reviewed and updated. BCLC will continue our research so that we continue to deliver programs in ways that are easily accessed and used by players who need them.

BCLC has submitted our application for responsible gambling certification to the World Lottery Association. The accreditation process provides a basis for us to assess our programs, set objectives for future program development and incorporate international best practices in responsible gambling programming.

Government requires BCLC to become carbon neutral by 2010. BCLC is continuing to develop plans to reduce and offset our carbon emissions.

BCLC is also reviewing other ways we can reduce our impact on the planet by going beyond Government requirements. We will strive to provide benefits to the organization and our employees by making our gaming operations and office facilities more environmentally friendly and are looking at sustainability beyond reuse

and recycling of goods. In partnership with our suppliers, we have started updating our current fleet of vehicles to hybrids, will enhance our video conferencing capabilities, and have introduced measures to reduce electrical and gas consumption.

BCLC's employee Green Committee continues to be part of our Carbon Neutrality Steering Committee, and is the forum for employees to provide their ideas. This group is raising the level of awareness of how employees can make environmental responsibility and sustainable behaviour a permanent part of their work and home lives. Efforts to positively impact our retailers, service providers and contracted suppliers are also increasing as this awareness becomes embedded in the BCLC culture.

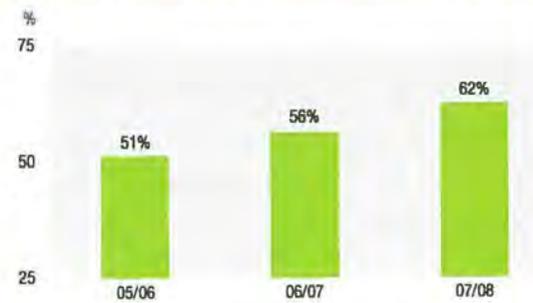
BCLC employees have raised funds for the United Way since 1994, and also volunteer their time to help disadvantaged families in the community through Christmas Charity employee groups. In 2008, employees were generous, exceeding the previous year donations.

Performance Measures and Benchmarks

BCLC has three performance metrics to help us assess whether or not our social responsibility programs are successfully reaching the public and our players. We will continue to report on these measures annually. We have not been successful in locating comparable metrics from other gaming jurisdictions for benchmarking purposes, so we will show our results over time.

"Public Support of BCLC Gaming" measures the percentage of adult British Columbians who support legalized gaming. This support is central to BCLC's successful management and growth of our gaming business. It indicates our success in providing quality gaming entertainment in a socially responsible manner and reaching the public with responsibility-focused messaging and is measured through a continuous tracking study conducted by an external research agency. Adult British Columbians are asked to rate their level of support for the existence of legalized gaming in BC. Here are our results:

Public Support of BCLC Gaming Results (Time Series)



"Public Trust and Confidence in BCLC Games" helps BCLC assess whether or not our programs to improve player focus, security and the integrity of our gaming systems are successful. It is measured through a continuous tracking study conducted by an external research agency. Adult British Columbians are asked to rate their level of trust and confidence in the games offered by BCLC. Our first results for this measure will be available in BCLC's 2008/09 Annual Report.

"Player Awareness of Responsible Gaming Activities" is measured through a continuous tracking study conducted by an external research agency. Players of BCLC games are asked questions about their awareness of six specific responsible gambling initiatives. It is important for BCLC to understand whether our responsible gambling programs and their delivery are successfully reaching our players. Our first results for this measure will be available in BCLC's 2008/09 Annual Report.

We are adding a fourth metric to our framework, "Level of Greenhouse Gas (GHG) Emissions (CO₂e)", consistent with the schedule of the Climate Action Secretariat requirements. This measure will report on BCLC's carbon footprint and is aligned with the government direction to make the public sector carbon neutral by 2010. Our first results for this measure will be available in BCLC's 2009/10 Annual Report as well as through Government's planned reporting.

BCLC plans to bring the Olympic experience to BC communities

BCLC is very proud to be an Official Supporter of the Vancouver 2010 Olympic and Paralympic Winter Games.



As we start the one year count-down to 2010, BCLC is ramping up to deliver great experiences through our business and within the organization, that will benefit our players, the public, and our employees. Our sponsorship has three objectives:

1. Enhance BCLC games to provide outstanding gaming experiences for our players;
2. Demonstrate employee leadership and increase engagement through their involvement in bringing the Olympic experience to their communities and workplace; and
3. Engage communities around British Columbia in the Olympic Games experience.

One of the things we're most excited about is the number of ticket event prizes we're offering to players through our SportsFunder lottery games.

SportsFunder has the tickets that are available no where else, offering players the chance to win 'once in a lifetime' experiences. There are prizes to appeal to a wide range of Olympic enthusiasts, from exclusive 2010 packages with prizes of tickets to premium Olympic events like the Gold Medal Hockey Game and Olympic Opening and Closing Ceremonies, unique pin mementos and vehicles, electronic equipment and travel packages available through our partnerships with other major sponsors.

BCLC will have a community outreach program to bring the spirit and excitement of the Olympic Games to communities across BC starting in 2009 and will be exploring opportunities to engage our service providers and host local governments to identify ways to engage them in this program. We also have 50 volunteer positions that are filled by employees who are offering their own time to support the Games.

The sale of SportsFunder lottery games directly supports amateur sport in British Columbia. Income from the sale of SportsFunder games goes to support athletes, coaches and amateur sports programs. We believe sport enriches the lives of our youth by teaching life skills such as leadership, goal setting and teamwork.

Since the launch of SportsFunder lottery games, BCLC has provided over \$4 million, benefiting all levels of amateur sports in British Columbia. Kids from every corner of the province have benefited, including 1,875 kids who couldn't otherwise afford registration fees. 10,000 youth in BC have received travel assistance and 1,200 coaches have been certified, all with help from SportsFunder.



As an Official Supporter, BCLC has had our Richmond and Kamloops office buildings wrapped in celebration of the 2010 Vancouver Olympic and Paralympic Winter Games

Player — Goal #2: Provide facilities and games to develop the business

STRATEGY	PERFORMANCE MEASURES	2009/2010 TARGET	2010/2011 TARGET	2011/2012 TARGET
2. Transform to a player-centric company 3. Create an integrated multichannel player community	1. Player Satisfaction 2. Player Participation (past year)	85% 82%	86% 83%	87% 83%
	3. Net Win (millions) 4. Net Win per Capita	\$2,108.4 \$476	\$2,199.0 \$497	\$2,247.0 \$507

How we plan to further develop our focus on the player to benefit our gaming business and generate income

BCLC's ability to continue to optimize our net income depends on our ability to provide exciting entertainment experiences for our players.

BCLC will continue to develop exciting and innovative new games and services for our players with game concepts that provide entertaining play experiences and casino and community gaming centres that focus on full entertainment experiences. We are integrating player focus into our organizational culture so that as we operate the business and implement strategy, the impact on, and benefits for, our players are our primary consideration.

This includes working with our service providers to continuously improve customer service for our players, with BCLC providing training programs for retailers, partnering with service providers with ongoing training programs for their employees. BCLC is also strengthening our oversight and compliance programs, including more frequent reviews, audits and reporting.

In lottery gaming, BCLC's plans include a new monitor-style game, the pilot of a more contemporary lottery retail model that provides a better marketing and merchandising experience for players, and the potential for a new lotto game.

Casino gaming will continue to focus on facilities that provide a variety of entertainment opportunities for domestic and international tourism markets. Providing the latest themed slot machines and new table games will provide players with an interesting variety of casino

gaming options. BCLC will look for new games using our bingo systems technology that will help offset a continuing decline in bingo gaming. In partnership with our service providers, BCLC will continue to offer special tournaments for poker, blackjack, mahjong, and slot machine players.

In October 2004 BCLC launched the PlayNow egaming site to provide BC players a convenient and secure way to play our games. We've continued to add more of the games our players enjoy. In 2008 we began plans to redesign PlayNow to provide a more engaging player experience and we will implement these new designs in 2009/10.

With our sights firmly set on our player's experience, BCLC is exploring emerging server based slot machine technologies and how that technology applies to our other gaming channels. BCLC will also investigate technology that enhances player services and business model efficiencies in all of our business channels.

BCLC offers player-focused rewards and incentives to the more than 400,000 members of the BC Gold player card. This year BC Gold will also be made available at community gaming centre locations. Special offers for PlayNow and lottery purchases will continue.

We will further develop our management of the relationship with our players by examining how to look at players across all of our gaming channels more effectively. We are beginning that work with a focus on players who participate in lottery gaming.

We are focused on our player, developing innovative games, services and facilities to entertain them

Over the past year BCLC has continued our efforts within the Player First program to significantly enhance our focus on our lottery players and in so doing, improved the integrity and security of all of our business channels.

Through Player First, BCLC has completed 19 of the 23 recommendations made by the BC Ombudsman. The remaining three recommendations are multi-year efforts that we expect to complete in 2009/10. BCLC is also continuing to implement the recommendations made by Deloitte & Touche LLP, completing 10 of the 27 recommendations. The remaining 17 are in progress and are also multi-year efforts.

Performance Measures and Benchmarks

BCLC will continue to set sales revenue and net income targets. We have added a new financial calculation, net win, which is the level of sales after prizes are paid. In past years, BCLC has compared sales revenue from lottery, bingo and egaming with the net win from casino gaming. Net win provides a consistent means of comparing our results across our own gaming channels as well as with other jurisdictions where egaming is offered.

Our success in achieving our player goal will be measured against our 2009/10 "Net Win per Capita" target of \$476. To calculate this measure, net win is divided by the total BC population, using publicly reported population figures. This measure indicates the extent to which BCLC is able to balance offering gaming in a responsible way and grow net income for Government. We have begun benchmarking our net win per capita with other gaming jurisdiction's results and will make that information available publicly.

2006/07 Net Win per Capita Benchmarks



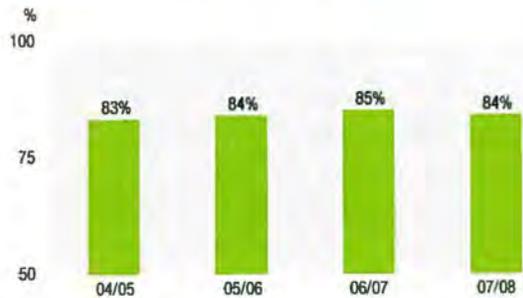
Sources: BC Stats, BCLC and Svenska Annual Reports, L'affaire's Lottery Almanac

BCLC's "Net Win per Capita" is slightly ahead of comparators but ranks behind the Canada Total as a result of the broad network of VLT gaming in some of the other jurisdictions. Compared to the \$432 net win per capita achieved in 2007/08, the 2008/09 forecast is \$449 and by 2011/12, BCLC expects net win per capita to reach \$507. Growth in recent years has come from casino-style gaming.

“Player Satisfaction” with our games, services and facilities in our lottery, casino, bingo and egaming channels will continue to be measured. Player satisfaction is a key factor in our continuing ability to generate income.

BCLC is making changes to the continuous tracking study conducted by an external research agency in order to provide consistency across all our gaming channels and will continue to provide a historical view of our level of achievement in this area.

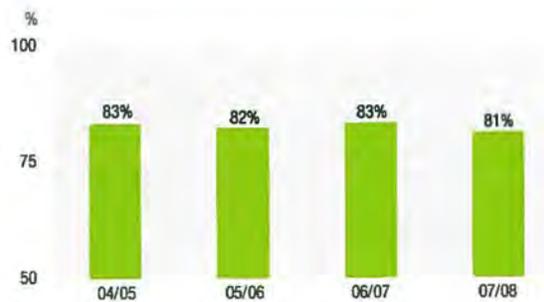
Player Satisfaction Results (Time Series)



We have reinstated the “Player Participation” measure in order to provide insight into the percentage of BC adults who have participated in some form of gaming in BC over the past year, which results in revenue generation.

This measure gauges our success in attracting and retaining players and building player loyalty. It is important in providing BCLC with a view of the relevancy of the gaming entertainment we offer to the adult population and is measured through a continuous tracking study conducted by an external research agency. A historical view of our level of achievement in this area will be used.

Player Participation Results (Time Series)



Financial/Operations — Goal #3: Invest in infrastructure to support current business operations and future growth

STRATEGY	PERFORMANCE MEASURES	2009/2010 TARGET	2010/2011 TARGET	2011/2012 TARGET
4. Transform the business infrastructure and enterprise technology to improve the gaming experience, business integrity and operational efficiency	1. Operating Cost % Net Win	43.0%	42.9%	42.9%
	2. Capital Cost % Net Win	5.7%	5.7%	5.6%
	3. Net Income (millions)	\$1,143.0	\$1,187.0	\$1,217.0

How BCLC is transforming capacity, infrastructure and technology to improve our business

BCLC is investing in our business in ways that support and sustain our revenue and net income for the future.

BCLC operates a business with net win expected to exceed \$1,990.4 million dollars this year, resulting in \$1,110.0 million in net income. In past years our primary focus has been on the build out of our marketplace, resulting in the growth of net income generated for Government.

To support our revenue generation and sustain it for the future, BCLC is strengthening our business infrastructure and gaming and back office systems, including capacity, process, structures and the supporting technology. We are doing this with the objective of creating a resilient, renewable and robust enterprise capable of sustaining current operations and supporting future growth.

BCLC will also focus the work on the business infrastructure in the area of master data management, which will establish a single, integrated source of information, to replace the multiple systems that exist today across our business channels. New technology will provide us with a centralized source information. These efforts will improve our ability to provide great customer service in all areas of the organization, provide insight into trends and reduce the development effort required for

new business. The effectiveness and efficiency of our business will be improved, with reduced maintenance, support, auditing, and oversight requirements. We will also include a review of our financial systems business processes.

BCLC is continuing to strengthen risk and policy frameworks, systems and internal controls, and implementing records and document management. We have implemented a corporate program management office to support the successful implementation of key programs for the organization.

We are also continuing the programs that augment our oversight of the controls and security of casino and community gaming operations. These efforts include increasing our oversight and reporting of large cash and suspicious currency transactions to the federal government as required by the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act of Canada* in conjunction with GPE compliance and reporting audits. BCLC is also reviewing the content of existing training programs and assisting in the development of additional training for, and testing of, retailers and service providers.

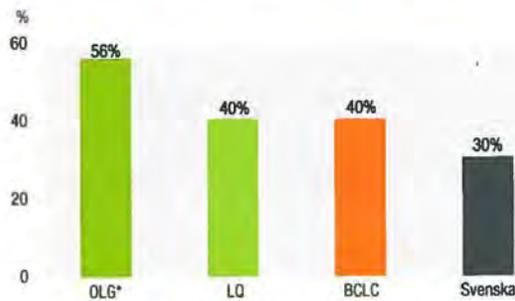
Performance Measures and Benchmarks

To assess our success in meeting our financial/ operations goal, BCLC will measure our normalized operating costs as a percentage of net win against our targets and with other gaming jurisdictions. This measure indicates the degree to which BCLC is efficient in delivering gaming.

Previous plans measured our operating cost ratio based on total revenue or net income; in order to compare with other gaming jurisdictions BCLC has changed the calculation to measure operating costs as a percentage of net win (sales after prizes).

In addition to BCLC administrative operating costs, service provider commissions, amortization and other costs are also included that together more closely align BCLC's operating model with the models used in other gaming jurisdictions.

2006/07 Operating Cost % Net Win Benchmarks



* denotes 2005/06 data as latest available for OLG

Sources: Annual reports, lottery organisations, lottery websites, Statistics Canada

BCLC will also compare the number of slot machines in BC per 1,000 population with the number of slot machines and VLTs per 1,000 population in other jurisdictions (Government's gaming policy prohibits VLT's in British Columbia). This measure provides insight into the accessibility of gaming to British Columbian adults as a result of government's responsible gaming model and compares it to other jurisdictions.

Differences in government social policy regulate the types of devices that are prevalent in Canada and other countries. While BCLC has previously used only adult population for per capita measurements, benchmarking to other jurisdictions requires that we use total population due to differing adult age definitions, gaming industry regulations, and the information publicly available.

2006/07 Electronic Gaming Devices Per Capita



Sources: Annual reports, lottery organisations, lottery websites, Statistics Canada

People—Goal #4: Have a workforce passionately driving the success of our business

STRATEGY	PERFORMANCE MEASURES	2009/2010 TARGET	2010/2011 TARGET	2011/2012 TARGET
5. Make BCLC a great place to work	1. Employee Engagement	60%	65%	68%
	2. Employee Vacancy Rate	7%	5%	5%

We're passionate about our business

For the third year in a row, BCLC is proud to have been recognized as one of BC's Top 50 Employers



BCLC was again recognized as one of BC's top employers. The selection from over 2,100 companies was made by MediaCorp based on eight criteria evaluated in comparison to other organizations. The award recognizes competitive financial benefits and growth opportunities for employees, coupled with the flexibility required for work-life balance.

In 2008/09 we were also successful in reaching our employee engagement target of 55%, providing evidence that our human resources programs are successfully reaching our employees.

BCLC needs a passionate workforce to drive the successful operation and management of our gaming business. Our new business direction requires significant internal and external business changes. We are working in the areas identified by employees, such as transforming our business processes and infrastructure, so that as we improve our business we increase our employees' engagement.

Our new human resources strategy addresses the people component of our business. Improved recruitment and retention processes that enable our growth, programs that develop our leadership effectiveness and other human resources process improvements will nurture a culture and environment that will continue to support BCLC's business strategy.

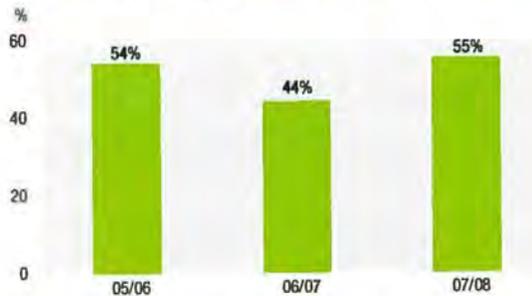
BCLC has 50 Olympic Games volunteer positions we made available to our employees. This group of employees has been progressing through Vanoc's interview, screening and training processes and are all very excited about offering their own time to provide leadership and support for the 2010 Games.

Performance Measures and Benchmarks

To assess our success in meeting this goal, BCLC will continue to measure the level of employee engagement. We contract with a third party supplier, who surveys our employees across a range of attributes, to measure the intellectual and emotional involvement they have in their work for BCLC.

Employee engagement is directly linked to the effort and dedication employees contribute to achieve success for the organization, as well as BCLC's ability to attract and retain employees. BCLC's employee engagement targets over the next three years are aggressive. The BCLC leadership team will continue to place emphasis on engagement, and the new human resources plan is intended to positively impact BCLC's employee culture.

2007/08 Employee Engagement (BCLC Time Series)



BCLC has added a new measure, employee vacancy rate. Used by other BC Crown Corporations, this average percentage will measure the number of vacancies in the process of being filled (replacement or new positions, recruited internally and externally) to BCLC's total headcount and in future may be compared with the results of other BC Crown Corporations. Our results will be reported in our 2009/10 Annual Report.



How much we're selling, spending and providing to Government

Gaming income funds Government public, charitable and community programs that benefit all British Columbians.

REVENUE \$ millions	2006/07 ACTUAL	2007/08 ACTUAL	2008/09 TARGET	2008/09 FORECAST	2009/10 TARGET	2010/11 TARGET	2011/12 TARGET
Lottery	\$983.1	\$958.2	\$980.0	\$953.0	\$975.0	\$982.0	\$990.0
eGaming	14.3	18.7	28.0	22.0	34.0	43.0	54.0
	997.4	976.9	1,008.0	975.0	1,009.0	1,025.0	1,044.0
Casino	1,208.9	1,322.1	1,400.0	1,369.4	1,450.0	1,520.0	1,545.0
Community Gaming	218.9	260.2	240.0	267.0	295.0	305.0	316.0
Gross Revenue	\$2,425.2	\$2,559.2	\$2,648.0	\$2,611.4	\$2,754.0	\$2,850.0	\$2,905.0
Net Win	\$1,774.0	\$1,912.1	\$2,017.0	\$1,989.9	\$2,108.4	\$2,199.0	\$2,247.0
EXPENDITURES							
Lottery	700.5	696.5	731.2	701.8	730.9	732.1	741.0
eGaming	13.4	16.5	24.2	19.1	28.2	34.0	41.0
Casino	510.3	560.3	607.7	592.2	649.9	692.3	701.4
Community Gaming	182.2	197.0	174.9	188.3	202.0	204.6	204.6
Total	\$1,406.4	\$1,470.3	\$1,538.0	\$1,501.4	\$1,611.0	\$1,663.0	\$1,688.0
NET INCOME							
Lottery	282.6	261.7	248.8	251.2	244.1	249.9	249.0
eGaming	0.9	2.2	3.8	2.9	5.8	9.0	13.0
Casino	698.6	761.8	792.3	777.2	800.1	827.7	843.6
Community Gaming	36.7	63.2	65.1	78.7	93.0	100.4	111.4
Paid to Gov't	\$1,018.8	\$1,088.9	\$1,110.0	\$1,110.0	\$1,143.0	\$1,187.0	\$1,217.0
Income Growth	10.4%	6.9%	1.9%	1.9%	3.0%	3.8%	2.5%
Debt	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Capital Expenditures	43.9	60.4	109.3	112.0	119.7	125.0	125.0
FTEs ⁸	596	638	784	736	865	880	900

⁸ Starting in BCLC's Service Plan 2008/09, we modified our definition of FTEs to include temporary staff

Financial Analysis

- While targets for revenue and net win have been revised downward since last year, BCLC is still predicting year-over-year growth during the three year period covered by this plan.
- Total net win is projected to increase by \$257.1 million or 12.9% over the forecast period.
- Total net income is projected to increase by \$107.0 million or 9.67% over the forecast period. This increase reflects growth in our community gaming channel and the continued introduction of new innovative products in all of our gaming channels.
- Relative to the previous service plan, lottery targets have been revised downward to reflect the impact of the reduction in the number of lottery locations and slower than anticipated growth at hospitality locations. Lottery net win is projected to grow \$7.8 million or 1.8% over the three year period. Growth in this channel will come from the introduction of new and innovative games.
- eGaming net win growth of \$13.6 million, or 137.4%, is anticipated over the three years covered by this plan. An improved player experience on PlayNow.com, new and innovative games and growing consumer acceptance of internet gaming are expected to support the growth in this channel.
- Casino targets have been revised downward over the three-year planning period, reflecting current estimates for slower growth. Casino net win growth of \$175.6 million or 12.8% will come from enhancements to existing casino facilities and the development of tourism markets. A shift in player preferences from higher-margin slot machines to lower-margin table games could have a significant impact on casino net win.
- Strong growth in the community gaming channel of \$60.1 million in net win, or 32.9% over the forecast period will be driven primarily by the continuing development of community gaming centres. Bingo continues to experience a decline in popularity as players migrate to new, more entertaining games.
- Normalized operating costs, which are calculated based on lottery retailer and service provider commissions, administration, amortization and other direct costs, are projected to increase from 40.1% of net win in 2007/08, to 42.9% of net win by 2011/12.
- In addition to providing for growth in the business, at this level, operating costs will enable the completion of the recommendations contained in the BC Ombudsman report and the independent audit by Deloitte & Touche LLP.
- As BCLC builds our capacity for the future, we will focus our investments in back office systems, technology and processes to maintain gaming integrity and sustain current the annual net income for Government at over \$1 billion.
- Capital expenditures in 2009/10 will continue to support lottery, egaming, casino, community and bingo gaming operations, as well as increased investments in responsible gambling programs. Additional capital expenditures will be incurred to upgrade BCLC's gaming and back office systems to ensure a high level of gaming integrity and internal controls.

Service Plan assumptions

British Columbia Real Gross Domestic Product

Due to significant current market fluctuations, the future of the BC economy has not been factored into this forecast.

Players

Development of our focus on one integrated player across all BCLC gaming channels will be successful in improving marketing effectiveness and gaming efficiencies.

BCLC's sponsorship of the 2010 Vancouver Olympic and Paralympic Winter Games and resulting ability to offer event ticket prizes on SportsFunder lottery games will be as successful as is expected in increasing lottery revenue.

Lottery

Planned releases of new lottery games will be on schedule.

Casino

Openings, upgrades and relocation of existing casinos will be on schedule.

The change in player preference for table games from high margin slot machines does not accelerate.

Community Gaming & Commercial Bingo

The planned openings, upgrades and relocation of existing commercial bingo halls to community gaming centres will be on schedule.

eGaming

Planned product releases of new games will be on schedule and the site redesign will be implemented this year.

Gaming Market

- Casino revenue will not be further impacted by cross-border competition.
- Competition from unregulated internet gaming will not increase, negatively impacting BCLC's eGaming market.
- British Columbia casino and bingo marketplace capacity studies are accurate.
- BCLC market forecasts for new lottery and egaming products are accurate.

Cost of Services

Inflation has been assumed at 2.1% over the planning period. Interest rates have been assumed at 2.5% for 2009/10, 3.6% for 2010/11 and 4.6% for 2011/12.

Gaming Policy

- No major changes will be made to BCLC's mandate or Government's gaming and social policy.
- No major changes will be made to Gaming Policy and Enforcement Division (GPE) mandate, regulations or policy.

Government Approvals

Net revenue and net income assumptions are based on BCLC obtaining the necessary provincial and host local Government and regulator approvals required under the *Gaming Control Act* for the opening of new facilities and to launch new games.

Capacity

The capacity of the organization will increase in order to balance the need to develop the business while investing in business and technology infrastructures and processes to support the current business and future growth.

Net income that may be at risk

BCLC net income estimates are made after careful consideration of the trends, opportunities, challenges and risks in conjunction with the mitigation strategies described in previous sections.

Risk occurrences could negatively impact BCLC's targets resulting in a decrease in the net income delivered to Government. Our forecasts of the possible variances are shown below.

NET INCOME FORECASTS \$ millions	2008/09	2009/2010	2010/2011	2011/12
High	\$1,139.0	\$1,175.0	\$1,232.0	\$1,273.0
Target	1,111.0	1,143.0	1,186.9	1,217.0
Low	1,068.0	1,073.0	1,100.0	1,114.0

Net Income Risk Factors:

- Economic issues that result in a reduction to personal disposable income;
- The capacity of our casino and community gaming service providers to build or upgrade gaming facilities;
- The frequency and size of lottery jackpots;
- BCLC's ability to develop and launch innovative new gaming products in all gaming channels;
- Competition from regulated and unregulated gaming competitors;
- Public acceptance of gaming;
- Changes in gaming rules and regulations;
- The Canadian exchange rate relative to the US dollar;
- Delays in obtaining host local Government approvals for the development or rebuilding of casino and bingo properties;
- Changes in consumer preferences that impact product mix and profitability;
- The continued viability of lottery retailers and casino and community gaming service providers; and
- The continued viability of suppliers of goods, services and technology.

Spending on gaming and corporate systems and facilities

\$ thousands	2006/07 ACTUAL	2007/08 ACTUAL	2008/09 TARGET	2008/09 FORECAST	2009/10 TARGET	2010/11 TARGET	2010/11 TARGET
Gaming Systems							
Lottery	\$7,804	\$7,148	\$8,000	\$9,234	\$13,023	\$22,100	\$22,000
eGaming	1,502	1,926	4,378	3,671	2,120	3,994	3,994
Casino	22,001	32,359	45,434	47,713	60,090	54,811	54,811
Community Gaming	6,445	6,952	14,774	15,722	16,468	15,807	16,057
Bingo	779	5,106	1,233	905	2,400	750	500
Player First	N/A	2,971	24,782	19,423	0	0	0
	\$38,531	\$56,462	\$98,601	\$96,668	\$94,101	\$97,462	\$97,462
Corporate Systems	4,933	2,854	8,186	2,939	18,510	20,228	20,228
Facilities	463	1,137	2,498	12,447	7,050	7,310	7,310
	\$5,396	\$3,991	\$10,684	\$15,386	\$25,560	\$27,538	\$27,538
Total Capital	\$43,927	\$60,453	\$109,285	\$112,054	\$119,661	\$125,000	\$125,000

- BCLC does not have any capital projects that individually exceed \$20 million.
- The primary driver of BCLC's capital expenditures is the acquisition of gaming equipment to support the lottery, casino, bingo and e gaming channels. This includes gaming equipment to support over 4,000 lottery locations, 17 casinos, 15 community gaming centres, 12 commercial bingo halls, the continuing transition of commercial bingo halls to community gaming centres, as well as support of PlayNow.com.
- BCLC will also be incurring capital expenditures over the next several years to improve systems and processes that support the security and integrity of our gaming systems. Expenditures will include deployment of self-service terminals in all lottery hospitality locations and development of monitoring systems for retailer prize winners, consumer complaints and incident tracking.
- Capital expenditures will also be incurred to support the upgrading of casino, bingo and back office support systems to provide the highest level of internal control and integrity.



What we plan to do differently, and why

BCLC's Board and Executive review BCLC's mission, goals, strategies, performance measures and the associated targets on an annual basis.

BCLC's mission statement has been updated to "We create outstanding gaming experiences", reflecting our focus on the total gaming experience we provide our players.

Our values of Integrity and Social Responsibility also remain unchanged. Our Respect value has been reworded to better reflect an outward as well as inward focus in our dealings with each other, our providers and the public.

We have restated and reordered BCLC's four goals to strengthen our generation of revenue within a balanced framework of corporate social responsibility, focus on our players, infrastructure and process capacity and growth, and our people.

This chart compares the goals in our previous Service Plan 2008/09–2010/11 to the goals in this year's Service Plan 2009/10–2011/12.

2008/09 – 2010/11 SERVICE PLAN GOALS	2009/10 – 2011/12 SERVICE PLAN GOALS	COMMENTS
Demonstrate social responsibility in all of our activities	Public/Planet Build public trust and support for BCLC gaming	It is important that the gaming BCLC's manages has the support of the public in order for us to continue to generate and maximize income.
Provide an outstanding gaming experience for players and generate income	Player Provide facilities and games to develop the business	Our focus on the player is being instilled organization-wide and includes the games, services, facilities and overall support we provide for our players.
Ensure players come first	Financial/Operations Invest in infrastructure to support current business operations and future growth	This new goal and associated activities is our key area of focus to improve our infrastructure, capacity, technologies, business integrity and operational efficiency.
N/A		
Have a workforce passionately driving the success of our business	People Have a workforce passionately driving the success of our business	No change.

This chart compares the performance measures and targets in our previous Service Plan 2008/09–2010/11 to the performance measures and targets in this year's Service Plan 2009/10–2011/12.

PERFORMANCE MEASURES	2008/09 SERVICE PLAN	2008/09 FORECAST ⁹	2009/10 TARGET ⁹	COMMENTS
Public Support of Gaming	62%	62%	63%	No change in the measure.
Public Trust and Confidence in BCLC Games	61%	59%	61%	No change in the measure.
Player Awareness of Responsible Gambling Activities	82%	84%	88%	No change in the measure.
Player Satisfaction	88%	84%	85%	No change in the measure.
Player Participation (past year)	N/A	81%	82%	Player participation indicates the level of success in engaging BC's adult population in gaming entertainment.
Net Win per Capita	\$455	\$449	\$476	BCLC financial statements will continue to include gross sales revenue and net income. We will use net win targets to gauge our success and compare our results with other gaming organizations.
Operating Cost Ratio (of Net Win) ⁹	41.9%	41.2%	43.0%	<p>Previous plans measured our operating cost ratio based on total revenue or net income; in order to compare with other gaming jurisdictions BCLC has changed the calculation to measure operating costs as a percentage of net win (sales after prizes).</p> <p>In addition to BCLC administrative operating costs, service provider commissions, amortization and other costs are also included that together more closely align BCLC's operating model with the models used in other gaming jurisdictions.</p>
Employee Engagement	55%	55%	60%	No change in the measure.
Employee Vacancy Rate	N/A	N/A	7%	This measure is the percentage of the number of vacancies in the process of being filled to the total number of employees and is useful for comparison of BCLC to other BC Crown Corporations.

⁹ Forecasts are based on actual results for the first two quarters of 2008/09



Appendix I

BCLC Service Plan Update 2009/10-2011/12 (BCLC0003672).



Service Plan

Update 2009/2010–2011/2012

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Kamloops, BC V2C 1E2
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Consumer Services: 1-866-815-0222
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Lottery Player Complaints: 1-866-601-1818


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 MESSAGE FROM THE BOARD CHAIR AND PRESIDENT AND CEO

Welcome to BCLC's Service Plan 2009/10–2011/12

On behalf of the Board of Directors and employees of BCLC, we are pleased to present our BCLC Service Plan 2009/10–2011/12 to The Honourable Rich Coleman, Minister of Housing and Social Development.

BCLC is responsible for the conduct and management of lottery, egaming, casino and community gaming and commercial bingo gaming in British Columbia. BCLC employees, along with our private sector retailers and service providers, are proud of the gaming experience we provide in a socially responsible way, and the resulting income generated for Government to fund public, charitable and community programs.

This past year has seen significant changes for BCLC as employees welcomed our new President and CEO. New senior roles have been established that will seek innovative and fresh business solutions that focus on our players, on compliance activities across the organization, lead the transformation and renewal of our business, and create a strong infrastructure to support future business opportunities.

For the 2008/09 year, BCLC's net income generated for Government was \$1,090.7 million, \$19.3 million below our target but \$1.8 million greater than the previous year. BCLC's net win, the amount of revenue after prizes are paid, is expected to grow from the \$1,950.5 million achieved in 2008/09, to over \$2,197.1 million in 2011/12.

Over the three years BCLC is projecting \$3,446.0 million in income will be generated for Government.

While the gaming industry is expected to recover as the economy improves, BCLC is anticipating consumer confidence and spending on entertainment will lag behind the overall economic recovery. To mitigate the negative impact the economy is having on our business, BCLC is focused on revenue generation initiatives, reducing our costs for business operations, in balance with a shift in focus to investments that support sustainable revenue and net income for the future.

While infrastructure improvements are important, so is the measured growth of our business. BCLC will grow our business through the continued development of casino and community gaming centre facilities, our PlayNow egaming site, and game and service innovation in our lottery business.

Through our Player First program BCLC has implemented significant changes in lottery gaming and those industry-leading programs will continue this year, setting new standards in gaming and business system integrity. These efforts will enhance the integrity, transparency, security and

customer service of all of BCLC's gaming activities with a focus on providing our player with the best gaming experience.

BCLC delivers gaming in ways that encourage healthy choices and responsible play to help make sure that playing our games stays fun. In 2009 BCLC launched GameSense, a revitalization of our responsible gambling resources that offers an approachable and accessible range of materials to help players make informed decisions about our gaming products.

This will be an exciting year for all British Columbians, culminating with the Vancouver 2010 Olympic and Paralympic Winter Games to be held in February and March. BCLC is proud of our Official Supporter sponsorship of the Olympic Games and is excited to have the opportunity to offer our players chances to win thousands of event tickets through lottery prizes that each provide a 'once in a lifetime' experience.

BCLC employees will be ambassadors at public events to be held in 14 BC communities throughout the next year, bringing the spirit of the games to those communities.

BCLC has four goals:

1. Build public trust and support for BCLC gaming
 2. Provide facilities and games to develop the business
 3. Invest in infrastructure to support current business operations and future growth
 4. Have a workforce passionately driving the success of our business
-

BCLC has measured our carbon footprint and will use this information to help us achieve carbon neutrality by 2010. We are extending our actions beyond Government requirements to offset our emissions; looking at our facilities, operations and business practices and how we can make them greener by embedding sustainability in our culture. We will do this by encouraging our employees environmental viewpoint and influencing our retailers, service providers and vendors to engage in more sustainable behaviours.

In 2008, the performance framework BCLC uses to assess our level of success in achieving our business plans was compared with best practices, including information publicly available from other gaming organizations.

As a result, we have updated our balanced scorecard to better reflect our external and internal business focus in our goals, and added some new performance measures to augment this framework. To evaluate our performance, some of our performance measures will continue to be measured over time and we will benchmark our results with the results of other comparable gaming organizations and make that information public.

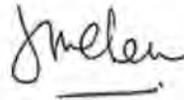
The current economic downturn is affecting BCLC's operations as well as our lottery retailers and service providers. BCLC has revised our revenue and net income targets downwards. Our operating and capital programs have been scaled back but we remain committed to investments in our people and systems over the next

three years in order to deliver long-term sustainable income for Government. We will continue to be proactive and diligent in our assessment of consumer behaviour in a challenging marketplace.

BCLC's 2009/10–2011/12 Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the *BC Reporting Principles*. The plan is consistent with Government's strategic priorities and fiscal plan. The Board is accountable for the contents of this plan, including the selection of performance measures and targets.

All significant assumptions, policy decisions and identified risks as of August 14, 2009 have been considered in preparing the plan. The performance measures presented are consistent with BCLC's mandate and goals, and focus on aspects critical to the organization's performance. The performance targets in this plan have been determined based on an assessment of BCLC's operating environment, forecast conditions, risk assessment and past performance.

August 14, 2009



John McLernon
Board Chair



Michael Graydon
President and CEO



ORGANIZATIONAL OVERVIEW

Who we are

BCLC is a Crown Agency with the authority and responsibility provided by the Province of British Columbia to conduct, manage and operate lottery, casino, bingo and egaming in British Columbia under the *Criminal Code of Canada* and the *Gaming Control Act of British Columbia (2002)*.

The Minister responsible for gaming, the Honourable Rich Coleman, Minister of Housing and Social Development, provides direction to BCLC on behalf of Government. We operate our commercial gaming business in accordance with the legislative, regulatory and policy framework established by Government and are regulated by Gaming

Policy and Enforcement branch (GPE). We comply with written directives to BCLC from the Minister and the Assistant Deputy Minister/General Manager of GPE.

GPE is responsible for standards, registration, licensing, audit and compliance enforcement, as well as British Columbia's responsible gambling policy and strategy.

Gaming is entertainment, and BCLC provides exciting gaming opportunities to players in British Columbia to generate income. Government utilizes that income to fund public, charitable and community programs that benefit all British Columbians.

Where we are and what we do

BCLC employees work from two offices: one in Kamloops and a second office in Richmond, as well as field staff who work in gaming facilities and with our lottery retailers and service providers in communities around the province.

Our Kamloops office is the primary location of our information technology, finance and administration functions. Gaming operations, security, marketing, communications and product distribution functions are primarily in Richmond locations. With our Richmond office lease set to expire in 2011, BCLC will be leasing a new facility in metro Vancouver to meet our combined Lower Mainland office and warehouse capacity requirements. BCLC expects to move from our Richmond location in 2010.

**BCLC conducts and manages
the lottery, casino, bingo and egaming
entertainment business in British Columbia.**

BCLC's gaming products are sold through contracted private sector retailers and service providers, in over 4,000 lottery locations, 17 casinos, 14 community gaming centres and 12 commercial bingo halls as well as to over 100,000 registered players in British Columbia through our PlayNow.com egaming site.

Our lottery retailers earn an industry-standard commission rate and six private sector casino service providers and service providers for commercial, independent and charitable community gaming and bingo facilities earn a percentage of sales revenue for providing gaming facilities and day-to-day operational services. BCLC owns all gaming equipment, including lottery and bingo terminals, and slot machines.

The consolidated financial statements of BCLC include a wholly owned subsidiary, BC Lottotech International Inc., which has as its sole business the purchase of capital assets for BCLC. The financial statements, management and oversight of Lottotech is consolidated within BCLC operations.

Since 1985, BCLC has grown from a lottery company with \$179 million in net win, to a commercial gaming entertainment organization generating \$1,950.5 million in net win¹ in 2008/09. BCLC integrates responsible gaming and player security into the design and development of new games and services, markets and advertises our games, manages the technology necessary to run our gaming business, and oversees contracted retailer and service provider operations to maintain gaming integrity, security, compliance and performance.

¹ Net win is the calculation of sales revenue after prizes are deducted.

BCLC's corporate governance framework

The Province of British Columbia establishes the legislative, regulatory and policy framework under which BCLC conducts and manages gaming.

BCLC optimizes our financial performance within the gaming and social policy framework established by Government, ensuring our games and services are provided in a socially responsible manner consistent with our responsibilities reflected in British Columbia's *Responsible Gambling Strategy*.

A key component of our governance framework is the "Shareholder's Letter of Expectations", a mutual commitment between the Minister, on behalf of Government, and BCLC's Board. This letter, intended

to define and promote a positive and cooperative working relationship, supports BCLC's mandate and identifies Government's strategic priorities and performance expectations for BCLC. Government directs BCLC to take specific actions and our actions and the status of our activities to implement them are shown in the following chart.

Click here to read BCLC's full [Shareholder's Letter of Expectations](#).

BCLC's Shareholder's Letter of Expectations Summary

GOVERNMENT DIRECTION	BCLC ACTIONS
Optimize the Corporation's financial performance within the gaming and social policy framework established by the Shareholder;	<p>Within the gaming and social policy framework established by Government, BCLC achieved \$1,950.5 million in net win in 2008/09, \$66.5 million below target. BCLC achieved cost savings, but did not meet the net income target of \$1,110.0 million, achieving \$1,090.7 million or \$19.3 million below target. This net income achievement is \$1.8 million greater than the previous year.</p> <p>While the economy is beginning to show signs of improvement, the recovery of consumer spending on entertainment is expected to lag. BCLC has revised our net win and net income targets for the next three years and is implementing cost management programs to reduce our expenses. BCLC is forecasting 2009/10 net income of \$1,130.0 million, \$39.3 million greater than last year.</p>
Enhance the performance, integrity and efficiency of casino, bingo, lottery and eGaming in response to customer and marketplace demand, through products, services and technology consistent with the Corporation's mandate;	BCLC is increasing the focus on the player and forecasting net income growth through innovative new games, services and marketing, continued improvements to casino and community gaming facilities and customer relations management. Processes and technology to support the performance, integrity and efficiency of the business are a key focus of this Service Plan.
Ensure the Corporation's products and services are provided in a socially responsible manner and strengthen the Corporation's activities related to its social objectives in a manner that is consistent with the Province's Responsible Gambling Strategy and the Corporation's responsibilities reflected in that Strategy;	<p>BCLC delivers gaming in a manner that encourages responsible gambling and healthy choices. Our responsible gaming efforts are focused on enhancing responsible gaming programs for our players and communication about the availability of and access to programs, including voluntary self-exclusion.</p> <p>We support the Province of British Columbia in the efforts to reduce the incidence and harmful impacts of problem gambling and to educate and raise public awareness of responsible gaming and problem gambling.</p>
Ensure gaming products and services offered by the Corporation are consistent with the objectives of gaming security and integrity;	<p>The integrity and security of BCLC's gaming systems is paramount to ensuring public trust and confidence in the games and services we offer our players.</p> <p>BCLC's processes and technology are being upgraded and will be continuously improved in order for us to continue to provide integrity and security in our gaming systems.</p>
Implement the recommendations made by the provincial Ombudsman in May 2007 related to the Corporation;	BCLC has two Ombudsman's recommendations remaining to complete in 2010 to further enhance the fairness, integrity, transparency, security and player focus of our lottery system and has regularly issued reports that assess our progress.

GOVERNMENT DIRECTION	FOOTNOTES
Implement recommendations made by Deloitte and Touche LLP in their independent audit of lottery operations in BC undertaken in 2007 as directed by the Shareholder;	BCLC has three of Deloitte's recommendations remaining to implement and is continuing to enhance the integrity and transparency of our lottery business.
Notify the Shareholder of BCLC's resolution of any significant issues related to the implementation of recommendations of either the Ombudsman or Deloitte and Touche LLP;	BCLC is working closely with our Shareholder as we implement these recommendations to maintain a shared understanding of any issues, including the associated costs, workload and the increased regulatory, audit, compliance and enforcement activities.
Operate in a manner consistent with the GPE regulatory responsibilities as they apply to BCLC;	<p>BCLC operates its gaming business and financial activities within the legislative, regulatory and policy framework established by the Province of British Columbia.</p> <p>BCLC & GPE continue to meet on a quarterly basis to enhance cooperation and coordination between the organizations while respecting GPE's independent role as regulator.</p>
Build public and key stakeholder trust/support, by continuously improving the quality of service to customers and relationships with service providers;	Building public and stakeholder trust and support by improving the service for our players is a key strategy for BCLC. Continuous improvement is planned through programs such as player-focused training, ongoing management oversight, and collaboration with our service providers.
Comply with the policy directives that may be issued from time to time by the Minister Responsible for the <i>Gaming Control Act</i> and with policies, directives and standards that may be issued from time to time by the regulatory agency (Gaming Policy and Enforcement) established under the <i>Gaming Control Act</i> ;	BCLC continues to comply with policy directives issued by the Minister, including directives and standards issued by GPE.
Report to Government, by March 31, 2009, BCLC's progress in implementing its action plan on reporting suspicious and large cash transactions;	<p>BCLC's progress in implementing our action plan has been reported to Government and includes strengthening reporting of suspicious transactions relevant to suspected money laundering, a strengthened training program with frequent sessions for all gaming sites and increased monitoring and oversight of submitted reporting. BCLC and GPE oversight and compliance audits of service providers have also increased.</p> <p>BCLC continues to direct our service providers to report suspicious and large transactions as required under <i>Proceeds of Crime (Money Laundering) and Terrorist Financing Act of Canada</i> through the Casino and Community Gaming Standards, Policies and Procedures.</p>
Inform the Shareholder on a regular basis of any major changes occurring or likely to occur that may impact on BCLC's achievement of its Service Plan targets either negatively or positively; and	BCLC reports financial results to our Shareholder on a quarterly basis and regularly notifies our Shareholder of any major changes occurring or likely to occur that may impact the achievement of our Service Plan targets.
Operationalize carbon reduction plans developed by the Corporation in compliance with the Climate Action Secretariat's <i>Framework for Greenhouse Gas Measurement and Reporting: Guidance for Crown Corporations</i> .	<p>While the Province of BC requires carbon emissions reporting starting in 2010, BCLC has chosen to report in 2008/09 and continues to develop and implement plans to reduce and offset these emissions as part of company operations.</p> <p>We are extending our efforts to advance environmentally sustainable behaviours in our organizational culture through actively encouraging the development of ideas and solutions from employees in all levels of the organization.</p>

Our Board of Directors

BCLC's Board of Directors complies with each of the disclosure requirements and is fully compliant with the standards and guidelines as required in *Best Practice Guidelines-BC Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations (2005)*. The framework includes the terms of reference for the Board, the Board Chair, President and Chief Executive Officer, Directors, Standing and Ad Hoc Board Committees, as well as processes for strategic planning, succession planning and Board performance evaluations.

Our Board of Directors has the primary responsibility to foster BCLC's short and long-term success, consistent with their responsibility to our Shareholder, the Government of British Columbia, and considering the legitimate interests held by other stakeholders including employees, players, retailers, service providers, suppliers, communities and the public.

The Board Chair and the Directors, are appointed by the Government. Where not appointed as a full member, the Chair is an ex-officio member of Board Committees and works closely with the Corporate Secretary.

The Directors are stewards of BCLC, with collective responsibility to oversee the conduct of BCLC's business and to provide direction to management, who are responsible for day-to-day operations.

Reporting to the President, the Corporate Secretary facilitates communication between the Board of Directors and senior management and plays a key role in the administration of corporate and governance matters, working with the Board through the Chair.

The President and CEO is also an ex-officio member of all Committees.

[Click here to learn more about BCLC's Corporate Governance and Board of Directors.](#)

The Honourable Rich Coleman, Minister of Housing and Social Development
Minister Responsible for Gaming

BOARD OF DIRECTORS

Role To provide stewardship and ethical leadership to oversee the management of BCLC's affairs in the best interests of BCLC and the long-term interests of our Shareholder, the Government of British Columbia. In carrying out the mandate of the Board, each director has specific statutory duties and obligations under employment, environmental and financial reporting and is required to act in accordance with fiduciary, duty of care and conflict of interest guidelines and do so:

- i) honestly and in good faith;
- ii) with a view to the best interests of the Corporation;
- iii) with the care, diligence, and skill of a reasonably prudent person; and
- iv) the powers of the Directors are conferred upon them to exercise on behalf of and for the benefit of BCLC.

Chair: John McLernon

Members: Arthur Wilms (Vice-Chair), Trudi Brown, David Gillespie, Cynthia M. Grauer, Walter Gray, Moray Keith, D. Neil McDonnell, Michael Riley

Standing Board Committees have been established and other committees are established as needed. These Committees are responsible for advising and formulating recommendations to the Board. Current Standing Board Committees are:

Audit	<p>Purpose: To assist the Board in fulfilling oversight responsibilities for BCLC's financial reporting to government, internal control systems, audit and risk management processes and compliance with laws, regulations and policies.</p> <p>Chair: Michael Riley</p> <p>Members: Arthur Wilms, David Gillespie, Moray Keith</p>
Governance and Corporate Social Responsibility	<p>Purpose: To provide a focus on governance that enhances BCLC's performance and oversight responsibility for corporate social responsibility policy.</p> <p>Chair: David Gillespie</p> <p>Members: Trudi Brown, Walter Gray, Moray Keith</p>
Human Resources and Compensation	<p>Purpose: To assist the Board in fulfilling obligations relating to human resources and compensation matters to enhance BCLC's performance against the strategic plan.</p> <p>Chair: Neil McDonnell</p> <p>Members: John McLernon, Cynthia Grauer</p>
Ad Hoc Committees	<p>Are established for a specific period of time to undertake a specific task, and then disbanded.</p>

Our Senior Executive Team

The President and CEO reports to the Board of Directors and maintains open communication with the Board and Board Chair.

All Vice Presidents report to the President and CEO.

In 2008, BCLC amalgamated our casino and community gaming divisions in order to streamline our gaming operations. We have also added Vice President roles to address the growing organizational focus on our player, the transformation of our business infrastructure, and security and compliance activities.

BCLC's Director, Audit Services reports administratively to the President & CEO and functionally to the Board Audit Committee.

[Click here to learn more about BCLC's Senior Executive team.](#)




 STRATEGIC CONTEXT

2008/09 summary

BCLC gaming operations are significant.

In 2008/09 commercial gaming managed by BCLC provided \$1,090.7 million in net income to Government, a \$1.8 million increase from the previous year. There was a slight increase in the number of lottery retail and hospitality locations, primarily in bars and pubs. New games were added to PlayNow.com and two commercial bingo halls were upgraded to community gaming centres.

British Columbians won \$599.7 million in lottery, egaming and bingo prizes. Our lottery retailers and casino, community gaming and bingo service providers were paid \$603 million in commissions, service fees, and other direct costs. BCLC purchased approximated \$200 million in goods and services. Gaming has also created significant direct and indirect employment opportunities in British Columbia and 28 host local governments shared \$83.9 million as a result of casino and community gaming revenue.

(in millions)	LOTTERY	eGAMING	CASINO	COMMUNITY GAMING & BINGO	TOTAL
Sales Revenue	\$930.8	\$23.5	\$1,341.2	\$254.7	\$2,550.2
Net Win	421.8	10.7	1,341.2	176.8	1,950.5
Net Income	252.7	3.7	758.1	76.2	1,090.7
Facilities/Claimables	4,046 Retail and Hospitality locations	PlayNow.com	17 Commercial Casinos	14 Community Gaming Centres 13 Commercial Bingo Halls	
Games	Lottery Games	Lottery Games e-only Games	Slot Machines Table Games Poker Games	Paper Bingo Electronic Bingo Slot Machines	

Net win is the amount of sales revenues less prizes.

Source: BCLC Annual Report 2008/09 (financial information) and internal reporting (distribution and games).

Click here to learn more about BCLC's results in our [Annual Report 2008/09](#).

Trends, Opportunities and Challenges

Trends, opportunities and challenges BCLC experienced in 2008/09 and is anticipating for the future

Gaming is a major industry in Canada generating \$14.6 billion in gaming net win in 2006.²

The gaming industry is one of the largest entertainment industries in Canada, directly or indirectly supporting 267,000 jobs. The significant growth in the Canadian gaming industry is the result of the development of casino facilities and electronic gaming devices.²

In British Columbia, Government's gaming policy promotes responsible play. Traditional lottery offerings are substantial but continue to lose market share. Revenue and income growth in recent years has come primarily from the redevelopment of the casino business and the upgrading of commercial bingo halls to community gaming centres with more entertainment options including slot machines and enhanced food and beverage amenities.

The growth of gaming in neighbouring jurisdictions and on the internet continues to compete with BCLC's gaming business. The Las Vegas trend to diversify entertainment and service offerings to include hotels, restaurants and entertainment as well as to differentiate through product offerings is becoming more prevalent in the industry as casino markets mature.

Internet gaming is widespread and this market continues to grow each year. The "ILC Deloitte Internet Gaming Study" completed in 2008 estimates the market at \$87 million in British Columbia with an annual growth rate of 11%. The majority of this market activity is on unregulated sites, hosted by private companies located outside of British Columbia and Canada.³

In 2007, BC's gaming industry was estimated to generate 32,246 jobs (full time equivalent). Amongst North American jurisdictions, BC's annual lottery spending per capita moved up from 15th place in 2006 to 12th place in 2007.⁴

The global mobile gaming market is also growing, with 2007 revenue estimated at just under \$1.3 billion forecast to grow to \$26 billion in 2012 as consumers shift from cell phones to multi-functional devices that include a phone.⁵ BCLC has focused on providing our games on PlayNow.com and does not currently use mobile technology channels to deliver our games.

In previous years, BCLC has compared its gross sales revenue from lottery and bingo games to the net win from casino games. Net win is the calculation of sales after prizes are paid to players during game play. Lottery and bingo net win is the calculation of gross sales after lottery and bingo prizes are deducted.

In order to compare BCLC's gaming channels with each other and to compare our gaming business with other gaming jurisdictions, we have revised our reporting to net win. BCLC will continue to make gross sales revenue, net revenue and net income financial information publicly available in our financial statements.

Revenue, Net Win and Net Income



Revenue, net win and net income figures for 2006/07 through 2008/09 are actual, 2009/10 are approved budget and 2010/11 through 2011/12 are targets

² Source: *Economic Impact of the Canadian Gaming Industry*, HLT Advisory Inc. for the Canadian Gaming Association January 2008

³ Source: *ILC Deloitte Internet Gaming Study*, Deloitte & Touche LLP

⁴ Source: *LaFleur's 2008 World Lottery Almanac*

⁵ Source: *Mobile Gambling—A Good Bet for the Future*, Juniper Research white paper, October 2007

Economy

British Columbia, Canada and the world are arguably in the worst economic situation since the Great Depression of the 1930s. British Columbia's economy is heading towards what is being predicted as its first annual contraction in more than a quarter century.

Consumers are reacting by reducing their spending, and the impact of this reduction to discretionary and entertainment spending is evident in BCLC's operations and those of our lottery retailers and service providers.

BCLC will continue to focus on revenue initiatives and strategic cost management to proactively mitigate the negative impact on gaming income. We will continue to be diligent in our cost management and in our assessments of consumer behaviour in this more challenging marketplace.

Our casino and community gaming centre service providers are also changing how they operate their gaming facilities in reaction to the downturn in the economy. While activities associated with gaming integrity and compliance remain unchanged, planned investments in facility enhancements have slowed.

Consumers

Consumers continue to expect and seek out unique, more personalized and sophisticated experiences. Entertainment and communication technologies are continuing to evolve rapidly, particularly for the home market, and we are living in an increasingly self-service world.

Delivering high entertainment value and building loyal player relationships are increasingly important as competitive differentiators. BCLC must provide games and services that provide a complete entertainment experience for our players, when and where they want them. This is requiring a shift in our focus from product-centric to player-centric.

BCLC is addressing changing player needs with the introduction of new innovative games and distribution channels, including self-service terminals in the lottery hospitality network and a new design and additional games for PlayNow.com. BCLC is seeking ways to make playing more convenient and secure. BCLC employees and our service providers in all gaming channels are focused on providing better player relations services.

Labour Force

The availability of and competition for highly skilled people remains a challenge despite the recent economic downturn. This has been particularly evident in BCLC's recruitments for professionals such as project managers, procurement and information technology specialists. In view of the current economic conditions, our focus will be on recruitments critical to ongoing revenue generation and the sustainability of our existing business.

BCLC's continued focus on recruitment and retention program improvements and our status as one of BC's Top 50 Employers have enhanced our ability to successfully attract and retain skilled employees.

The labour shortage challenges previously experienced by our service providers for gaming workers is no longer evident in the marketplace.

Technology

New technologies can lead to business advantages, product and service innovation for our players and operational efficiencies for BCLC.

We will continue to identify and evaluate the most promising developments and apply these to our gaming business in order to provide internal efficiencies and support our gaming and business systems and their security and integrity.

Lottery Gaming

Subsequent to the growth in lottery revenue experienced in 2005 to 2007, sales declined in 2007/08 and 2008/09 as a result of BCLC's focus on the regulation, infrastructure and processes in the lottery system, which led to the postponement of business development programs. This shift in focus occurred across Canada.

BCLC's per capita lottery revenue ranks 12th amongst the 53 North American lottery jurisdictions. BCLC's lottery gaming is still a major profit generator and remains a strategic priority.

BCLC will renew the focus on innovation that provides more exciting, entertaining games, including a new monitor-based game for the hospitality network, the introduction of Lotto Max and SportsFunder games that benefit BC amateur sports. A more contemporary image and more convenient ways to purchase games such as self-service terminals are other ways we plan to increase player participation and revenue from this channel while strengthening player security and system integrity.

Lottery net win is calculated by deducting prizes from total sales revenue.

Lottery Revenue and Net Win



Revenue and net win figures for 2006/07 through 2008/09 are actual, 2009/10 are approved budget and 2010/11 through 2011/12 are targets

eGaming

Creating a successful egaming business is a strategic priority for BCLC. Steady growth continues in this channel, which provides players in BC the convenience and security of purchasing at PlayNow.com, our egaming site. Compared with other gaming jurisdictions that offer internet gaming, particularly in Europe, BCLC's product line is more limited.

PlayNow.com incorporates social responsibility through player-set weekly wallet limits, age control limits, privacy protection and voluntary self exclusion options.

New site designs that offer a more engaging and entertaining experience for our players, together with innovative games that leverage new technology will continue to increase our acquisition and retention of players.

eGaming net win is calculated by deducting prizes from total sales revenue.

eGaming Revenue and Net Win



Revenue and net win figures for 2006/07 through 2008/09 are actual, 2009/10 are approved budget and 2010/11 through 2011/12 are targets

Casino Gaming

Since 1997, when BCLC assumed responsibility for casino games and introduced slot machines in the BC marketplace, the casino business has experienced double-digit growth and is now our largest revenue stream.

Our priority to upgrade existing casino facilities with higher quality properties has resulted in a more diverse entertainment experience for players that includes full-service restaurants and theatre-style show lounges, and in some cases, resort-style accommodations and conference facilities. This strategy is nearing completion, resulting in slower growth forecast for the next three year period.

We will continue to develop casino properties that provide players with an exceptional entertainment experience and position casino gaming as a major tourism attraction where market demand allows. To continue improving the gaming experience for our players, BCLC is also analyzing the types of slot machine games and locations in gaming facilities, and working closely with our service provider partners to provide our players with more entertaining tournaments and better services.

Casino revenue is shown as net win, which is the amount after prizes are paid to players during game play.

Casino Net Win



Community Gaming

BCLC continues to work with bingo service providers to transform commercial bingo halls in key market locations to community gaming centres (CGCs). Community gaming centres are upgraded facilities with improved customer service and amenities such as restaurants and lounges, and offer more entertaining products, including slot machines and other electronic games.

Because community gaming centres have been well received by players and their local communities, the net win generated from community gaming centres is increasing as more are developed.

Bingo is one of the oldest forms of gaming in British Columbia and has been in a steady decline over the past decade as interest in the game diminishes. With an 18% decrease in bingo revenue forecast to occur in 2009/10, BCLC's challenge is to find more entertaining games for bingo players.

Throughout this document, BCLC references to the community gaming channel include community gaming centres and commercial bingo halls.

Community gaming net win is the amount after prizes are deducted from sales revenue.

Community Gaming Revenue and Net Win



Strategic Risks

What BCLC is doing about our risks

BCLC faces risks specific to our business that could impact our ability to conduct and manage gaming in British Columbia and achieve the mission and goals of this Service Plan.

While risks cannot be eliminated, BCLC's strategies are targeted at minimizing the risks and/or mitigating their impact.

Guided by risk management standards, enterprise risk identification occurs through assessment by an Advisory Committee, the Executive Committee and the Board of Directors, and is a key factor in our strategic planning, including resource decisions. A management role supports the process through focus on education, accountability and administration.

To identify key critical risks, we considered the likelihood of their occurrence, the impact of not managing them adequately, and the existing management effectiveness.

Future activities will include detailed assessments of operational risk, building a series of risk registers that will form our Enterprise Risk Register, including risk treatment plans.

We are also continuing to strengthen our business continuity, crisis management and disaster recovery programs, so that there are contingency plans in place covering major issues such as natural disasters or pandemics, as well as ensuring that our systems and processes have fault tolerance and backup capabilities.

ECONOMY	MITIGATION STRATEGIES
<p>A protracted downturn that results in long term recession and/or a reduction to personal disposable income could adversely affect gaming revenue across all of our gaming channels.</p> <p>The world and Canadian economies are experiencing the worst financial downturn since the 1930s. While BCLC revenue and resulting net income has not declined as significantly as has been experienced in other industries, there has been a downward trend in consumer spending that is likely to continue in British Columbia for the near future.</p>	<p>BCLC is focused on continuing to generate revenue from gaming and has implemented a strategic cost management program to reduce our costs so that we are able to maximize our net income for Government.</p> <p>We continue to closely monitor the economic situation and work with our service providers to adapt to the changing economic climate.</p>

SERVICE PROVIDERS	MITIGATION STRATEGIES
<p>Any financial pressure our service providers experience on their margins may impact their access to capital. Weaknesses in financial markets could impact the access of our service providers to the capital required for changes planned to gaming facilities, thereby negatively impacting revenue growth estimates, plans for gaming facility renovations or build outs, as well as service provider's financial viability.</p> <p>Fraudulent activities perpetrated by service providers or against BCLC would expose us to financial loss and erosion of reputation, negatively impacting Government and our ability to meet or exceed player and public expectations.</p>	<p>BCLC monitors the financial performance of our service providers and the gaming facilities they operate and works closely with them to mitigate risks to our business.</p> <p>We mitigate the likelihood and impact of these risks by monitoring, managing and strengthening our business relationships with our service providers so that they comply with service level and compliance standards and perform in a manner consistent with BCLC's direction.</p> <p>To deliver a high level of gaming integrity and player security, BCLC continually updates security compliance and enforcement programs, policies, procedures and technology. All real or suspected fraudulent activity is reported to GPE for investigation.</p>

PLAYER EXPECTATIONS	MITIGATION STRATEGIES
<p>Our capacity to meet or exceed player, public and Shareholder expectations and our ability to generate income is threatened if players do not believe that BCLC's gaming systems are trustworthy. An event that damages public trust and support could directly impact BCLC's games and lead to gaming industry restrictions.</p> <p>Player trust and support encompasses the safety and integrity of a player's transaction and the potential for a player to be defrauded when playing at a BCLC facility or during the prize payout process conducted by a lottery retailer, service provider or BCLC.</p>	<p>BCLC has a comprehensive plan to become a player-focused gaming organization. This plan includes the completion of the implementation of recommendations resulting from the BC Ombudsman review and Deloitte & Touche LLP audit, as well as ongoing audits conducted by BCLC, our external auditors and GPE.</p> <p>BCLC recognizes that players and the public may have expectations that exceed our current capacity to fulfill. We will lead the way as a player-focused organization in our planning for gaming facilities, services and products.</p>
SYSTEMS, DATA AND GAMING'S INTEGRITY	MITIGATION STRATEGIES
<p>BCLC's business depends on information technology and internal business processes. Potential failures of, or deficiencies in these systems and processes could impact our ability to operate our gaming business through a breach in data continuity, privacy or data integrity.</p>	<p>BCLC continues to focus on maintaining a sound, responsive and adaptive technology infrastructure. We will continue to identify opportunities within our business and operating model to improve our business effectiveness and operational efficiency to provide a high level of integrity and internal control, and keep pace with the current and future needs of our gaming business.</p>
INSUFFICIENT SKILLS AND CAPACITY	MITIGATION STRATEGIES
<p>Highly motivated employees who are engaged in the work of the company are key to the success of the business and can be a differentiating factor in exceptional performance.</p> <p>Significant changes in the labour market in areas such as workforce demographics or the availability of technical skills could adversely affect BCLC's ability to attract and retain the highly skilled and motivated employees required to execute business plans and operate the company.</p> <p>For BCLC to continue to succeed will require a strong, adaptable workforce passionately engaged in driving the success of the business.</p>	<p>BCLC is committed to our people and culture. Strong leadership is being developed that promotes a culture that values innovation, integrity, employee engagement and accountability.</p> <p>The recommendations resulting from past reviews and audits have led to Player First and other strategic initiatives, which have required additional expert employee resources and new skill sets to execute the planned business transformation and increased need for compliance, audit and risk activities. We are currently able to leverage our strong gaming knowledge, expertise and skill advantage with our status as one of BC's Top 50 Employers to recruit and retain new employees.</p>
BUSINESS PRACTICES IN CANADIAN JURISDICTIONS	MITIGATION STRATEGIES
<p>The gaming business is managed differently across Canadian jurisdictions, in accordance with provincial legislation and practices.</p> <p>Issues arising in other jurisdictions could negatively affect BCLC's reputation or the perceived integrity of lottery, egaming, casino, community and bingo gaming.</p>	<p>BCLC partners with other Canadian jurisdictions on multi-jurisdictional task forces that strive to enhance the player's experience, promote public trust and build public awareness of responsible gambling. We endeavour to consistently apply controls and processes that maintain our business integrity across all of our gaming operations.</p> <p>We coordinate our distribution and sale of nationwide and regional lottery games with the other Canadian provinces.</p>



MISSION, VALUES, GOALS AND STRATEGIES

Here's our plan for the next three years

BCLC's Board and Senior Executive review our mission, values, goals, strategies, performance measures and the associated targets on an annual basis.

Our Mission

We create outstanding gaming experiences

Our Values

- Integrity:** The games that we offer and the ways we conduct business are fair, honest and trustworthy
- Social Responsibility:** Everything we do is done with consideration of its impact on and for the people and communities of British Columbia
- Respect:** We value and respect our players, service providers and each other

Our Goals and Strategies

1. Build public trust and support for BCLC gaming
 - Demonstrate a high level of corporate citizenship and social responsibility in all of our activities
2. Provide facilities and games to develop the business
 - Transform to a player-centric company
 - Create an integrated multichannel player community
3. Invest in infrastructure to support current business operations and future growth
 - Transform the business infrastructure and enterprise technology to improve the gaming experience, business integrity and operational efficiency
4. Have a workforce passionately driving the success of our business
 - Make BCLC a great place to work

[Click here](#) to review a comparison of our strategic framework from the previous service plan to this Service Plan 2009/10–2011/12, located in the Appendix.

Performance Measures and Targets

How we can tell if we're doing a good job

In 2008 BCLC's performance measures were compared with information available publicly for other gaming organizations. The result is the addition of some new measures in the framework BCLC will use to assess our level of success in achieving our business plans.

Performance measure results are reviewed against the targets BCLC has set. If we're doing well, we should be reaching our targets. If BCLC has a rating below our target, we'll need to adjust the programs we're implementing and how we're delivering them. Some of these new measures will also be benchmarked to other gaming organizations with operations that are comparable to BCLC's. BCLC's results for measures for which there are no benchmarks publicly available will also be reported.

The organizations selected for benchmarking provide geographical coverage across Canada and internationally and were selected for the relevance of their operations in comparison to BCLC's as well as the public availability of their results. BCLC will benchmark our 2009/10 results to those of the Ontario Lottery and Gaming Corporation (OLG), Loto Quebec (LQ), the Swedish lottery Svenska Spel (Svenska) and Canadian and United States (US) gaming totals. Svenska Spel is also widely regarded as the most innovative international lottery and egaming jurisdiction. The Canadian and US totals provide insight as to BCLC's financial performance above or below national and US norms.

Data for BCLC's performance targets are obtained from internal and external sources. Data for benchmarking our performance measures with other gaming organizations is obtained from publicly available reporting.

BCLC revenue, net win and net income results for previous years are obtained from our audited financial statements. Revenue, net win and net income forecasts and targets and other financial measures are obtained from internal management reports. BCLC contracts with external professional agencies to conduct surveys to assess our level of success. These agencies conduct surveys by asking questions pertinent to our performance measures.

PERFORMANCE MEASURES	2006/07 ACTUAL	2007/08 ACTUAL	2008/09 ACTUAL	2009/10 TARGETS	2010/11 TARGETS	2011/12 TARGETS
Public Support for Gaming	56%	62%	65%	63%	64%	65%
Public Trust and Confidence in BCLC Games	N/A	N/A	60%	61%	63%	65%
Player Awareness of Responsible Gambling Activities	N/A	N/A	89%	88%	90%	90%
Player Satisfaction	85%	84%	85%	85%	86%	87%
Player Participation (past year)	83%	81%	84%	82%	83%	83%
Net Win per Capita ⁶	\$412	\$436	\$443	\$450	\$465	\$474
Operating Cost Ratio (of Net Win) ⁷	39.6%	40.1%	41.6%	41.6%	41.9%	42.0%
Employee Engagement	54%	44%	77%	60%	65%	68%
Employee Vacancy Rate	N/A	N/A	N/A	7%	5%	5%

⁶ Net win is the calculation of sales after prizes; per capita uses total 2008 BC population to determine the net win per 1,000 BC residents

⁷ Actuals and targets for 2005/06 through 2008/09 are re-stated to conform to this new measure, as previous Service Plans measured the operating cost ratio based on total revenue or net income.

Public/Planet—Goal #1: Build public trust and support for BCLC gaming

STRATEGY	PERFORMANCE MEASURES	2009/2010 TARGET	2010/2011 TARGET	2011/2012 TARGET
<p>1. Demonstrate a high level of corporate citizenship and social responsibility in all of our activities</p>	1. Public Support for Gaming	63%	64%	65%
	2. Public Trust and Confidence in BCLC Games	61%	63%	65%
	3. Player Awareness of Responsible Gambling Activities	88%	90%	90%

What BCLC is doing to provide our games in a socially responsible manner and be a good corporate citizen

We promote responsible play with our customers and positively affect BC communities through our business.

BCLC wants to deliver our gaming in ways that encourage responsible gambling and healthy choices. Through education and communication we are increasing player awareness of gaming issues and the services available if a player encounters difficulties. We offer our players options such as weekly play budgets, play time limits and self-exclusion programs.

In April 2009 BCLC launched our new GameSense education program, to increase the player and the broader public awareness on how to make informed gaming choices, so that playing our games stays fun.

GameSense information centres are located at all casinos, community gaming centres and both horseracing venues with slot machines. In partnership with GPE, trained specialists staff these BCLC casino locations and interactive kiosks provide players with choices on accessing information about game odds, voluntary self-exclusion programs, tips for keeping it fun and information about resources such as the Province's free problem gambling counselling program.

More than 8,000 gaming employees have taken BCLC's Appropriate Response Training (ART). The curriculum for

manager-level ART has been updated to incorporate the latest in responsible gambling research and education methods, and in the coming months the curriculum for front line staff will be similarly reviewed and updated. Research is ongoing so that we continue to deliver programs in ways that are easily accessed and used by players who need them.

BCLC is pleased to have attained level two in the World Lottery Association (WLA) four-level responsible gambling certification process. This certification recognizes demonstrated commitment to responsible gambling and provides a basis for us to assess our programs, set objectives for future program development and incorporate international best practices into GameSense programming.

We are now using GAM-GaRD, an assessment tool developed by an international team of researchers, to evaluate the potential impacts of gaming products and mitigate risks.

Government requires BCLC to become carbon neutral by 2010. BCLC is continuing to develop plans to reduce and offset our carbon emissions.

BCLC is also reviewing other ways we can reduce our impact on the planet by going beyond Government requirements. We will strive to provide benefits to the organization and our employees by making our gaming operations and office facilities more environmentally friendly and are looking at sustainability beyond reuse and recycling of goods. In partnership with our suppliers, we have started updating our current fleet of vehicles to hybrids, will enhance our video conferencing capabilities, and have introduced measures to reduce electricity and gas consumption.

BCLC's employee Green Committee continues to be part of our Carbon Neutrality Steering Committee, and is the forum for employees to provide their ideas. This group is raising the level of awareness of how employees can make environmental responsibility and sustainable behaviour a permanent part of their work and home lives. Efforts to positively impact our retailers, service providers and contracted suppliers are also increasing as this awareness becomes embedded in the BCLC culture.

BCLC employees have raised funds for the United Way since 1994, and also volunteer their time to help disadvantaged families in the community through Christmas Charity employee groups. In 2008, employees were generous, exceeding the previous year donations.

Performance Measures and Benchmarks

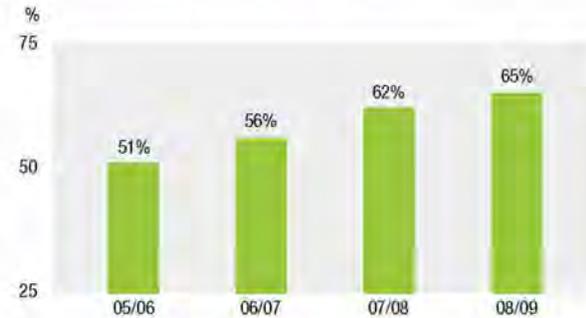
BCLC has three performance metrics to help us assess whether or not our social responsibility programs are successfully reaching the public and our players. We will continue to report on these measures annually. We have not been successful in locating comparable metrics from other gaming jurisdictions for benchmarking purposes, so we will show our results over time.

"Public Support for BCLC Gaming" measures the percentage of adult British Columbians who support legalized gaming. This support is central to BCLC's successful management and growth of our gaming business.

This measure indicates our success in providing quality gaming entertainment in a socially responsible manner and reaching the public with responsibility-focused messaging.

Our results are measured through a continuous tracking study conducted by an external research agency. Adult British Columbians are asked by Research International to rate their level of support for the existence of legalized gaming in BC. Here are our results:

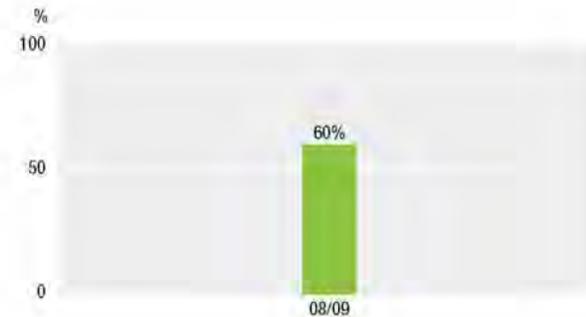
Public Support for BCLC Gaming Results



"Public Trust and Confidence in BCLC Games" helps BCLC assess whether or not our programs to improve player focus, security and the integrity of our gaming systems are successful.

Our results are measured through a continuous tracking study conducted by an external research agency. Adult British Columbians are asked by Research International to rate their level of trust and confidence in the games offered by BCLC. Here are our results for the first year:

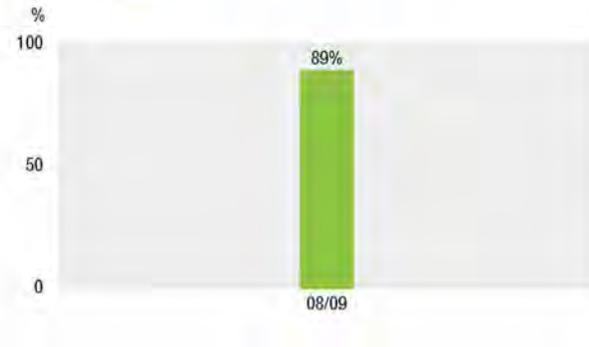
Public Trust and Confidence in BCLC Games Results



“Player Awareness of Responsible Gaming Activities” helps BCLC to understand whether our responsible gambling programs and their delivery are successfully reaching our players.

Our results are measured through a continuous tracking study conducted by an external research agency. Players of BCLC games are asked questions by Research International about their awareness of specific responsible gambling initiatives. Here are our results for the first year:

Player Awareness of Responsible Gaming Activities Results



We have added a fourth metric to our framework, “Level of Greenhouse Gas (GHG) Emissions (CO₂e)”, consistent with the schedule of the Climate Action Secretariat requirements and using the measurement tools provided to Crown Corporations.

This measure will report on BCLC’s carbon footprint and is aligned with the government direction to make the public sector carbon neutral by 2010. Here are our results for the first year, that will also be made available through Government’s planned reporting.

Level of Greenhouse Gas Emissions Results



BCLC plans to bring the Olympic Games experience to BC communities

BCLC is very proud to be an Official Supporter of the Vancouver 2010 Olympic and Paralympic Winter Games.



In the one year count-down to 2010, BCLC is ramping up to deliver great experiences through our business and within the organization, that will benefit our players, the public, and our employees. Our sponsorship has three objectives:

1. Enhance BCLC games to provide outstanding gaming experiences for our players;
2. Demonstrate employee leadership and increase engagement through their involvement in bringing the Olympic experience to their communities and workplace; and
3. Engage communities around British Columbia in the Olympic Games experience.

One of the things we're most excited about is the number of ticket event prizes we're offering to players through our SportsFunder lottery games.

SportsFunder has the tickets that are available no where else, offering players the chance to win 'once in a lifetime' experiences. There are prizes to appeal to a wide range of Olympic Games enthusiasts, from exclusive 2010 packages with prizes of tickets to premium Olympic Games events like the Gold Medal Hockey Game and Olympic Opening and Closing Ceremonies, unique pin mementos and vehicles, electronic equipment and travel packages available through our partnerships with other major sponsors.

BCLC has a community outreach program to bring the spirit and excitement of the Olympic Games to communities across BC starting in 2009 and will be exploring opportunities to engage our service providers and host local governments to identify ways to engage them in this program. We also have 50 volunteer positions filled by our employees who will use their own time to support the Olympic Games.

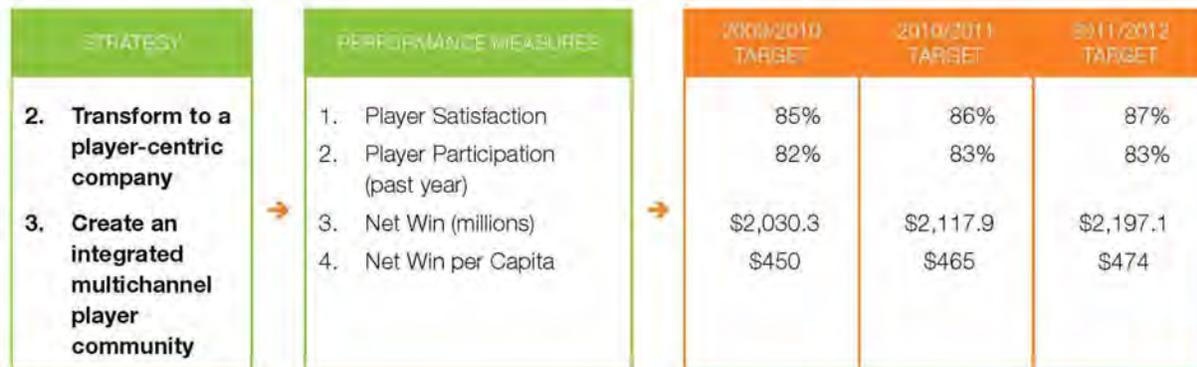
The sale of SportsFunder lottery games directly supports amateur sport in British Columbia. Income from the sale of SportsFunder games goes to support athletes, coaches and amateur sports programs. We believe sport enriches the lives of our youth by teaching life skills such as leadership, goal setting and teamwork.

Since the launch of SportsFunder lottery games, over \$4.1 million in gaming income distributed by Government has provided funding to all levels of amateur sports in British Columbia. Kids from every corner of the province have benefited, including 1,875 kids who couldn't otherwise afford registration fees. 10,000 youth in BC have received travel assistance and 1,500 coaches have been certified, all with help from SportsFunder.



As an Official Supporter, BCLC has had our Richmond and Kamloops office buildings wrapped in celebration of the Vancouver 2010 Olympic and Paralympic Winter Games

Player – Goal #2: Provide facilities and games to develop the business



How we plan to develop our focus on the player to benefit our gaming business and generate income

BCLC's ability to continue to optimize our net income depends on our ability to provide exciting entertainment experiences for our players.

BCLC will continue to develop exciting and innovative new games and services for our players with game concepts that provide entertaining play experiences and casino and community gaming centres that focus on full entertainment experiences. We are integrating player focus into our organizational culture so that as we operate the business and implement strategy, the impact on, and benefits for, our players are our primary consideration.

This includes working with our service providers to continuously improve customer service for our players, with BCLC providing training programs for retailers and partnering with service providers with ongoing training programs for their employees. BCLC is also strengthening our oversight and compliance programs, including more frequent reviews, audits and reporting.

In lottery gaming, BCLC's plans include a new monitor-style game, the pilot of a more contemporary lottery retail model that provides a better marketing and merchandising experience for players, and Lotto Max, the new Canadian lottery game.

In October 2004 BCLC's egaming site PlayNow.com was launched to provide BC players with a convenient and secure way to play our games. Over the past five years, we've continued to add more of the games our players enjoy.

We are planning a redesign of PlayNow.com to provide a more engaging player experience and will add new and innovative games to attract and retain our players.

Casino gaming will continue to focus on facilities that provide a variety of entertainment opportunities for domestic and international tourism markets. Improving the selection and location of the latest themed slot machines and table games will provide players with an interesting variety of casino gaming options.

In community gaming, BCLC will continue to work with our service providers to transform commercial bingo halls in key market locations to community gaming centres. We will look for new games using our bingo systems technology that will help offset a continuing decline in bingo gaming.

In partnership with our service providers, BCLC will continue to offer special tournaments for poker, blackjack, mahjong, and slot machine players.

BCLC is investigating technology that enhances player services and business model efficiencies in all of our business channels.

BCLC offers player-focused rewards and incentives to the more than 400,000 members of the BC Gold player card. This year BC Gold will also be made available at community gaming centre locations. Special offers for PlayNow and lottery purchases will continue.

We will further develop our management of the relationship with our players by examining how to look at players across all of our gaming channels more effectively. We are beginning that work with a focus on players who participate in lottery gaming.

Over the past year BCLC has continued our efforts within the Player First program to significantly enhance our focus on our lottery players and in so doing, improved the integrity and security of all of our business channels.

Through Player First, BCLC has completed 21 of the 23 recommendations made by the BC Ombudsman. The remaining two recommendations are multi-year efforts.

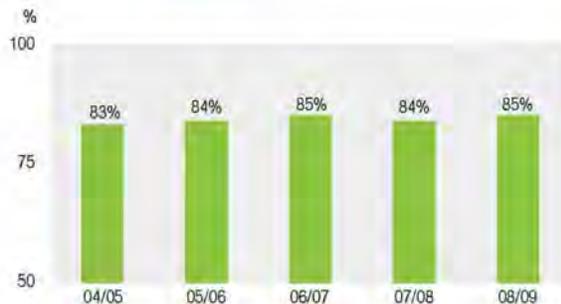
BCLC has completed the majority of the recommendations made by Deloitte & Touche LLP. The remaining three are in progress and are also multi-year efforts.

Performance Measures and Benchmarks

"Player Satisfaction" with our games, services and facilities in our lottery, casino, bingo and egaming channels will continue to be measured. Player satisfaction is a key factor in our continuing ability to generate income.

BCLC is making changes to the continuous tracking study in order to provide consistency across all our gaming channels. It will continue to be conducted by an external research agency and we will provide a historical view of our level of achievement in this area.

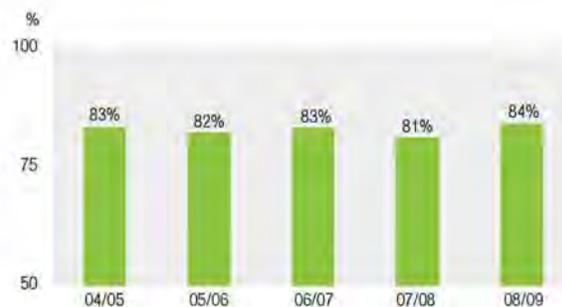
Player Satisfaction Results



We have included the "Player Participation" measure in order to provide insight into the percentage of BC adults who have participated in some form of gaming in BC over the past year.

This measure gauges our success in attracting and retaining players and building player loyalty. It is important in providing BCLC with a view of the relevancy of the gaming entertainment we offer to the adult population and is measured through a continuous tracking study conducted by Research International. A historical view of our level of achievement in this area will be used.

Player Participation Results



BCLC will continue to set revenue and net income targets. We have added a new financial calculation, net win, which is the level of revenue after prizes are paid. In past years, BCLC has compared revenue from lottery, bingo and egaming with the net win from casino gaming. Net win provides a consistent means of comparing our results across our own gaming channels as well as with other jurisdictions where egaming is offered.

Net Win Results



Our success in achieving our player goal will be measured against our 2009/10 "Net Win per Capita" target of \$450. To calculate this measure, net win is divided by the total BC population, using publicly reported population figures.

This measure indicates the extent to which BCLC is able to balance offering gaming in a responsible way and grow net income for Government.

Net Win per Capita Results



We have begun benchmarking our net win per capita with the results in other gaming jurisdictions. BCLC ranks first amongst comparators in "Net Win per Capita".

Growth has come primarily from casino gaming. By 2011/12, BCLC expects net win per capita to reach \$474.

2007/08 Net Win per Capita Benchmarks



Sources: BC Stats, BCLC and Svenska Annual Reports, Lafleur's Lottery Almanac

BCLC benchmarks our results to those of the Ontario Lottery and Gaming Corporation (OLG), Loto Quebec (LQ), the Swedish lottery Svenska Spel (Svenska) and Canadian and United States (US) gaming totals.

Financial/Operations — Goal #3: Invest in infrastructure to support current business operations and future growth

STRATEGY	PERFORMANCE MEASURES	2009/2010 TARGET	2010/2011 TARGET	2011/2012 TARGET
4. Transform the business infrastructure and enterprise technology to improve the gaming experience, business integrity and operational efficiency	<ol style="list-style-type: none"> Operating Cost (% net win) Net Income (millions) 	41.6%	41.9%	42.0%
		\$1,130.0	\$1,148.0	\$1,168.0

How BCLC is transforming capacity, infrastructure and technology to improve our business

BCLC is investing in our business in ways that support and sustain our net income for the future.

BCLC's net win reached \$1,950.5 million in 2008/09, resulting in \$1,090.7 million in net income.

To support our revenue generation and sustain it for the future, BCLC is strengthening our business infrastructure and gaming and back office systems, including capacity, process, structures and the supporting technology. We are doing this with the objective of creating a resilient, renewable and robust enterprise capable of sustaining current operations and supporting future growth.

BCLC will also focus the work on the business infrastructure in the area of data management, which will establish a single, integrated source of information to replace the multiple systems that exist today across our business channels.

New technology will provide us with a centralized source of information. These efforts will improve our ability to provide great customer service in all areas of the organization, provide insight into trends and reduce the development effort required for new business.

The effectiveness and efficiency of our business will be improved, with reduced maintenance, support, auditing, and oversight requirements. Significant work is underway as a result of the requirement for our financial processes,

systems and reporting to change to meet International Financial Reporting Standards (IFRS).

BCLC is continuing to strengthen risk and policy frameworks, systems and internal controls, and is implementing records and document management. We have implemented a corporate program management office to support the successful implementation of key programs for the organization.

We are also continuing the programs that augment our oversight of the controls and security of casino and community gaming operations. These efforts include increasing our oversight and reporting of large cash and suspicious currency transactions to the federal government as required by the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act of Canada*. BCLC is also reviewing the content of existing training programs and assisting in the development of additional training for, and testing of, retailers and service providers.

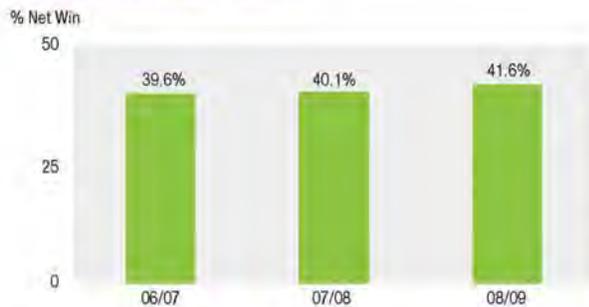
Performance Measures and Benchmarks

To assess our success in meeting our financial/operations goal, BCLC will measure our operating costs as a percentage of net win against our targets and with other gaming jurisdictions. This measure indicates the degree to which BCLC is efficient in delivering gaming.

Previous plans measured our operating cost ratio based on total revenue or net income; in order to compare with other gaming jurisdictions BCLC has changed the calculation to measure operating costs as a percentage of net win (sales after prizes).

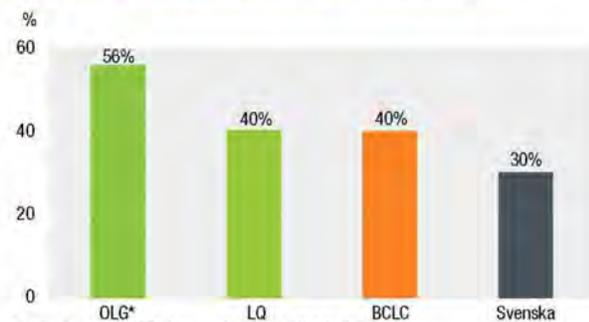
In addition to BCLC administrative operating costs, service provider commissions, amortization and other costs are also included that together more closely align BCLC's operating model with the models used in other gaming jurisdictions.

Operating Cost Ratio Results



Source: BCLC Audited Financial Statements

2006/07 Operating Cost (% Net Win) Benchmarks



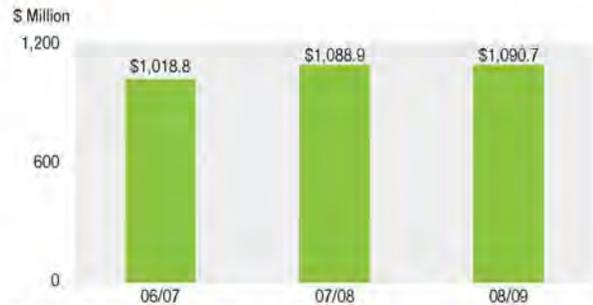
Sources: Annual reports, lottery organisations, lottery websites, Statistics Canada

BCLC benchmarks our results to those of the Ontario Lottery and Gaming Corporation (OLG), Loto Quebec (LQ) and the Swedish lottery Svenska Spel (Svenska).

Net income is the calculation of total revenue minus prizes and all expenses. BCLC distributes gaming net income to the Province of British Columbia, and as a result of a contractual agreement between federal and provincial governments, a portion is also distributed to the Government of Canada.

In 2008/09, BCLC achieved \$1,090.7 million in net income, \$19.3 million below our target and \$1.8 million greater than the previous year.

Net Income Results



Source: BCLC Audited Financial Statements

In British Columbia, electronic gaming devices are the slot machines located in casino and community gaming centre facilities, where access is limited to adults.

BCLC measures and compares the number of slot machines in British Columbia per 1,000 population, with other Canadian jurisdictions. While BCLC has previously used the adult population for per capita calculations, benchmarking to other jurisdictions requires that we use total population due to differing adult age definitions, gaming industry regulations, and the information publicly available.

Electronic Gaming Devices per Capita Results



Sources: BC Stats, BCLC devices data

2007/08 Electronic Gaming Devices per Capita Benchmarks



Source: BCLC Annual Report

BCLC benchmarks our results to those of the Ontario Lottery and Gaming Corporation (OLG), Loto Quebec (LQ), and Canadian and United States (US) gaming totals.

People—Goal #4: Have a workforce passionately driving the success of our business



We're passionate about our business

For the third year in a row, BCLC is proud to be recognized as one of BC's Top 50 Employers



BCLC's selection from over 2,100 companies was made by MediaCorp based on eight criteria evaluated in comparison to other organizations. The award recognizes competitive financial benefits and growth opportunities for employees, coupled with the flexibility required for work-life balance.

In 2008/09 we were also successful in significantly surpassing our employee engagement target of 55%, reaching a score of 77%. This achievement assures BCLC that our human resources leadership and performance management programs, employee recognition and development initiatives, are successfully reaching our employees.

BCLC needs a passionate workforce to drive the successful management and operation of our gaming business. Our new business direction requires significant internal and external business changes. We are working in the areas identified by employees, such as transforming our business processes and infrastructure, so that as we improve our business we increase the engagement of our employees.

Improved recruitment and retention processes that enable our growth, programs that develop our leadership effectiveness and other human resources process improvements will nurture a culture and environment that will continue to support BCLC's business strategy.

BCLC has 50 Vancouver 2010 Olympic and Paralympic Winter Games volunteer positions we made available to our employees. This group of employees has been progressing through Vanoc's interview, screening and training processes and are all very excited about offering their own time to provide leadership and support for the 2010 Winter Games.

Performance Measures and Benchmarks

To assess our success in meeting our people goal, BCLC will continue to measure the level of employee engagement. Employee engagement measures the intellectual and emotional involvement employees have in their work and is directly linked to the effort and dedication they contribute to achieve success for the organization, and BCLC's ability to attract and retain employees.

Prior to 2009, this survey was conducted by Hewitt Associates. In 2009, the survey was conducted by Ipsos Reid, and responses from employees were calculated consistent with previous years.

BCLC's 2008/09 employee engagement score surpassed our targets set for each of the next three years. BCLC's challenge will be in maintaining and enhancing this level of engagement to continue to positively impact BCLC's employee culture.

Employee Engagement Results



BCLC has added a new measure, employee vacancy rate. Used by other British Columbia Crown Corporations, this average percentage will measure the number of vacancies in the process of being filled (replacement or new positions, recruited internally and externally) as a proportion of BCLC's total head count and in future may be compared with the results of other Crown Corporations. Our results will be reported in our 2009/10 Annual Report.


 FINANCIAL OUTLOOK

How much we're selling, spending and providing to Government

Gaming income funds Government public, charitable and community programs that benefit all British Columbians.

REVENUE \$ millions	2006/07 ACTUAL	2007/08 ACTUAL	2008/09 ACTUAL	2009/10 TARGET	2010/11 TARGET	2011/12 TARGET
Lottery	\$983.1	\$958.2	\$930.8	\$935.0	\$950.0	\$993.0
eGaming	14.3	18.7	23.5	34.0	56.9	73.0
Casino	1,208.9	1,322.1	1,341.2	1,399.0	1,454.0	1,484.0
Community Gaming	218.9	260.2	254.7	258.0	273.0	276.5
Gross Revenue	\$2,425.2	\$2,559.2	\$2,550.2	\$2,626.0	\$2,733.9	\$2,826.5
Net Win	\$1,774.4	\$1,912.1	\$1,950.5	\$2,030.3	\$2,117.9	\$2,197.1
EXPENDITURES						
Lottery	700.5	696.5	678.1	683.1	705.3	749.9
eGaming	13.4	16.5	19.8	27.7	44.9	54.7
Casino	510.3	560.3	583.2	614.6	658.7	688.2
Community Gaming	182.2	197.0	178.5	170.6	177.0	165.7
Total	\$1,406.4	\$1,470.3	\$1,459.5	\$1,496.0	\$1,585.9	\$1,658.5
NET INCOME⁸						
Lottery	282.6	261.7	252.7	251.9	244.7	243.1
eGaming	0.9	2.2	3.7	6.3	12.0	18.3
Casino	698.6	761.8	758.1	784.4	795.3	795.8
Community Gaming	36.7	63.2	76.2	87.4	96.0	110.8
Paid to Gov't	\$1,018.8	\$1,088.9	\$1,090.7	\$1,130.0	\$1,148.0	\$1,168.0
Income Growth	10.4%	6.9%	0.2%	3.6%	1.6%	1.7%
Debt	\$0.0	\$0.0	\$0.0	\$82.9	\$117.1	\$139.5
Capital Expenditures	43.9	60.4	97.4	157.2 ⁹	115.0	115.0

⁸ BCLC's net income targets take into account the additional cost of the Harmonized Sales Tax that will be introduced in British Columbia on July 1, 2010.

⁹ 2009/2010 total approved capital spending includes \$37.5 million in approved capital carried forward from previous years. Only \$100 million of the approved budget is expected to be spent in 2009/10

Financial Analysis

Financial Metric	2009/10	2010/11	2011/12
Net income per February 2009 approved Service Plan 2009/10–2010/11	\$ 1,163.0	\$ 1,207.0	\$ 1,237.0
Projected impact of marketplace conditions	(33.0)	(24.0)	(19.0)
Projected impact of the introduction of HST	–	(35.0)	(50.0)
Net income per September 2009 Revised Service Plan Service Plan 2009/10–2010/11	\$ 1,130.0	\$ 1,148.0	\$ 1,168.0

- While the downturn in British Columbia's economy has resulted in lower targets for revenue and net win, BCLC is still predicting year-over-year growth during the three year period covered by this plan.
- Focus on revenue initiatives combined with strategic cost management reductions to our operating costs and capital spend are being implemented in order to better manage the downturn in the economy.
- Total net win is projected to increase by \$246.6 million or 12.6% between 2008/09 and 2011/12.
- Effective July 1, 2010, BC intends to introduce the harmonized sales tax (HST) to replace the current PST and GST. This introduction will have the effect of reducing BCLC's net income. It is expected that the overall effect of the HST will be neutral and that any impact on BCLC's net income will be offset by the federal/provincial tax-sharing agreement.
- Total net income is projected to increase by \$77.3 million or 7.1% over the forecast period. This increase reflects the continued introduction of innovative products in all of our gaming channels.
- Net income targets for each of the three years covered by this Service Plan have been revised downward to reflect the impact of marketplace conditions and the proposed HST. The changes relative to the plan approved in February 2009 are shown in the table at the bottom of this page.
- Relative to the previous service plan, lottery targets have been revised downward to reflect the impact of the reduction in the number of lottery locations and slower than anticipated growth at hospitality locations. Lottery net win is projected to grow \$12.0 million or 2.8% over the three year period. Growth in this channel will come from the introduction of new games.
- Strong growth in eGaming net win of \$33.8 million is anticipated over the three years covered by this plan. We will improve the player experience on PlayNow.com by launching a redesign to provide a more engaging player experience, together with new and innovative games.
- Casino targets have been revised downward over the three-year planning period, reflecting current estimates for slower growth as the strategy to upgrade facilities nears completion. Casino net win growth of \$142.8 million or 10.6% will come from enhancements to existing casino facilities and the development of tourism markets.
- Growth in the community gaming channel of \$58.1 million in net win, or 32.9% over the forecast period will be driven primarily by the continuing development of community gaming centres. Bingo continues to experience a decline in popularity as players migrate to new, more entertaining games.
- Operating costs, which are calculated based on lottery retailer and service provider commissions, administration, amortization and other direct costs, are projected to remain relatively stable over the three-year planning period.
- Capital expenditures in 2009/10 will continue to support lottery, egaming, casino, community and bingo gaming operations, as well as increased investments in responsible gambling programs. Additional capital expenditures will be incurred to upgrade BCLC's gaming and back office systems to maintain a high level of gaming integrity and internal controls.

Assumptions

Service Plan assumptions

- The reductions to BCLC's programs and the associated operating budgets and capital spending are successfully implemented to offset the negative impact of the economy on gaming net income.

Players

- Development of our focus on one integrated player across all BCLC gaming channels will be successful in improving marketing effectiveness and gaming efficiencies.
- BCLC's sponsorship of the 2010 Vancouver Olympic and Paralympic Winter Games and resulting ability to offer event ticket prizes on SportsFunder lottery games will be as successful as is expected in increasing lottery revenue.

Gaming Market

- Casino revenue will not be further impacted by cross-border competition.
- British Columbia casino and bingo marketplace capacity studies are accurate.
- Competition from unregulated internet gaming will not increase, negatively impacting BCLC's eGaming market.
- BCLC market forecasts for new lottery and egaming products are accurate.

Lottery

- Planned releases of new lottery games will be on schedule.

Casino

- Openings, upgrades and relocation of existing casinos will be on schedule.
- The change in player preference for table games from high margin slot machines does not accelerate.

Community Gaming & Commercial Bingo

- The planned openings, upgrades and relocation of existing commercial bingo halls to community gaming centres will be on schedule.

eGaming

- Planned product releases will be on schedule in 2009/10.

Economy

- The British Columbia economy will begin to recover in 2010.

Cost of Services

- Inflation has been assumed at 1.7% over the planning period. BCLC uses the three-month Canadian Treasury Bill rates as forecast by Treasury Board; interest rates have been assumed at 0.5% for 2009/10, 2.0% for 2010/11 and 2.1% for 2011/12.

Gaming Policy

- No major changes will be made to BCLC's mandate or Government's gaming and social policy.
- No major changes will be made to GPE mandate, regulations or policy.

Government Approvals

- Net win and net income assumptions are based on BCLC obtaining the necessary provincial and host local Government and regulator approvals required under the *Gaming Control Act* for the opening of new facilities and to launch new games.

Net Income Sensitivity Projections and Risk Factors

Net income that may be at risk

BCLC net income estimates are made after careful consideration of the trends, opportunities, challenges and risks in conjunction with the mitigation strategies described in previous sections.

Risk occurrences could negatively impact BCLC's targets resulting in a decrease in the net income delivered to the Government of British Columbia. Our forecasts of the possible variances are shown below.

NET INCOME FORECASTS			
\$ millions	2009/2010	2010/2011	2011/12
High	\$1,150.0	\$1,190.0	\$1,213.0
Target	1,130.0	1,148.0	1,168.0
Low	1,050.0	1,060.0	1,070.0

Net Income Risk Factors

- Economic issues that result in a reduction to personal disposable income and entertainment spending;
- Economic issues that positively or negatively affect operating costs;
- Ability to maintain or grow the lottery network;
- The capacity of our casino and community gaming service providers to build or upgrade gaming facilities;
- The frequency and size of lottery jackpots;
- BCLC's ability to develop and launch innovative new gaming products in all gaming channels;
- Competition from regulated and unregulated gaming competitors;
- Public acceptance of gaming;
- Changes in gaming rules and regulations;
- Government policy or delays in obtaining approval for the introduction of new games;
- Delays in obtaining host local Government approvals for the development or rebuilding of casino and bingo properties;
- Changes in consumer preferences that impact product mix and profitability;
- The Canadian exchange rate relative to the US dollar;
- The continued viability of lottery retailers, casino and community gaming service providers;
- The continued viability of suppliers of goods, services and technology; and
- Force majeure events.

Major Capital Projects

Spending on gaming, corporate systems and facilities

(\$ thousands)	2006/07 ACTUAL	2007/08 ACTUAL	2008/09 ACTUAL	2009/10 TARGET	2010/11 ¹⁰ TARGET	2011/12 TARGET
Gaming Systems						
Lottery	\$7,804	\$7,148	\$6,580	\$13,023	\$17,100	\$17,100
eGaming	1,502	1,926	2,923	2,120	3,994	3,994
Casino	22,001	32,359	49,421	60,090	49,811	49,811
Community Gaming	6,445	6,952	13,424	16,468	15,807	16,057
Bingo	779	5,106	120	2,400	750	500
Player First	N/A	2,971	13,885	0	0	0
	\$38,531	\$56,462	\$86,353	\$94,101	\$87,462	\$87,462
Corporate Systems	4,933	2,855	7,537	18,510	20,228	20,228
Facilities	463	1,137	3,532	7,050	7,310	7,310
	\$5,396	\$3,992	\$11,069	\$25,560	\$27,538	\$27,538
Total Capital	\$43,927	\$60,454	\$97,422	\$157,233¹⁰	\$115,000	\$115,000

- BCLC does not have any capital projects that individually exceed \$20 million. Capital expenditures in 2009/10 will be limited to those that support revenue initiatives and critical business operations.
- The primary driver of BCLC's capital expenditures is the acquisition of gaming equipment to support the lottery, casino, bingo and egaming channels. This includes gaming equipment to support over 4,000 lottery locations, 17 casinos, 14 community gaming centres, 12 commercial bingo halls including the continuing transition of commercial bingo halls to community gaming centres, as well as support of PlayNow.com.
- BCLC will also be incurring capital expenditures to improve systems and processes that support the security and integrity of our gaming systems. Expenditures include deployment of self-service terminals in all lottery hospitality locations and development of monitoring systems for retailer prize winners, consumer complaints and incident tracking.
- Capital expenditures will also be incurred to support the upgrading of casino, bingo and back office support systems to continue to provide the highest level of internal control and integrity.

¹⁰ 2009/2010 total approved capital spending includes \$37.5 million in approved capital carried forward from previous years. Only \$100 million of the approved budget is expected to be spent in 2009/10.


 APPENDIX: SERVICE PLAN GOALS AND PERFORMANCE MEASURES COMPARISON

What we plan to do differently, and why

BCLC's Board and Executive review BCLC's mission, goals, strategies, performance measures and the associated targets on an annual basis.

BCLC's mission statement has been updated to **"We create outstanding gaming experiences"**, reflecting our focus on the total gaming experience we provide our players.

Our values of Integrity and Social Responsibility remain unchanged. Our Respect value has been reworded to better reflect an outward as well as inward focus in our dealings with each other, our service providers and the public.

We have restated and reordered BCLC's four goals to strengthen our generation of revenue within a balanced framework of corporate social responsibility, focus on our players, infrastructure and process capacity and growth, and our people.

This chart compares the goals in our previous Service Plan 2008/09–2010/11 to the goals in this Service Plan 2009/10–2011/12.

2008/09 – 2010/11 SERVICE PLAN GOALS	2009/10 – 2011/12 SERVICE PLAN GOALS	COMMENTS
Demonstrate social responsibility in all of our activities	Public/Planet Build public trust and support for BCLC gaming	It is important that the gaming BCLC manages has the support of the public in order for us to continue to generate and maximize income.
Provide an outstanding gaming experience for players and generate income and Ensure players come first	Player Provide facilities and games to develop the business	Our focus on the player is being instilled organization-wide and includes the games, services, facilities and the overall support we provide for our players.
N/A	Financial/Operations Invest in infrastructure to support current business operations and future growth	This new goal and associated activities is our key area of focus to improve our infrastructure, capacity, technologies, business integrity and operational efficiency.
Have a workforce passionately driving the success of our business	People Have a workforce passionately driving the success of our business	No change.

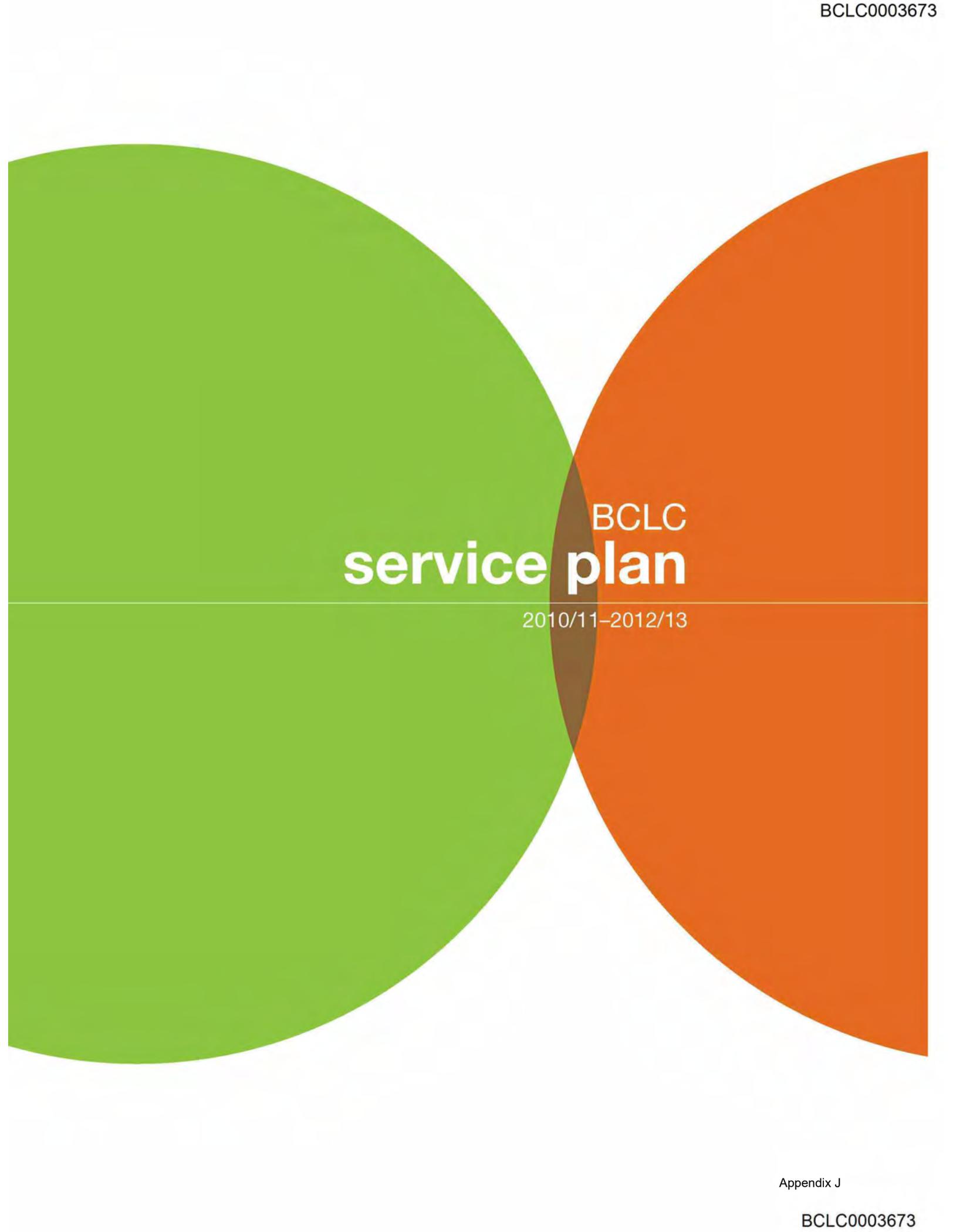
This chart compares the performance measures and targets in our previous Service Plan 2008/09–2010/11 to the performance measures and targets in this year's Service Plan 2009/10–2011/12. The financial performance measures Net Win and Net Income are not included in this comparison.

PERFORMANCE MEASURES	2008/09 TARGET	2008/09 ACTUAL	2009/10 TARGET	COMMENT
Public Support of Gaming	62%	65%	63%	No change in the measure.
Public Trust and Confidence in BCLC Games	64%	60%	61%	No change to this new measure.
Player Awareness of Responsible Gambling Activities	84%	89%	88%	No change to this new measure. BCLC's performance in the first year exceeded the baseline forecast.
Player Satisfaction	90%	85%	85%	No change in the measure.
Player Participation (past year)	N/A	84%	82%	This measure has been reinstated for 2009/10. Player participation indicates the level of success in engaging BC's adult population in gaming entertainment.
Net Win per Capita	N/A	\$443	\$450	This measure is new for 2009/10; BCLC has recalculated past years for comparison purposes. We will use net win targets to gauge our success and compare our results with other gaming jurisdictions.
Operating Cost Ratio (of Net Win)	40.1%	41.6%	41.6%	BCLC has changed the calculation of operating costs to percent of net win in order to compare our results with other gaming jurisdictions. This measures the ratio of operating costs as a percentage of net win, indicating the degree to which BCLC is efficient in generating income for Government while maintaining or improving our business.
Employee Engagement	55%	77%	60%	No change in the measure. BCLC plans to maintain our 2008/09 achievement.
Employee Vacancy Rate	N/A	N/A	7%	This measure is new for 2009/10 and is intended to measure BCLC's turnover, competitiveness and the effectiveness of recruitment processes for use in Government's comparison of BCLC to other Crown Corporations. BCLC's results are subject to considerable variation based on factors such as business growth, internal employee movement and demographics and must be interpreted within the context of the timeframe being measured.



Appendix J

BCLC Service Plan 2010/11-2012/13 (BCLC0003673).

A Venn diagram consisting of two overlapping circles. The left circle is green and the right circle is orange. The overlapping area in the center is a darker brownish-orange color. The text is centered within this overlapping area.

BCLC
service plan

2010/11–2012/13

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or by email to consumerservices@bclc.com
Lottery Player Complaints: 1-866-601-1818

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MESSAGE FROM BCLC'S BOARD CHAIR AND PRESIDENT AND CEO

ON BEHALF OF THE BOARD OF DIRECTORS AND OUR EMPLOYEES, WE ARE PLEASED TO PRESENT OUR SERVICE PLAN 2010/11–2012/13 TO THE HONOURABLE RICH COLEMAN, MINISTER OF HOUSING AND SOCIAL DEVELOPMENT

BCLC is responsible for the conduct and management of lottery, egaming, casino, community and commercial bingo gaming in British Columbia. BCLC employees, along with our private sector service providers, are proud of the gaming experience we provide in a socially responsible way, and the resulting income generated for the Province of British Columbia to fund public, charitable and community programs.

As we enter our 25th year of operation, BCLC's employees are celebrating the gaming benefits we've generated for the Province of British Columbia. Since 1985, over \$11.30 billion in net income has funded public programs for British Columbians, including health care, education, sports, charitable and community organizations in B.C. We have a long heritage of trust and accountability with our players and continue our commitment to corporate social responsibility and sustainability.

Our continuing focus on revenue initiatives combined with the strategic management of our costs and expenditures has helped our performance in a challenging marketplace. Our investments continue to be focused on our core gaming business, as well as the infrastructure and technology supporting sustainable future net income.

For the 2009/10 year, BCLC's net income is forecast at \$1.09 billion, \$39.0 million below our target but consistent with the results of the previous year. Net win, the amount of revenue after prizes are paid, is expected to grow slightly from the previous year, reaching \$1.97 billion but will climb to \$2.26 billion by 2012/13. In total, over the three years covered by this plan, BCLC is forecasting \$3.48 billion in net income for the Province of British Columbia.

While infrastructure improvements are important, so is the measured growth of our business. BCLC will grow our business through the continued development of casino and community gaming centre games, facilities and services. We will also grow through game and customer service innovation on our PlayNow.com egaming site and in our lottery business.

BCLC's focus will continue to be on the integrity and security of all of our activities so that we provide players with an exceptional gambling experience while leading the way in social responsibility for our industry. Gaming is for fun, and one of the ways we are encouraging players to make healthy choices is through GameSense, a revitalization of our responsible gambling resources. Launched in 2009, GameSense offers a more approachable and accessible range of materials to help players make informed decisions about our gaming products.

BCLC views environmental sustainability as a key component of our social responsibility and is continuing to develop plans to reduce and offset our emissions to achieve carbon neutrality. We are extending our actions beyond provincial requirements to reduce emissions, and are formalizing our sustainability management approach and seeking further reduction opportunities through our facilities and business operations.

We have set targets so that we can measure our level of achievement, with the overall goal to reduce our emissions by 4% annually so that we achieve a 40% reduction by 2020.

For the first time, BCLC was selected as one of the best employers in the country, receiving recognition as one of Canada's Top 100 Employers in addition to our fourth year as a Top BC employer. Our people have passionately driven the success of the company over the past 25 years and our workplace programs, services and the experiences offered at BCLC make it a great place to work.

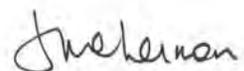
We will continue to modernize our business processes, infrastructure and technology as well as make investments in our people through workforce planning, performance management and development programs so that we can continue to be an employer of choice with a workforce that continues to drive the success of the business.

BCLC has continued with a balanced approach to our business, reflecting our external and internal business focus through our goals and performance measures. In addition to reviewing the benchmarks in our framework, we have updated the existing measures so that assessing our level of success in achieving our business plans is visible and continues to be compared with information publicly available from other gaming organizations.

BCLC's Service Plan 2010/11–2012/13 was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the *BC Reporting Principles*. The Board is accountable for the contents of this plan, including the content and how it has been reported. The plan is consistent with Government's strategic priorities and fiscal plan.

All significant assumptions, events, policy decisions and identified risks as of January 20, 2010 have been considered in preparing the plan. The performance measures presented are consistent with BCLC's mandate and goals, and focus on aspects critical to the organization's performance. The performance targets in this plan have been determined based on an assessment of BCLC's operating environment, forecast conditions, risk and past performance.

January 20, 2010



John McLernon
Board Chair



Michael Graydon
President and CEO

ORGANIZATIONAL OVERVIEW

WHO WE ARE

Incorporated in October 1984 and pursuant to amendments to the *Criminal Code* of Canada (1969), British Columbia Lottery Corporation (BCLC) operates under the *Gaming Control Act* (2002) of British Columbia.

BCLC is the Crown Agency mandated to conduct, manage and operate lottery, egaming, casino and commercial bingo gaming in British Columbia.

We operate our commercial gaming business in accordance with the legislative, regulatory and policy framework established by the Province of British Columbia under the authority and direction of the Minister responsible for gaming, the Honourable Rich Coleman, Minister of Housing and Social Development.

Gaming is regulated by the Gaming Policy and Enforcement Branch (GPEB) of the Ministry. We comply with written directives to BCLC from the Minister and the Assistant Deputy Minister/General Manager of GPEB.

GPEB develops and oversees gaming policy, legislation and standards, licenses charitable events and horse racing, registers gaming workers, retailers and service providers, certifies gaming equipment, investigates allegations of impropriety and directs Government's responsible gambling initiatives. GPEB also distributes gaming proceeds, such as community grants to charitable organizations, conducts audits of commercial and charitable gaming for compliance and develops and implements a risk management framework for the industry.

Gaming is entertainment, and BCLC provides innovative gaming opportunities to players in British Columbia to generate income that the Province of British Columbia uses to fund public health care, education, charitable and community programs that benefit all British Columbians. A portion of net income is also remitted to the Government of Canada.

WHAT WE DO AND WHERE WE ARE

Since 1985, BCLC has grown from a lottery company with \$113.2 million in net income, to a commercial gaming entertainment organization generating a forecast \$1.09 billion in net income in 2009/10.

BCLC integrates responsible gaming and player security into the design and development of new games and services, markets and advertises our games, manages the technology necessary to run our gaming business, and oversees contracted retailer and service provider operations to maintain gaming integrity, security, compliance and performance. Our focus is on our players, from the design of the innovative games and gaming facilities to entertain them, through to the processes, technology and social responsibility that support our delivery of an exceptional experience.

BCLC employees work from two offices: one in Kamloops and a second office in Richmond. We also have employees located in communities around the province who work with our service providers.

Our Kamloops office is the primary location of our information technology, finance and administration functions. Gaming operations, security, sales, marketing, communications and product distribution functions are primarily in Richmond locations. With our Richmond office lease set to expire in 2011, BCLC is relocating to metro Vancouver to meet our combined Lower Mainland office and warehouse capacity requirements.

OUR GAMING PRODUCTS ARE SOLD THROUGH CONTRACTED PRIVATE SECTOR SERVICE PROVIDERS AND PLAYNOW.COM

Gaming is available in over 4,000 lottery retail and hospitality locations, 17 casinos, 15 community gaming centres and 12 commercial bingo halls as well as directly to over 125,000 registered players in British Columbia through our PlayNow.com egaming site.

In our lottery channel, our service providers earn an industry-standard commission rate. Six private sector casino service providers, 15 service providers for commercial, independent and charitable community gaming and service providers for bingo facilities earn a percentage of net win¹ for providing gaming facilities and day-to-day operational services. BCLC owns the gaming equipment, including lottery and bingo terminals, casino table games and slot machines.

These private sector service providers play an important role in providing the customer service that contributes to our players' enjoyment of our games and the facilities where gaming is available. Significant income and employment is generated in the private sector.

The gambling industry is continuing to grow, in particular privately owned internet gambling companies and casinos in neighbouring jurisdictions who are targeting B.C. consumers, while the bingo industry continues to decline. These trends are discussed further on page 8.

The consolidated financial statements of BCLC include a wholly owned subsidiary, BC Lottotech International Inc. (Lottotech). The sole business of Lottotech is the purchase of capital assets for BCLC, which are reviewed and approved by BCLC's Board through our annual business planning and budget process. The financial statements, management and oversight of Lottotech are consolidated within BCLC operations.

¹ Net win is the amount of gross sales revenue after prizes are paid to players. BCLC uses net win in order to compare our gaming business across our gaming channels and with other gaming jurisdictions.

CORPORATE GOVERNANCE

THE PROVINCE OF BRITISH COLUMBIA ESTABLISHES THE LEGISLATIVE, REGULATORY AND POLICY FRAMEWORK UNDER WHICH BCLC CONDUCTS AND MANAGES GAMING

BCLC optimizes our financial performance within the gaming and social policy framework established by the Province of British Columbia, providing our games and services in a socially responsible manner consistent with our responsibilities reflected in British Columbia's *Responsible Gambling Strategy*.

A key component of our governance framework is the "*Shareholder's Letter of Expectations*", an agreement which clearly outlines our mutual commitment to deliver on performance expectations for the benefit of British Columbians.

This letter, intended to define and promote a positive and cooperative working relationship, supports BCLC's mandate and identifies Government's strategic priorities and performance expectations for BCLC. Government directs BCLC to take specific actions. Our actions and the status of our activities to implement them are shown in the following chart.

Click here to read BCLC's full [Shareholder's Letter of Expectations](#).

BCLC'S SHAREHOLDER'S LETTER OF EXPECTATIONS SUMMARY

GOVERNMENT DIRECTION

BCLC ACTIONS

Optimize the Corporation's financial performance and propose new revenue opportunities within the gaming and social policy framework established by the Shareholder;

Within the gaming and social policy framework established by the Province of British Columbia, in 2008/09 BCLC achieved \$1.09 billion in net income, \$19.3 million below the target of \$1.11 billion but \$1.8 million greater than was achieved the previous year. Our lower performance against our plan is directly attributed to the downturn in the economy.

While the economy is beginning to show signs of improvement, the recovery of consumer spending on entertainment is expected to lag. BCLC has revised our net win and net income 2009/10 forecasts and the targets for the next three years and has implemented cost management programs to reduce our expenses below our 2009/10 budget. We are forecasting \$1.09 billion in net income in 2009/10, \$39.0 million lower than our target but equal to our achievement in 2008/09.

Enhance the performance, integrity and efficiency of casino, bingo, lottery and egaming in response to customer and marketplace demand, through products, services and technology consistent with the Corporation's mandate;

BCLC is increasing our focus on the player and forecasting net income growth through innovative new games, services and marketing, continued improvements to casino and community gaming facilities and customer relations management. Processes and technology to support the performance, integrity and efficiency of the business continue to be a key focus to sustain the current business and provide future growth potential.

Ensure the Corporation's products and services are provided in a socially responsible manner and strengthen the Corporation's activities related to its social objectives in a manner consistent with the Province's Responsible Gambling Strategy and the Corporation's responsibilities reflected in that Strategy;

BCLC delivers gaming in a manner that encourages responsible gambling and healthy choices. Our efforts continue to be focused on enhancing responsible gaming programs for our players and communication about the availability of and access to programs, including voluntary self-exclusion. We have revitalized our responsible gambling resources with GameSense, a program designed to offer approachable and accessible materials to help players make informed decisions about our gaming products. BCLC has GameSense information centres in all casino and community gaming locations, for which GPEB provides staffing, and continues to provide appropriate response training for gaming staff.

We support the Province of British Columbia in its efforts to reduce the incidence and harmful impacts of problem gambling and to educate and raise public awareness of responsible gambling and problem gambling. BCLC also actively participates with other Canadian jurisdictions to strengthen the industry commitment to share responsible gambling best practices. In 2010 BCLC is hoping to achieve Level 4 certification from the World Lottery Association, which recognizes business operations incorporating the highest level of responsible gambling standards.

Ensure gaming products and services offered by the Corporation are consistent with the objectives of gaming security and integrity;

The integrity and security of BCLC's gaming systems is paramount to ensuring public trust and confidence in the games and services we offer our players. BCLC's priority to modernize our business infrastructure, including processes and technology, is key to continuing to provide integrity and security in our gaming systems.

GOVERNMENT DIRECTION

BCLC ACTIONS

Implement the recommendations made by the provincial Ombudsman in May 2007 related to the Corporation;

BCLC has two Ombudsman's recommendations remaining to complete in 2010/11 to further enhance the fairness, integrity, transparency, security and player focus of our lottery system. Our final status report was publicly issued in June 2009. BCLC has continued to update the BC Ombudsman on our progress.

Implement recommendations made by Deloitte and Touche LLP in their independent audit of lottery operations in British Columbia undertaken in 2007 as directed by the Shareholder;

BCLC has three of these recommendations remaining to implement, and estimates completion in 2010/11.

Notify the Shareholder of the Corporation's resolution of any significant issues related to the implementation of recommendations of either the Ombudsman or Deloitte and Touche LLP;

As we implement these recommendations, BCLC is working closely with our Shareholder to maintain a shared understanding of any issues, including the costs, workload and the increased regulatory, audit, compliance and enforcement activities.

Operate in a manner consistent with the Gaming Policy and Enforcement Branch's regulatory responsibilities as they apply to the Corporation;

BCLC operates its gaming business and financial activities within the legislative, regulatory and policy framework established by the Province of British Columbia.

BCLC & GPEB continue to meet on a quarterly basis to enhance cooperation and coordination between the organizations while respecting GPEB's independent role as regulator.

Build public and key stakeholder trust/support, by continuously improving the quality of service to customers and relationships with service provider partners;

Building public and stakeholder trust and support by improving the service for our players is a key strategy for BCLC. Continuous improvement is planned through programs such as player-focused training, ongoing management oversight, and collaboration with our service providers.

Comply with the policy directives that may be issued from time to time by the Minister Responsible for the Gaming Control Act and with policies, directives and standards that may be issued from time to time by the regulatory agency (the Gaming Policy and Enforcement Branch) established under the *Gaming Control Act*;

BCLC continues to comply with policy directives issued by the Minister, including directives and standards issued by GPEB.

Inform the Shareholder on a regular basis of any major changes occurring or likely to occur that may impact on the Corporation's achievement of its Service Plan targets either negatively or positively;

BCLC reports financial results to our Shareholder on a quarterly basis and regularly notifies our Shareholder of any major changes occurring or likely to occur that may impact the achievement of our Service Plan targets.

Operationalize carbon reduction plans developed by the Corporation in compliance with the Climate Action Secretariat's Framework for Greenhouse Gas Measurement and Reporting: Guidance for Crown Corporations; and

While the Province of British Columbia requires carbon emissions reporting starting in 2010, BCLC began reporting in 2008/09 and continues to develop and implement plans to reduce and offset these emissions as part of business operations.

We are extending our efforts to advance environmentally sustainable behaviours in our organizational culture through actively encouraging the development of ideas and solutions from employees at all levels of the organization.

Identify and implement healthy living policies, programs and client service objectives that contribute meaningfully to ActNow BC goals.

BCLC's creation and ongoing support of a healthy workplace, including promoting environmentally sustainable behaviour, has been recognized as a contributing factor in our selection as a top employer in Canada and in British Columbia. Through the communication of information about ways to improve wellness, in areas such as nutrition and smoking cessation and a continual review of program content and our delivery, we will continue to promote healthy living for our employees and their families.

BCLC delivers gaming in a manner that encourages responsible play and healthy choices, supported with programs such as voluntary self-exclusion and GameSense, which provides players with information about responsible gambling resources.

OUR BOARD OF DIRECTORS

BCLC's Board of Directors (Board) is appointed by order of the Lieutenant-Governor in Council. The Board is fully compliant with the standards and guidelines and each of the disclosure requirements contained in the *Best Practice Guidelines–BC Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations* (2005). Our Board framework includes the terms of reference for the Board, the Board Chair, President and Chief Executive Officer, Directors, Standing and Ad Hoc Board Committees, as well as processes for strategic planning, succession planning and Board performance evaluations.

Our Board has the primary responsibility to foster BCLC's short and long-term success, consistent with its responsibility to our Shareholder, the Province of British Columbia, and in consideration of the legitimate interests held by other stakeholders including players, employees, service providers, suppliers, communities and the public.

The nine Directors are stewards of BCLC, chosen on the basis of their expertise and experience. The Board has a collective responsibility to oversee the conduct of BCLC's business and to provide direction to BCLC's Senior Executive, who are responsible for day-to-day operations.

Upon appointment, and each subsequent year, the Directors agree to act in accordance with the Board's Code of Conduct and Conflict of Interest Guidelines.

The Chair is the presiding Director responsible for the effective leadership and performance of the Board and is the liaison between the Board and Minister responsible for gaming.

Reporting to the President and CEO, the Corporate Secretary facilitates communication between the Board of Directors and Senior Executive and plays a key role in the administration of corporate and governance matters, working with the Board through the Chair.

Where not appointed as a full member, the Chair is an ex-officio member of Board Committees. The President and CEO is also an ex-officio member of all committees.

BCLC's Senior Executive team attends Board meetings. To maintain autonomy, the Board may convene in-camera sessions.

[Click here to learn more about BCLC's Corporate Governance](#) and about our [Board of Directors](#).

[Click here to learn more about the Province of British Columbia's Board Resourcing and Development Office](#).

Minister Responsible for Gaming

The Honourable Rich Coleman, Minister of Housing and Social Development

Role:	To provide stewardship and ethical leadership to oversee the management of BCLC's affairs in the best interests of BCLC and the long-term interests of our Shareholder, the Province of British Columbia. In carrying out the mandate of the Board, each director has specific statutory duties and obligations under employment, environmental and financial reporting and is required to act in accordance with fiduciary, duty of care and conflict of interest guidelines and do so: <ol style="list-style-type: none"> i) honestly and in good faith; ii) with a view to the best interests of the Corporation; iii) with the care, diligence, and skill of a reasonably prudent person; and iv) the powers of the Directors are conferred upon them to exercise on behalf of and for the benefit of BCLC.
Chair:	John McLernon
Members:	Arthur Willms (Vice-Chair), Trudi Brown, David Gillespie, Cynthia M. Grauer, Walter Gray, Moray Keith, D. Neil McDonnell, Michael Riley

Three standing Board committees have been established and other committees are established as needed. The committees are responsible for advising and formulating recommendations to the Board. Current Standing Board committees are:

Audit Committee	<p>Purpose: To assist the Board in fulfilling oversight responsibilities for BCLC's financial reporting provided to government and the public, the effectiveness of internal control systems, audit and risk management processes, performance and findings and compliance with laws, regulations and policies.</p> <p>Chair: Michael Riley</p> <p>Members: Arthur Willms, David Gillespie, Moray Keith</p>
Governance and Corporate Social Responsibility Committee	<p>Purpose: To provide focus on governance that enhances BCLC's performance and to provide oversight responsibility for corporate social responsibility policy.</p> <p>Chair: David Gillespie</p> <p>Members: Trudi Brown, Walter Gray, Moray Keith</p>
Human Resources and Compensation Committee	<p>Purpose: To assist the Board in fulfilling obligations relating to human resources and compensation matters to enhance BCLC's performance against the strategic plan.</p> <p>Chair: D. Neil McDonnell</p> <p>Members: John McLernon, Cynthia Grauer</p>
Ad Hoc Committees	<p>Purpose: Established for a specific period of time to undertake a specific task, and then disbanded.</p>

OUR SENIOR EXECUTIVE TEAM

The President and CEO reports to the Board of Directors and maintains open communication with the Board and Board Chair. All Vice Presidents report to the President and CEO.

BCLC's Senior Executive team members attend all Board meetings.

Our Director, Audit Services reports administratively to the President & CEO and functionally to the Board Audit Committee.

Click [here](#) to learn more about BCLC's [Senior Executive team](#).

<p>Minister Responsible for Gaming The Honourable Rich Coleman, Minister of Housing and Social Development</p>	
<p>Board of Directors John McLernon (Chair)</p>	
<p>President and CEO Michael Graydon Responsible for BCLC's leadership and vision, directing and supporting his Senior Executive team in the development of the plans and actions required to realize the strategic goals of the organization.</p>	
<p>Corporate Affairs Kevin Gass, Vice President Responsible for corporate social responsibility, communications and e-business, including stakeholder and media relations, public affairs, sponsorship and promotions, PlayNow.com and bclc.com.</p>	<p>Casino and Community Gaming Darryl Schiewe, Vice President Responsible for the development and operation of casino, community and commercial bingo gaming, including products, marketing, sales and distribution and contracted private sector service providers.</p>
<p>Business Transformation Lynette Hughes, Vice President Responsible for business transformation and processes to align employees, business models and technology with business strategy, including business planning, corporate policy and the program management office.</p>	<p>Human Resources Debbie Toole, Vice President Responsible for human resources and organizational development programs, including recruitment, compensation, rewards and recognition, leadership and other development and training programs.</p>
<p>Lottery Gaming Jim Lightbody, Vice President Responsible for the development and operation of lottery gaming, including products, marketing, sales and distribution, and contracted private sector service providers.</p>	<p>Corporate Security and Compliance Terry Towns, Vice President Responsible for corporate security and compliance, including customer service complaint investigations, legal services, privacy and freedom of information administration, and employee and service provider compliance.</p>
<p>Information Technology Scott Norman, Vice President and Chief Information Officer Responsible for the technology architecture and infrastructure that supports BCLC's gaming and back office systems, including enterprise risk management.</p>	<p>Customer Strategy and Corporate Marketing Marsha Walden, Vice President Responsible for the strategic planning process, including player-centricity, advocacy and support, as well as corporate and casino marketing, innovation and research.</p>
	<p>Finance and Corporate Services Tom Williamson, Vice President Responsible for finance, including financial reporting and liaison with Government, and corporate services including administration, facilities and procurement.</p>

STRATEGIC CONTEXT

2008/09 SUMMARY

FOR THE 24TH CONSECUTIVE YEAR, BCLC RECORDED AN INCREASE IN NET INCOME

In 2008/09 commercial gaming managed by BCLC provided \$1.09 billion in net income to the Province of British Columbia, a \$1.8 million increase from the previous year. There was a slight increase in the number of lottery retail and hospitality locations, primarily in bars and pubs. New games were added to PlayNow.com and two commercial bingo halls were upgraded to community gaming centres.

British Columbians won \$599.7 million in lottery, egaming and bingo prizes. Prizes won at casino table games and slot machines are paid during game play and are not reflected as prizing in our financial statements. Our gaming channel private sector service providers earned \$603.0 million in commissions, service fees, and other direct costs. BCLC purchased approximately \$200.0 million in goods and services. Gaming has created significant direct and indirect employment opportunities in British Columbia, as well as in 28 municipalities where host local governments shared \$83.9 million from casino and community gaming revenue.

(\$ millions)	LOTTERY	EGAMING	CASINO	COMMUNITY GAMING & BINGO	TOTAL
Sales Revenue	\$930.8	\$23.5	\$1,341.2	\$254.7	\$2,550.2
Net Win	421.8	10.7	1,341.2	176.8	1,950.5
Net Income	252.7	3.7	758.1	76.2	1,090.7
Channels	2,927 Retail locations 1,119 Hospitality locations including 878 self-service terminals	PlayNow.com	15 Casinos 2 Racecourse Casinos	14 Community Gaming Centres 13 Commercial Bingo Halls	
Games	Lottery Games	Lottery Games e-only Games	Slot Machines Table Games Poker Games	Slot Machines Paper Bingo Electronic Bingo	

Source: BCLC Annual Report 2008/09 (financial information) and internal reporting (distribution and games).

[Click here to learn more about BCLC's results in our 2008/09 Annual Service Plan Report.](#)

2009/10 FORECAST

NET INCOME IS FORECAST TO REMAIN AT CURRENT LEVELS

In 2009/10 net income managed by BCLC is forecast below targets due to the impact and duration of global economic events. Net income is estimated at \$1.09 billion, equal to our results in 2008/09.

The number of lottery locations is increasing slightly, but is not expected to exceed 4,100. BCLC is continuing its plan to upgrade commercial bingo halls to community gaming centres, and we anticipate the opening of a Squamish location in early 2010.

(\$ millions)	LOTTERY	EGAMING	CASINO	COMMUNITY GAMING & COMMERCIAL BINGO	TOTAL
Sales Revenue	\$930.0	\$34.0	\$1,351.0	\$250.0	\$2,565.0
Net Win	419.0	14.8	1,351.0	184.7	1,969.5
Net Income	255.7	3.1	752.9	79.3	1,091.0
Channels	2,943 Retail locations 1,113 Hospitality locations including 905 self-service terminals	PlayNow.com	15 Casinos 2 Racecourse Casinos	15 Community Gaming Centres 12 Commercial Bingo Halls	
Games	Lottery Games	Lottery Games e-only Games	Slot Machines Table Games Poker Games	Slot Machines Paper Bingo Electronic Bingo	

TRENDS, OPPORTUNITIES AND CHALLENGES

WHAT BCLC IS EXPERIENCING NOW AND IS ANTICIPATING FOR THE FUTURE

ECONOMY

Consumers have reduced their discretionary and entertainment spending, and the impact is evident in BCLC's operations and those of our service providers.

Our casino and community gaming centre service providers are changing how they operate their gaming facilities in reaction to the downturn in the economy and resulting weaknesses in credit markets that impact their access to capital. While activities associated with gaming integrity and compliance remain unchanged, planned investments in facility enhancements have slowed.

BCLC will continue to focus on revenue initiatives to generate sales in our core business, in conjunction with diligence in managing our costs to proactively mitigate any negative impact on gaming income.

CONSUMERS

Consumers continue to expect and seek out unique, more personalized and sophisticated experiences. Increasingly, factors such as transparency and trust, and the desire for little luxuries are also becoming important.

Entertainment and communication technologies are continuing to evolve rapidly, particularly for the home market, and we are living in an increasingly self-service world. Consumers are more likely to be attracted to social networking web sites than ever before, seeking two-way conversations rather than information that is "pushed". A growing number of consumers are using the Internet to provide entertainment and research their purchases, causing advertisers to shift their budgets to include more interactive forms of media.

Delivering high entertainment value and building loyal player relationships are increasingly important as competitive differentiators. BCLC must provide games and services that provide a complete entertainment experience for our players, with a focus on customer service and delivery when and where the player wants them.

We are continuing the shift to a player-centric organization, seeking ways to make playing more convenient and secure, addressing trends like changes in consumer shopping habits with the introduction of self-service terminals in the lottery network and new games and services for PlayNow.com.

LABOUR FORCE

The availability of and competition for highly skilled people remains a challenge despite the recent economic downturn. Although the number of recruitments has slowed as BCLC only fills vacancies in areas critical to ongoing revenue generation and the sustainability of our existing business, filling professional roles continues to be challenging. The shortage of gaming workers previously experienced by our service providers is no longer evident in the marketplace.

In order to enhance our ability to successfully attract and retain skilled employees, BCLC will focus on our employment brand, including our status as one of Canada's Top 100 Employers and one of BC's Top 55 Employers. We are involving our employees in defining what attributes make BCLC a great place to work so that we can focus on them when recruiting.

TECHNOLOGY

BCLC relies on technology to deliver gaming with a high degree of integrity and security. New technologies can lead to business advantages, such as product and service innovation for our players and operational efficiencies for BCLC. We continue to invest in technology in order to strengthen gaming integrity and modernize our processes and systems. This includes identification of the most promising developments and evaluating their potential application to gaming.

GAMING INDUSTRY

The gaming industry is one of the largest entertainment industries in Canada, employing more than 135,000 people directly and contributing \$15.3 billion to the Canadian economy. Governments and charities receive 57% or \$8.7 billion of this income and the remaining \$6.6 billion is spent to sustain operations, pay employees and purchase goods and services².

Gaming also has a significant presence in British Columbia's economy, in 2009/10 generating a forecast net win of \$1.97 billion and providing a forecast \$1.09 billion in net income. The Province of British Columbia's gaming policy promotes responsible play and BCLC's delivery of gaming supports that policy.

For 2009/10, gaming net win is not forecast to meet the targets BCLC set in 2008/09, as consumers have changed their spending habits, in particular on discretionary and entertainment activities. This has slowed our trend of year-over-year growth as our players decrease their frequency and amount they spend on gaming; recovery is expected to continue to lag that of the overall economy.

The growth of privately owned casino gambling facilities in neighbouring jurisdictions and an increasing presence of privately owned gambling companies on the Internet continues to compete with BCLC's business. A recent study³ estimates the Internet gaming market at \$87 million in British Columbia with an annual growth rate of 11%. The majority of this market activity is on sites hosted by private companies located outside of British Columbia and Canada. The global mobile gaming market is also growing as the usage of devices and the types and number of available features and applications continues to expand.

As other gaming companies seek to grow their businesses, they are including British Columbians in marketing activities aimed at expanding their player base and revenue. New games and services as well as marketing promotions and contests for our players are ways BCLC is attracting and retaining players, so that the resulting net income from gaming by British Columbians continues to provide benefits within our province.

Net income growth in recent years has come primarily from the redevelopment of the casino business and the upgrading of commercial bingo halls to community gaming centres. This development provides players with more entertainment options, including slot machines and enhanced food and beverage amenities.

² Source: *National Gaming Impact Study - Phase II*, Canadian Gaming Association, HLT Advisory Inc., April 2008

³ Source: *ILC Deloitte Internet Gaming Study*, Deloitte & Touche LLP, 2008

LOTTERY GAMING

Following a period of strong growth in lottery revenue, sales declined in 2007/08 and 2008/09, in part as a result of BCLC's focus on the regulation, infrastructure and processes in the lottery system. This shift in focus, which occurred across Canada, led to the postponement of business development programs.

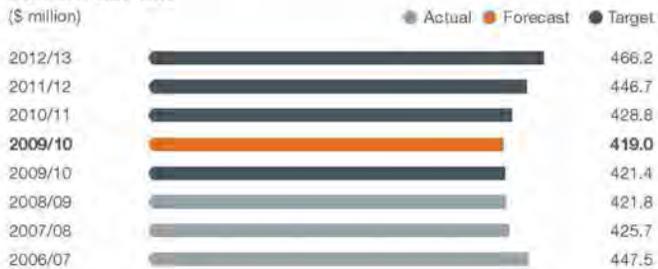
BCLC's lottery gaming is still a major profit generator and remains a strategic priority. While traditional lottery offerings continue to see some erosion in market share, lottery net income is expected to grow in 2009/10 (before taxes).

We are renewing our focus on innovation to provide more exciting and entertaining games. A more contemporary image and more convenient ways to purchase games, such as self-service terminals, are other ways we plan to increase player participation and income from this channel while strengthening player security and system integrity.

Lottery net win is calculated by deducting prizes paid to players from total sales revenue.

LOTTERY NET WIN

(\$ million)



LOTTERY NET INCOME

(\$ million)



Net win and net income figures for 2006/07 through 2008/09 are actual, 2009/10 are forecasts and approved budget and 2010/11 through 2012/13 are targets

EGAMING

Creating a successful eGaming business is a strategic priority for BCLC. Steady growth continues in this channel, which provides over 125,000 registered players in B.C. with the convenience and security of purchasing at PlayNow.com, our eGaming site.

Compared with other gaming jurisdictions that offer Internet gaming, particularly in Europe, BCLC's product line is more limited. We are also continuing to see increasing competition from privately operated Internet gambling sites who primarily offer casino-style games, including poker.

To provide the kinds of games our players are already familiar with elsewhere, BCLC is currently working to implement new casino-style games on PlayNow.com. We are also planning to improve our communication with our players while continuing to offer specials and promotions to them.

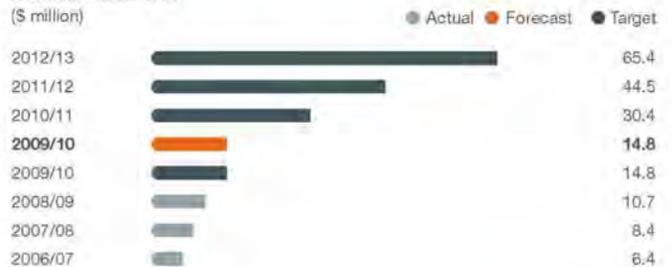
PlayNow.com incorporates social responsibility through player-set weekly wallet limits, age control limits, privacy protection and voluntary self-exclusion options.

New site designs that offer a more engaging and entertaining experience to our players and improve ease of use, together with innovative games that leverage new technology, will continue to increase our acquisition and retention of players.

eGaming net win is calculated by deducting prizes paid to players from total sales revenue.

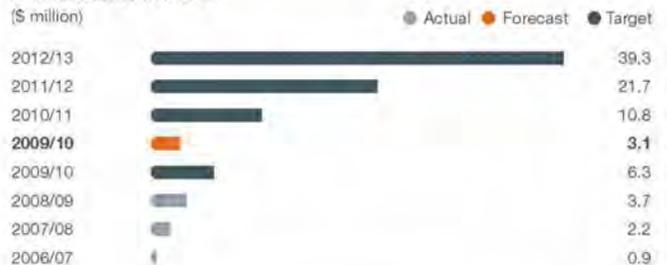
EGAMING NET WIN

(\$ million)



EGAMING NET INCOME

(\$ million)



Net win and net income figures for 2006/07 through 2008/09 are actual, 2009/10 are forecasts and approved budget and 2010/11 through 2012/13 are targets

CASINO GAMING

BCLC assumed responsibility for casino games in 1997 and was given the mandate to introduce slot machines in the B.C. market place.

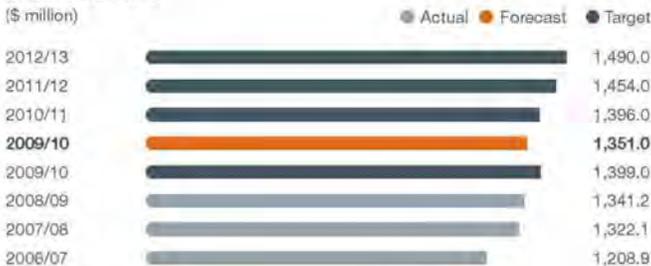
Our priority to upgrade existing casino facilities to higher quality properties has resulted in a more diverse entertainment experience for players that includes full-service restaurants and theatre-style show lounges, and in some cases, resort-style accommodations and conference facilities. This strategy is nearing completion.

We will continue to develop casino properties that provide players with an exceptional entertainment experience and position casino gaming as a major tourism attraction where market demand allows. To continue improving the gaming experience for our players, BCLC is analyzing the types of slot machine games and their placement in gaming facilities. Working closely with our service provider partners, we continue to provide our players with high quality and entertaining games, tournaments and services.

One of those services is free membership in BC Gold, a player rewards program, which provides players with exclusive contests and events, points for play, and savings at restaurants and hotels. With current membership at 455,000, BCLC is forecasting 480,000 members by the end of this fiscal year⁴. In the coming year we will be examining technology that would allow this program to be extended to table game players.

Casino revenue is shown as net win, which is the amount after prizes are paid to players during game play.

CASINO NET WIN



CASINO NET INCOME



Net win and net income figures for 2006/07 through 2008/09 are actual, 2009/10 are forecasts and approved budget and 2010/11 through 2012/13 are targets

4 Membership numbers include casino and community gaming centre players

COMMUNITY GAMING

Throughout this document, BCLC references to the community gaming channel include community gaming centres and commercial bingo halls except where noted otherwise.

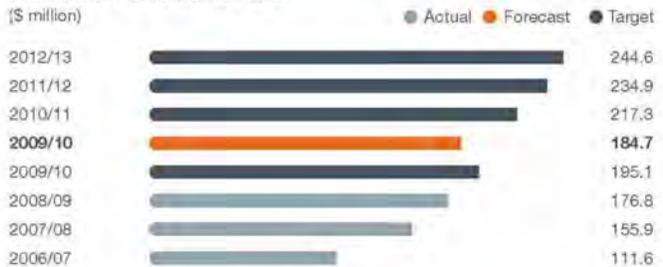
BCLC continues to work with bingo service providers to transform commercial bingo halls in key market locations to community gaming centres (CGCs). Community gaming centres are upgraded facilities with improved customer service and amenities such as restaurants and lounges, and offer more entertaining products, including slot machines and other electronic games. In 2009 BCLC extended membership in the BC Gold program to players at community gaming centres.

Because community gaming centres have been well received by players and their local communities, the net win generated from community gaming centres is increasing as more are developed. BCLC is working with service providers on plans to redevelop existing facilities in several municipalities.

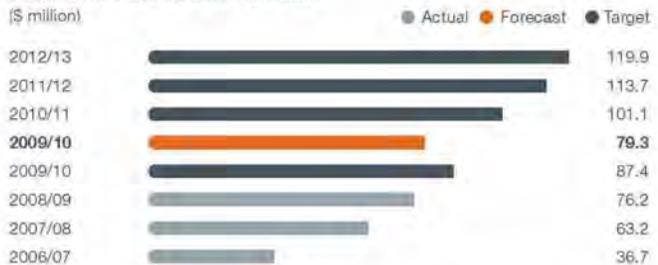
Bingo is one of the oldest forms of gaming in British Columbia and has been in a steady decline over the past decade as interest in the game diminishes. With an 18% decrease in bingo revenue forecast to occur in 2009/10, BCLC's challenge is to find more entertaining games for bingo players.

Community gaming net win is the amount after prizes are deducted from sales revenue and after prizes are paid to players during slot machine play.

COMMUNITY GAMING NET WIN



COMMUNITY GAMING NET INCOME



Net win and net income figures for 2006/07 through 2008/09 are actual, 2009/10 are forecasts and approved budget and 2010/11 through 2012/13 are targets

STRATEGIC FRAMEWORK

OUR PLAN FOR THE NEXT THREE YEARS

BCLC'S BOARD AND SENIOR EXECUTIVE REVIEW OUR MISSION, VALUES, GOALS, STRATEGIES, PERFORMANCE MEASURES AND THE ASSOCIATED TARGETS AND OUR RESULTS ON AN ANNUAL BASIS

OUR MISSION

We conduct and manage gambling in a socially responsible manner for the benefit of British Columbians

OUR VALUES

Integrity	The games that we offer and the ways we conduct business are fair, honest and trustworthy
Social Responsibility	Everything we do is done with consideration of its impact on and for the people and communities of British Columbia
Respect	We value and respect our players, service providers and each other

OUR GOALS AND STRATEGIES

1. Build public trust and support for BCLC gaming
 - Demonstrate a high level of corporate citizenship and social responsibility in all of our activities
2. Create a player-centric company
 - Develop facilities and design innovative games to grow the business
 - Create an integrated multichannel player community
3. Invest in infrastructure and technology innovation to support current business operations and future growth
 - Design processes and implement technology that improves operational effectiveness and prepares for the future
4. Have a workforce passionately driving the success of our business
 - Make BCLC a great place to work

[Click here](#) to review a comparison of our strategic framework from the previous service plan to this Service Plan 2010/11–2012/13, located in the Appendix.

OUR PERFORMANCE FRAMEWORK PROVIDES VISIBILITY INTO OUR RESULTS

BCLC CONTINUES TO BENCHMARK OUR RESULTS WITH OUR PEERS

Performance measures are reviewed each year as part of BCLC's annual business planning process. This process includes an assessment of the business insight and strategic value of each performance measure and reviewing and setting targets for future years. Our results are reported against the targets we set. If our strategies are successful, we should be reaching our targets. If BCLC has a rating below our target, we'll need to adjust the programs we're implementing and/or how we're delivering them.

We also benchmark our performance results against the results of other gaming organizations on an annual basis. The organizations selected for benchmarking provide geographical coverage across Canada and internationally, and were selected for the relevance of their operations in comparison to BCLC's as well as the public availability of their results.

These organizations are the Ontario Lottery and Gaming Corporation (OLG), Loto Quebec (LQ), the Swedish lottery Svenska Spel (Svenska) and the Canadian and United States (US) gaming totals. Svenska is widely regarded as the most innovative international lottery and egaming jurisdiction. The Canadian and US totals provide insight as to BCLC's financial performance against national and US norms. An assessment in September 2009 of the performance results published by other gaming organizations did not find additional benchmarking opportunities.

Data used to set BCLC's performance targets is obtained from internal and external sources. BCLC revenue, net win and net income results for previous years are obtained from our audited financial statements. Revenue, net win and net income forecasts and targets and other financial measures are obtained from internal management reports. BCLC contracts with external professional agencies to conduct surveys to assess our level of success. These agencies conduct surveys by asking questions pertinent to our performance measures. BCLC refers to BC Stats for population information. Data for benchmarking our performance results against other gaming organizations is obtained from publicly available reporting.

For performance measures that BCLC is able to benchmark with the organizations listed above, BCLC calculates a "benchmark average" using the annually reported results for each comparator organization (not including BCLC), and presents charts that display our results along with the benchmark average.

BCLC is reviewing the methodology and the associated costs to gather and report on performance measure results. This may result in further refinements in 2010/11. We are also making changes to the calculation method and scales used for our Player Satisfaction and Player Participation measures. Our results for previous years will not be comparable to our new targets and future results.

- Prior to 2009/10, Player Satisfaction was measured using the top three box scores from a 5-point scale in the lottery and community gaming channels, a 6-point scale in the casino gaming channel, and was not regularly being measured for PlayNow.com. For the enterprise calculation, these results were weighted with the channel's contribution to net win.

In 2009/10, BCLC significantly changed how player satisfaction is measured in order to apply consistent measurement in all of our gaming channels. Our results are now measured using responses from a standard 10-point scale.

- In 2010/11, Player Participation is changing from a measurement of the percentage of BC adults who played or visited at least once in the past year, to a measure of play at least once in the past month. The annual measure has monitored shifts in the size of BCLC's player base; due to large jackpots and casino promotions, previous surveys found a high percentage of British Columbia's population has played within the past year. Our new measure will provide visibility into our efforts to increase monthly frequency of play, particularly amongst infrequent players, which is tied to BCLC's efforts to increase net win.

PUBLIC / PLANET

GOAL #1: BUILD PUBLIC TRUST AND SUPPORT FOR BCLC GAMING

DEMONSTRATE A HIGH LEVEL OF CORPORATE CITIZENSHIP AND SOCIAL RESPONSIBILITY IN ALL OF OUR ACTIVITIES

PERFORMANCE MEASURES	2008/2009 ACTUAL	2009/2010 BUDGET	2009/2010 FORECAST	2010/2011 TARGET	2011/2012 TARGET	2012/2013 TARGET
1. Public Support for Gaming	65%	63%	61%	63%	63%	64%
2. Public Trust and Confidence in BCLC Games	60%	61%	58%	61%	61%	62%
3. Player Awareness of Responsible Gambling Activities ⁵	89%	88%	91%	60%	62%	65%
4. Level of Greenhouse Gas Emissions (CO ₂ e in metric tonnes) ⁶	1,667	n/a	1,660	1,418	1,362	1,307

BCLC BELIEVES THAT SUPERIOR AND SUSTAINED PERFORMANCE IS CLOSELY TIED TO SUPERIOR AND SUSTAINED SOCIAL RESPONSIBILITY

BCLC supports the Province of British Columbia in its efforts to reduce the incidence and harmful impacts of problem gambling, and to educate and raise public awareness of responsible and problem gambling.

We deliver our games in a manner that encourages responsible play and healthy choices. Our efforts continue to be focused on enhancing responsible gambling programs for our players and communication about the availability of and access to programs, including voluntary self-exclusion.

We have revitalized our responsible gambling resources with GameSense, a program designed to offer approachable and accessible materials to help players make informed decisions about our gambling products. BCLC has GameSense information centres in all casino and community gaming locations and GPEB provides staffing at these information centres.

More than 8,000 gaming employees have taken the Appropriate Response Training (ART) provided by BCLC to gaming workers. The curriculum for front-line staff has been updated to incorporate the latest in responsible gambling research and education methods. We are committed to a continued assessment of our responsible gambling programs, including the ongoing development of GameSense programming to strengthen its application for and use by our players.

Our Internet gaming site PlayNow.com already provides strong player security, with measures such as age controls and proactive communication of player spending and session time. As BCLC enhances PlayNow.com to include new casino-style games, we will be drawing on the knowledge of internationally-recognized experts in responsible gambling so that we can continue providing a safe gaming environment for our players. Additional player education tools and gaming activity controls are being researched so that our responsible gambling resources on PlayNow.com will continue to evolve.

We also actively work with other Canadian jurisdictions in strengthening the industry commitment to share responsible gambling best practices. In 2010, BCLC is anticipating achievement of Level 4 certification from the World Lottery Association. This certification will demonstrate that our business operations incorporate the highest level of responsible gambling standards.

BCLC views environmental sustainability as a key component of corporate social responsibility and is promoting environmentally sustainable behaviours in our organizational culture as an integral component of our business. We will strive to provide additional benefits to the organization and our employees by making our operations and office facilities more environmentally friendly.

Our main sources of emissions are from natural gas and fleet fuel consumption, and these are the areas where we are targeting our largest reductions. This will be accomplished in part through BCLC's move from Richmond to a new Vancouver location, other facility upgrades, and through education and awareness that help to reduce energy consumption. As we formalize our sustainability management approach we expect to discover further reduction opportunities.

CORPORATE SOCIAL RESPONSIBILITY IS FUNDAMENTAL TO THE WAY WE OPERATE

In 2009/10 BCLC continued to replace aging fleet vehicles with hybrid alternatives. We were instrumental in forming a sustainable development working group to share best practices and benchmark performance across Canadian gaming jurisdictions. Our employee-driven Green Committee continues to be part of our Carbon Neutrality Steering Committee, as well as the forum for employees to provide ideas and assist in raising the level of awareness. Efforts to positively impact our service providers and suppliers are also increasing as this awareness becomes embedded in the BCLC culture.

BCLC employees have raised funds for the United Way since 1994, and also volunteer their time to help disadvantaged families in the community through employee groups such as Christmas Charity. The Thompson Nicola Cariboo Region United Way recognized BCLC's 2008 employee campaign with the "Team of the Year Spirit Award". This award celebrates those organizations and individuals whose outstanding generosity and support made the dreams of building stronger communities and improving lives a reality. In 2009, our employees were again generous, exceeding not only the targets they set for United Way fundraising, but also substantially exceeding their previous year's donations.

⁵ In order to provide improved visibility into the level of success of new responsible gambling programs, BCLC is removing questions about initiatives players are most aware of from the calculation for this measure, substantially decreasing our targets.

⁶ GHG reporting is calculated based on calendar years; actual, forecast and targets are for 2008, 2009, 2010, 2011 and 2012

PERFORMANCE MEASURES AND BENCHMARKS

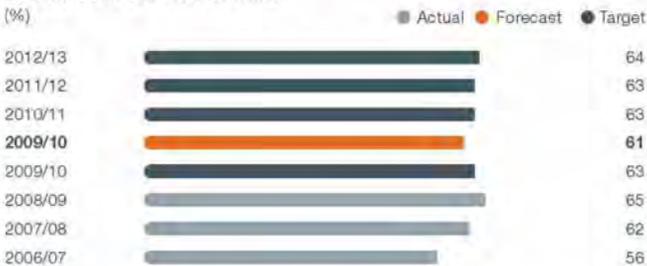
BCLC has four performance metrics to help us assess whether our corporate social responsibility programs are successfully reaching the public and our players.

PUBLIC SUPPORT FOR GAMING

This measure assesses the percentage of adult British Columbians who support legalized gaming, which is central to BCLC's successful management and growth of our gambling business. BCLC plans to continue to provide gambling in a socially responsible manner and strengthen responsible gambling awareness programs.

Our results are measured through a continuous tracking study conducted by Research and Incite Consultants. Adult British Columbians are asked to rate their level of support for the existence of legalized gaming in B.C.

PUBLIC SUPPORT FOR GAMING

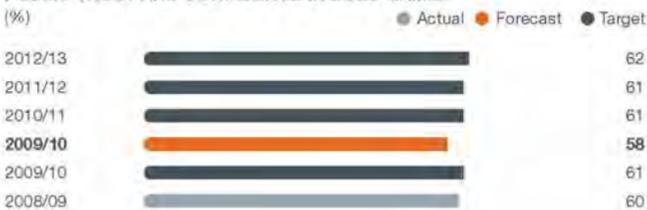


PUBLIC TRUST AND CONFIDENCE IN BCLC GAMES

This measure helps BCLC assess whether adult British Columbians have confidence in the integrity of BCLC's games, which is central to our players continuing to play them. We continue our strong commitment to programs that improve player focus, security and the integrity of our gaming systems. These programs are focused on the processes, technology, training, policies and procedures in all of our gaming channels.

Our results are measured through a continuous tracking study conducted by Research and Incite Consultants. Adult British Columbians are asked to rate their level of trust and confidence in the games offered by BCLC.

PUBLIC TRUST AND CONFIDENCE IN BCLC GAMES



PLAYER AWARENESS OF RESPONSIBLE GAMING ACTIVITIES

This measure helps BCLC to assess whether we are successfully delivering responsible gambling programs to our players, which is a key component of BCLC's management of gaming.

The recent introduction of the GameSense education program and the improvements to our responsible gambling messaging are aimed at dispelling gambling myths, educating players and promoting healthy choices.

Our results are measured through a continuous tracking study conducted by Research and Incite Consultants. Players of BCLC games are asked questions about their awareness of specific responsible gambling initiatives.

In 2010/11 BCLC plans to update the questions in the tracking study we use, removing questions about the most well recognized programs, which score very high, in order to improve the visibility of our efforts. We have significantly decreased our targets accordingly.

PLAYER AWARENESS OF RESPONSIBLE GAMING ACTIVITIES



LEVEL OF GREENHOUSE GAS EMISSIONS

From 2010 onwards, BCLC must meet the requirements for carbon neutrality under the *Greenhouse Gas Reductions Target Act*. We are pursuing actions to minimize our emissions that result from buildings, fleet vehicles and certain office paper supplies. We will reduce first and offset where needed.

To demonstrate our understanding and support publicly, BCLC is planning to exceed the provincial requirement to reduce our emissions by 33% by 2020. We are targeting a reduction of 40% by 2020, and estimate we will reach the 33% provincial target by 2017. This requires a total reduction of 632 tonnes.

Using the standard calculations provided by the Province of British Columbia, we are recording and continuing to refine the reporting of our emissions, which are measured in metric tonnes of carbon dioxide (CO₂e) on a calendar year basis. Data for this measure is obtained from suppliers of electricity, natural and fleet gas, paper suppliers and internal financial and procurement reporting.

LEVEL OF GREENHOUSE GAS EMISSIONS



PLAYER

GOAL #2: CREATE A PLAYER-CENTRIC COMPANY

DEVELOP FACILITIES AND DESIGN INNOVATIVE GAMES TO GROW THE BUSINESS AND CREATE AN INTEGRATED MULTI-CHANNEL PLAYER COMMUNITY

PERFORMANCE MEASURES	2008/2009 ACTUAL	2009/2010 BUDGET	2009/2010 FORECAST	2010/2011 TARGET	2011/2012 TARGET	2012/2013 TARGET
1. Player Satisfaction ⁷	85%	73%	73%	74%	75%	76%
2. Player Participation (past year) ⁸	84%	82%	79%	52%	53%	54%
3. Net Win (millions)	\$1,950.5	\$2,030.3	\$1,969.5	\$2,072.4	\$2,180.2	\$2,266.2
4. Net Win per Capita	\$443	\$450	\$437	\$460	\$484	\$503

HOW OUR PLAYER FOCUS WILL BENEFIT OUR BUSINESS AND GENERATE INCOME

BCLC will continue to develop exciting and innovative new games and services for our players with game concepts and casino and community gaming facilities that provide entertaining play experiences. We are continuing to integrate player focus into our culture so that as we operate the business and implement strategy, the impact on, and benefits for our players are our primary considerations.

In lottery gaming, BCLC has been piloting a more contemporary lottery retail model that provides a better experience for players, and recently launched the new nationwide game LOTTO MAX. Our ongoing product innovation efforts continue with the objective of meeting player expectations for new experiences through improvements to existing games as well as the creation of new games. Marketing efforts will focus on our lotto products, in particular LOTTO MAX.

We are looking at ways to make purchasing more convenient as our players change where and how they shop and the kind of service options they expect. As part of these efforts, BCLC is considering consumer trends, particularly in entertainment and leisure activities. We are also reviewing communication programs, including the use of display devices, advertising and loyalty programs, to be certain our offerings continue to evolve with consumer expectations.

BCLC is introducing casino-style games on PlayNow.com, providing B.C. players who gamble online with the choice of playing on a convenient and secure web site that is operated and regulated in British Columbia, and where the resulting net income stays in British Columbia. We will provide the tournaments and promotions players are already familiar with in order to keep these games entertaining and meet the market demand.

We will proceed with the planned redesign of the PlayNow.com web site that will result in a more engaging player experience and implement an infrastructure that is supportive of other new and innovative games and services to attract and retain our players.

Casino gaming will continue to focus on facilities that provide a variety of entertainment opportunities for the domestic and international tourism markets. In community gaming, BCLC will continue working with our service providers to transform commercial bingo halls into community gaming centres in selected market locations. We are working with our service

providers to improve customer service for our players, partnering to provide ongoing training programs for their employees.

BCLC is improving our business intelligence capabilities through more extensive analysis of the performance of our slot machines. In collaboration with our service providers, this greater insight into the selection and location of the latest themed slot machines and table games will ultimately provide players with a more interesting variety of casino gaming options. We are also looking at a more robust inventory management system that would reduce slot machine down time, improving the experience for our players.

We are investigating technology that enhances player services and business model efficiencies in all of our gaming channels, including those with the potential to help offset a continuing decline in bingo gaming.

We expect to complete the two remaining recommendations made by the B.C. Ombudsman in the coming year. The remaining three recommendations made by Deloitte & Touche LLP are also multi-year efforts that are anticipated to be complete in 2010/11.

OPTIMIZING OUR NET INCOME DEPENDS ON OUR ABILITY TO PROVIDE EXCITING ENTERTAINMENT EXPERIENCES THAT PROVIDE THE THRILL OF CHANCE AND WINNING FOR OUR PLAYERS

BCLC offers player-focused rewards and incentives to the more than 455,000 members of the BC Gold player card used at casino and community gaming centre facilities. This year, we are reviewing the ways in which we can extend the services and benefits offered by this card from slot machine play to table games. In partnership with our service providers, BCLC will continue to offer special tournaments for poker, blackjack, mahjong, and slot machine players.

We will further develop our management of the relationship with our players by examining player needs and preferences across all of our gaming channels more effectively. We are beginning that work with a focus on players who participate in lottery gaming. Special offers for players who purchase on PlayNow.com and in the lottery channels will continue.

⁷ In 2009/10, BCLC significantly changed how Player Satisfaction is measured in order to apply consistent measurement in all of our gaming channels. Refer to pages 12 and 16 for more detail.

⁸ In 2010/11, BCLC is significantly changing how Player Participation is measured in order to better gauge our success in attracting and retaining players. Refer to page 16 for more details.

PERFORMANCE MEASURES AND BENCHMARKS

BCLC has four performance metrics to help us assess whether our player-focused programs are successful.

PLAYER SATISFACTION

Player satisfaction with our games, services and facilities in our lottery, casino, community gaming, bingo and egaming channels is a key factor in our continuing ability to generate income.

In 2009/10, BCLC significantly changed how player satisfaction is measured in order to apply consistent measurement in all of our gaming channels. A third-party service provider asks BCLC players from each gaming channel to rate their overall satisfaction with BCLC; results based on scoring in the top five from a standard 10-point scale.

PLAYER SATISFACTION (new)



PLAYER SATISFACTION (historical)



PLAYER PARTICIPATION

This measure provides insight into the percentage of adults in British Columbia who have participated in some form of gaming in B.C. in the past year and helps BCLC gauge our success in attracting and retaining players and building player loyalty. Participation began to decline in the latter half of 2009/10.

In 2010/11 BCLC plans to transition to measuring the frequency of play on a monthly basis so that we can better assess the relevancy of the gaming entertainment we offer and the effectiveness of player-focused programs in successfully increasing the frequency of play. The study will continue to be conducted by Research and Incite Consultants.

PLAYER PARTICIPATION (new)



PLAYER PARTICIPATION (historical)

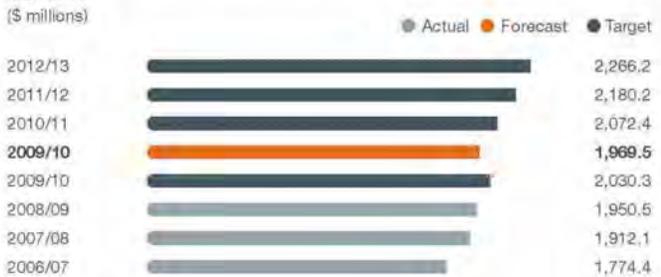


NET WIN

Net win, the level of sales revenue after prizes are paid to players, provides a consistent means of comparing our results across our gaming channels as well as with other gaming jurisdictions.

In 2009/10 our net win is forecast at \$60.8 million below our target, reflecting reduced consumer spending on gambling entertainment and a delay in our implementation of new casino-style games on PlayNow.com.

NET WIN



Sources:

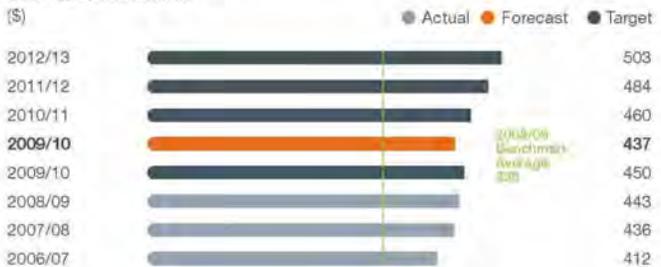
BCLC Annual Reports and financial reporting

NET WIN PER CAPITA

This measure helps BCLC assess the extent to which we are able to balance the responsible delivery of gaming with our mandate to grow net income for the Province of British Columbia.

We will continue to have a player focus as we grow our business. To calculate this measure, BCLC's net win is divided by the total B.C. population.

NET WIN PER CAPITA



BCLC benchmarks our net win per capita with the results achieved in other gaming jurisdictions with similar gaming offerings. Our growth has come primarily from casino and community gaming.

2007/08 NET WIN PER CAPITA BENCHMARKS



Sources:

BC Stats, BCLG and Svenska Annual Reports, Laffleur's Lottery Almanac

FINANCIAL / OPERATIONS

GOAL #3: INVEST IN INFRASTRUCTURE AND TECHNOLOGY INNOVATION TO SUPPORT CURRENT BUSINESS OPERATIONS AND FUTURE GROWTH

DESIGN PROCESSES AND IMPLEMENT TECHNOLOGY THAT IMPROVES OPERATIONAL EFFECTIVENESS AND PREPARES FOR THE FUTURE

PERFORMANCE MEASURES	2008/2009	2009/2010	2009/2010	2010/2011	2011/2012	2012/2013
	ACTUAL	BUDGET	FORECAST	TARGET	TARGET	TARGET
1. Operating Costs (% net win)	41.6%	41.6%	41.8%	41.6%	41.9%	41.8%
2. Net Income (millions)	\$1,090.7	\$1,130.0	\$1,091.0	\$1,115.0	\$1,162.0	\$1,205.0

BCLC IS FOCUSED ON SUSTAINING AND GROWING NET INCOME FROM GAMING

BCLC is continuing to modernize our business. Our work in creating a resilient, renewable and robust organization is focused on our capability to sustain current operations and support future growth of net income.

Each day, BCLC processes millions of transactions from locations across British Columbia that result from players purchasing on our Internet site, buying lottery tickets, or playing slot machines, table games or bingo at one of our gaming facilities.

We are modernizing, building a connected company, so that we can provide our players with a seamless integration of games and services across all of our gaming channels, and provide our employees with tools that improve their ability to provide great customer service.

The large volume of transactions requires continued work on our infrastructure, including the processes, structures and technology that directly support gaming, as well as back office operations and administration. In order for BCLC to continue to provide new innovative games and services our systems must always be operational, dependable, fault resistant and adapt quickly and effectively to changing business drivers. This requires robust systems that are simple and connected.

Our employees need to be at the forefront of technology, using information gathering, processing, disseminating and collaboration tools to manage a business that, while it has grown revenues year after year, has limited the investment of capital and resources in our infrastructure in order to focus on those revenue programs.

New technology will replace many of our legacy systems with centralized information sources that improve our effectiveness and efficiency, and streamline maintenance, support, auditing and oversight. We are reviewing the replacement of the gaming management system we use to manage the \$1.59 billion in net win at casino and community gaming facilities.

We are also reviewing other systems that support improvements to financial, procurement and other corporate systems. Legacy systems, duplicated information and manual processes are targeted for replacement with new technology that provides direct and authorized access to consistent, integrated information in a secure environment.

The majority of the priority programs for the organization continue to be implemented through the program management office, including those programs that focus on increasing revenue, improving risk and compliance efforts and implementing the processes, infrastructure and technology required to modernize the business.

We are also continuously strengthening our oversight and compliance programs, in ways such as increasing frequency of reviews, audits and reporting and adding technology solutions that speed our response time and improve our effectiveness. One example is the implementation of RFID⁹ technology in casino chips, for more efficient tracking and to reduce the potential for counterfeit chips within a gaming facility.

OUR SENSIBLE BUSINESS INVESTMENT IS FOCUSED ON SUSTAINABILITY AND GROWTH FOR OUR GAMING BUSINESS

BCLC is making the necessary changes to our procurement policies and processes to meet the requirements of the Trade, Investment and Labour Mobility Agreement (TILMA). We are also focused on a review of the policies and processes required to ensure a smooth transition to the Harmonized Sales Tax (HST) on July 1, 2010.

Our work also continues on strengthening risk and policy frameworks, systems and internal controls, including records management. Training programs, standards, policy and procedure manuals and testing is provided by BCLC to our service providers to make certain that their gaming operations are focused on providing the service, integrity and security our players expect.

BCLC continues with the programs that augment our oversight of these controls and gaming operations. These efforts include our oversight and reporting of large cash and suspicious currency transactions to the Government of Canada, as required by the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act of Canada*.

9 RFID: Radio frequency identification, a technology that provides the ability to track individual items within a defined area

PERFORMANCE MEASURES AND BENCHMARKS

BCLC has three performance metrics to help us assess whether our activities are effectively improving our business operations.

OPERATING COSTS (% OF NET WIN)

BCLC uses this measure to assess our success in balancing the generation of sales with the cost of operating the business, providing an insight into our effectiveness.

In addition to BCLC general operating costs, service provider commissions, amortization and other costs are also included in this calculation to more closely align BCLC's operating model with the models used in other gaming jurisdictions.

BCLC is forecasting the 2009/10 operating cost ratio at 0.2% above our target, the result of lower than expected net win.

OPERATING COST RATIO

(% of net win)



Sources

BCLC Audited Financial Statements and financial reporting

BCLC benchmarks our operating cost results with other gaming jurisdictions who have similar gaming offerings. While BCLC has been focused on growing the business, we have also invested more heavily in infrastructure, technology, compliance and people in order to strengthen gaming integrity and player security. These investments elevated our costs, but BCLC operating expenses are still lower than most comparators and the benchmark average.

2008/09 OPERATING COST BENCHMARKS

(% of net win)



Sources

BC Stats, BCLC and Svenska Annual Reports, L'affleur's Lottery Almanac

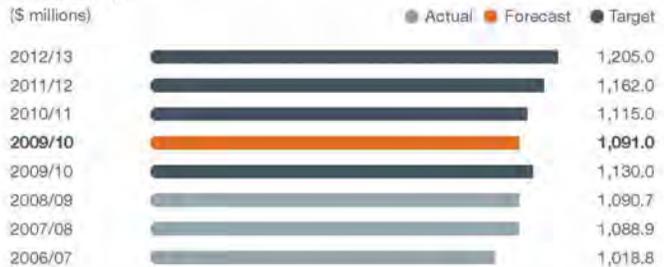
NET INCOME

Net income is the amount after all expenses are paid. BCLC distributes net income to the Province of British Columbia, and as a result of a contractual agreement between federal and provincial governments, a portion is also distributed to the Government of Canada.

In 2009/10, our net income is forecast at \$39.0 million below our target, reflecting the extended duration of reduced consumer spending on gambling entertainment.

NET INCOME

(\$ millions)



Sources

BCLC Audited Financial Statements and financial reporting

ELECTRONIC DEVICES PER CAPITA

In British Columbia, electronic gaming devices are limited to slot machines located in casino and community gaming centre facilities, where access is limited to adults.

This measure reflects the accessibility of electronic gaming to British Columbians, based on a measure of per 1,000 population. BCLC's results are now the same as the benchmark average.

BCLC DEVICES PER CAPITA

(per 1,000 population)



Sources

BC Stats, BCLC devices data

Differences in provincial policy regulate the types of gaming devices available in each Canadian province. BCLC compares the availability in British Columbia with other Canadian jurisdictions.

This benchmarking requires that we use total population, rather than adults, due to differing adult age definitions, gaming industry regulations, and the information publicly available in other gaming jurisdictions.

BCLC's results are below some comparators, but higher than OLG. Although LQ also has VLT's, these devices have not been included in these calculations.

2007/08 DEVICES PER CAPITA BENCHMARK

(per 1,000 population)



Source

Specific data prepared by BCLC

PEOPLE

GOAL #4: HAVE A WORKFORCE PASSIONATELY DRIVING THE SUCCESS OF OUR BUSINESS MAKE BCLC A GREAT PLACE TO WORK

PERFORMANCE MEASURES	2008/2009	2009/2010	2009/2010	2010/2011	2011/2012	2012/2013
	ACTUAL	BUDGET	FORECAST	TARGET	TARGET	TARGET
1. Employee engagement	77%	60%	75%	75%	75%	77%
2. Employee vacancy rate	n/a	7%	2.5%	5%	5%	5%

WE ARE PROUD TO BE RECOGNIZED AS ONE OF CANADA'S TOP 100 EMPLOYERS

While we've been selected as a Top BC employer for four consecutive years, this is the first time BCLC has been selected by MediaCorp as one of the best employers in the country. This award recognizes that the programs, services and experiences offered at BCLC stand out as exceptional amongst Canadian employers. Our company is full of people who are passionate about their jobs, relationships and connections to the community, contributing to making BCLC a great place to work.

Our human resources programs will continue to nurture a culture and environment that supports BCLC's business strategy. Through strategic workforce planning, performance management and managing our employment brand, we will stay an employer of choice. We will continue to invest in leadership and employee development to provide the training and resources needed to sustain the business and plan for the future leadership of the company.

BCLC needs a passionate workforce to drive the successful management and operation of our gaming business. Working in areas identified by employees, we are significantly changing our business processes, infrastructure and supporting technology to modernize the business for the future.

BCLC is planning a review of the total rewards program to enhance competitiveness, cost sustainability and alignment with employee needs and reduce program administration. In partnership with the management team, we will continue to improve formal and informal employee recognition. Overall, these efforts will contribute to maintaining and improving employee engagement.

PERFORMANCE MEASURES AND BENCHMARKS



EMPLOYEE ENGAGEMENT

The employee engagement survey provides BCLC with insight into whether our leadership, development, performance management and recognition programs are successfully reaching our employees.

EMPLOYEE VACANCY RATE

Used to measure the number of vacancies in the process of being filled (replacement or new positions, recruited internally and externally) as a proportion of BCLC's total head count, the annual result is an average of the month end rates as calculated by BCLC.

Engagement is defined as the intellectual and emotional involvement employees have in an organization. The level of engagement is directly linked to the effort and dedication employees will contribute to achieve success for the organization, and BCLC's ability to attract and retain employees.

This new measure is subject to considerable variation based on factors such as organizational growth, internal personnel movement, employee demographics and external market conditions and must be interpreted within the time frame that it is being measured.

In 2008/09, BCLC's 77% employee engagement score surpassed the targets we set for each of the next three years. BCLC's challenge will be in maintaining and enhancing this level of engagement to continue to positively impact BCLC's employee culture. The engagement survey will be conducted in early 2010 by Ipsos Reid. Our engagement results are received after we have already set targets for the coming year, so our target for 2009/10 is well below our previous achievement as well as our forecast.

BCLC's 2009/10 forecast of 2.5% is the result of reductions to recruitments for new and replacement positions as part of our cost management efforts.

EMPLOYEE ENGAGEMENT



EMPLOYEE VACANCY RATE



STRATEGIC RISK AND CAPACITY

WHAT BCLC IS DOING TO MINIMIZE AND/OR MITIGATE THE IMPACT OF OUR RISKS

BCLC faces risks specific to our business that could impact our ability to conduct and manage gaming and achieve the mission and goals of this plan. All identified risks are prioritized through an assessment of the impact and likelihood in the current environment.

BCLC continues to develop and improve the risk management strategy, utilizing risk management as part of our strategic, business and project planning processes. These processes involve risk identification with our Board and Senior Executive teams, as well as internal teams who are focused on operational activities. Risk treatment plans are monitored through management systems.

Over the past year we have completed detailed assessments of the operational risks, controls and action plans in alignment with the four goals of the organization. Risk assessments have also taken place for significant projects. These efforts will continue, facilitated by a management role that supports risk management processes through focus on education, accountability and administration.

BCLC is also continuing to strengthen our business continuity, crisis management and disaster recovery programs, so that there are contingency plans in place covering major issues such as natural disasters and pandemics, as well as ensuring that our systems and processes have fault tolerance and backup capabilities.

SYSTEMS AND TECHNOLOGY

Issue	Status and Implications	Actions
Over the past years of rapid growth, BCLC has invested in a variety of technology, some of which are nearing the end of their operational lives.	<p>BCLC's gaming business is dependent on technology.</p> <p>While our technology infrastructure is sound, we have a complex portfolio of systems, with some disparity in platforms and between applications and lacking the adaptability and features that may be required for growth. Our existing systems were implemented with differing processes and standards. Risk and the cost of ownership is increasing as these systems and technologies age.</p> <p>The planned improvements to our technology will provide BCLC with substantial opportunities to better support our current business as well as provide a strong position for future growth.</p> <p>Implementation will increase productivity, positively impact employee engagement and improve overall organizational effectiveness and capacity.</p>	<p>BCLC is implementing an Enterprise Architecture approach that will guide the modernization of our business.</p> <p>We are leveraging opportunities within current and future planned investments in technology, pursuing more flexible, scalable and leading edge applications that improve our business.</p> <p>The proportion of legacy systems will decrease each year as we implement our business modernization strategy. This strategy will improve our business effectiveness and operational efficiency while continuing to provide a high level of integrity and internal controls. The modernization programs are planned to keep pace with the current needs of our gaming business and prepare us for the future.</p>

BUSINESS PROCESSES

Issue	Status and Implications	Actions
The ongoing integrity, security and resilience of BCLC operations is underpinned by key processes and workflows that need to be reviewed and updated regularly to reduce the potential for failures or deficiencies.	<p>To provide the security our players expect and sustain gaming net income, our processes and workflows need to be well documented, clearly understood and be effective.</p> <p>Without regular reviews and updates, these processes and workflows will become out of date. This may lead to negative impacts to our players as well as for our employees and overall would decrease organizational effectiveness and capacity.</p>	<p>BCLC has dedicated resources in the Business Transformation division to facilitate, support and implement BCLC's business modernization strategy.</p> <p>We have completed operational risk assessments and are regularly reviewing the treatment plans that are in place.</p> <p>The Policy Office is implementing a new framework for corporate and operational policies and procedures that includes regular reviews.</p> <p>The Corporate Security and Compliance division reviews, inspects, audits and investigates security and compliance issues in all of our gaming channels.</p> <p>Internal Audit provides independent, objective assurance of risk management, internal control and governance processes.</p>

CUSTOMER UNDERSTANDING

Issue	Status and Implications	Actions
The continued performance of BCLC is dependent on meeting customer expectations for high quality games and gaming experiences.	<p>Understanding customer behaviours, needs and desires is key to any successful organization.</p> <p>To successfully develop new games and services, deep customer understanding is required.</p> <p>BCLC also requires information about, and analysis of, play patterns and the performance of our existing games, services and facilities.</p>	<p>BCLC actively researches our market and performance, using internal research professionals as well as external agencies, to provide insights into consumer and player preferences.</p> <p>We have begun more detailed analysis into the performance of slot machines that will provide greater insights into game selection and location.</p> <p>During development, we also test and pilot potential new games and services before implementation, in order to gain player feedback.</p>

SERVICE PROVIDER AND SUPPLIER RELATIONSHIPS

Issue	Status and Implications	Actions
<p>BCLC relies on private sector service providers to sell our lottery games and operate casino, community gaming and commercial bingo facilities.</p> <p>We also rely on suppliers to provide specialized gaming supplies and services for the operation of our business.</p>	<p>BCLC has contracts with lottery service providers and works closely with them to review their operations for compliance and to achieve mutual success.</p> <p>Casino, community gaming and commercial bingo facilities are operated under contract with those service providers, with detailed standards, policies and procedures in place and monitoring, oversight and audits for compliance so that we achieve mutual success.</p> <p>We also have contracts with suppliers, including some who provide specialized gaming supplies and services required for the operation of our business.</p> <p>Some service providers and suppliers have been negatively affected by current economic conditions.</p>	<p>We work closely with our service providers to successfully manage our gaming business.</p> <p>BCLC's Corporate Security and Compliance division monitors compliance with BCLC contracts, standards policies and procedures and investigates issues and concerns from the public, including player complaints.</p> <p>Our Finance group works closely with our gaming service providers to monitor financial performance and results.</p> <p>BCLC operations include employees whose responsibilities include the procurement of services and the management and oversight of contracts. These areas and processes continue to be strengthened in order to increase the value they add to our business.</p>

INNOVATION

Issue	Status and Implications	Actions
BCLC needs to continually provide innovative games and services.	<p>Entertainment options continue to change rapidly.</p> <p>BCLC needs to leverage synergies, capabilities and technology to develop innovative and creative approaches, games, services and technology and bring them quickly to market.</p> <p>The focus on new products and experiences should be balanced with the new to support core business, such as lotto games, slot machines and casino table games.</p>	<p>BCLC marketing activities are focused on our core games and facilities.</p> <p>Along with other lottery jurisdiction partners across Canada, BCLC recently introduced LOTTO MAX; a dedicated team of employees is actively working to develop other innovative new games and services for our lottery channel.</p> <p>We are also planning the launch of casino-style games on PlayNow.com.</p> <p>Development of casino and community gaming facilities to provide better entertainment options is ongoing.</p>

OUR CAPACITY TO ACHIEVE RESULTS

The current and future needs of our business requires sound, responsive and adaptive business processes and technology. To develop and maintain these processes and technologies in an increasingly complex and changing business environment, BCLC must ensure that our workforce is responsive, adaptive and possesses the skills necessary to leverage our business systems in ways that satisfy our players.

To enhance capacity, BCLC continues to invest in leadership development as a driver of change. We are also strengthening our ability to develop our full workforce through the implementation of a new learning management system. To ensure our capacity is effectively utilized, BCLC continues to focus on developing organizational structures and resources that are effectively planned, organized and aligned with emerging business needs, as we modernize our business processes and systems.

Through the economic downturn, a softening of the employment market has reduced the challenges we were experiencing in recruiting new talent. This is expected to be temporary, reversing as the economy improves. Enhanced recruitment processes and our status as one of Canada's Top 100 Employers and one of BC's Top 55 Employers positions BCLC to compete in the talent market as the economy improves.

ASSUMPTIONS

WE PREPARED THIS PLAN UNDER THESE ASSUMPTIONS

- The planned reductions and delays to BCLC's programs and the associated operating budgets and capital spending are successfully implemented to offset the negative impact of the economy on gaming net income and without impacting the integrity and security of gaming.

PLAYERS

- Developing our focus on one integrated player across all BCLC gaming channels will be successful in improving marketing effectiveness and gaming efficiencies.
- BCLC's sponsorship of the 2010 Vancouver Olympic and Paralympic Winter Games and resulting ability to offer event ticket prizes on SportsFunder lottery games will be as successful as is expected in increasing 2009/10 forecast lottery net win.

GAMING MARKET

- Casino revenue will not be further impacted by cross-border competition.
- British Columbia casino and bingo marketplace capacity studies are accurate.
- Competition from unregulated Internet gaming will not increase, negatively impacting BCLC's eGaming market.
- BCLC market forecasts for new lottery and eGaming products are accurate.

LOTTERY

- Effective marketing focus on big lotto jackpots increases awareness and interest that results in purchases by infrequent players.
- Planned improvements to Keno increases the entertainment value for players.
- Planned releases of new lottery games will be on schedule.

CASINO

- Openings, upgrades and relocation of existing casinos will be on schedule.
- The increase in table game play continues.
- The decrease in slot machine play does not continue, and play increases as a result of more detailed analytics that provide new insights into game selection and machine locations.

COMMUNITY GAMING & COMMERCIAL BINGO

- The planned openings, upgrades and relocation of existing commercial bingo halls to community gaming centres will be on schedule.

EGAMING

- Planned product releases will be on schedule in 2009/10 and 2010/11.

TECHNOLOGY

- The capital cost estimates made in advance of completing procurement processes to select and contract for a new gaming management system are within the range that suppliers will propose in their responses.

ECONOMY

- The British Columbia economy will grow in 2010/11.

COST OF SERVICES

- Inflation has been assumed at 1.7% over the planning period.
- BCLC uses the three-month Canadian Treasury Bill rates as forecast by Treasury Board (rates as of December 4, 2009); interest rates have been assumed at 1.04% for 2010/11, 2.15% for 2011/12 and 3.33% for 2012/13.
- The cost of capital purchases made in US dollars has been based on an exchange rate of \$0.96 Canadian to \$1.00 US dollar.

GAMING POLICY

- No major changes will be made to BCLC's mandate or the Province of British Columbia's gaming and social policy.
- No major changes will be made to GPEB mandate, regulations or policy.

GOVERNMENT APPROVALS

- Net win and net income assumptions are based on BCLC obtaining the necessary provincial, host local government approval and regulator approvals required under the *Gaming Control Act* for the opening of new facilities and to launch new games.

OUR FINANCIAL OUTLOOK

HOW MUCH WE'RE SELLING, SPENDING AND PROVIDING IN NET INCOME

THE PROVINCE OF BRITISH COLUMBIA USES GAMING NET INCOME TO FUND PUBLIC, CHARITABLE AND COMMUNITY PROGRAMS THAT BENEFIT ALL BRITISH COLUMBIANS

REVENUE \$ millions	2007/08 ACTUAL	2008/09 ACTUAL	2009/10 BUDGET	2009/10 FORECAST	2010/11 TARGET	2011/12 TARGET	2012/13 TARGET
Lottery	\$958.2	\$930.8	\$935.0	\$930.0	\$970.0	\$1,016.0	\$1,064.0
eGaming	18.7	23.5	34.0	34.0	53.0	73.0	100.0
Casino	1,322.1	1,341.2	1,399.0	1,351.0	1,396.0	1,454.0	1,490.0
Community Gaming	260.2	254.7	258.0	250.0	281.0	288.0	295.0
Total Revenue	\$2,559.2	\$2,550.2	\$2,626.0	\$2,565.0	\$2,700.0	\$2,831.0	\$2,949.0
TOTAL NET WIN	\$1,912.1	\$1,950.5	\$2,030.3	\$1,969.5	\$2,072.4	\$2,180.2	\$2,266.2

DIRECT AND OPERATING COSTS

Lottery	684.8	667.0	671.8	663.8	694.2	727.8	760.3
eGaming	16.1	19.4	27.0	30.7	39.4	47.9	56.7
Casino	534.1	563.9	589.7	573.9	599.4	635.4	665.2
Community Gaming	191.3	171.6	164.6	164.3	169.2	162.1	162.6
Total Direct and Operating Costs	\$1,426.3	\$1,421.8	\$1,453.2	\$1,432.7	\$1,502.2	\$1,573.2	\$1,644.8

NET INCOME BEFORE TAXES

Lottery	273.4	263.8	263.2	266.2	275.8	288.2	303.7
eGaming	2.6	4.1	7.0	3.3	13.6	25.1	43.3
Casino	788.0	777.4	809.2	777.1	796.6	818.6	824.8
Community Gaming	68.9	83.1	93.4	85.7	111.8	125.9	132.4
Total Net Income Before Taxes	\$1,132.9	\$1,128.4	\$1,172.8	\$1,132.3	\$1,197.8	\$1,257.8	\$1,304.2
Income Growth Before Taxes	7.2%	-0.4%	3.9%	0.3%	5.8%	5.0%	3.7%
Total Taxes ¹⁰	\$44.0	\$37.7	\$42.8	\$41.3	\$82.8	\$95.8	\$99.2
Total Expenditures	\$1,470.3	\$1,459.5	\$1,496.0	\$1,474.0	\$1,585.0	\$1,669.0	\$1,744.0

NET INCOME AFTER TAXES

Lottery	261.7	252.7	251.9	255.7	254.9	264.2	278.6
eGaming	2.2	3.7	6.3	3.1	10.8	21.7	39.3
Casino	761.8	758.1	784.4	752.9	748.2	762.4	767.2
Community Gaming	63.2	76.2	87.4	79.3	101.1	113.7	119.9
Total Net Income	\$1,088.9	\$1,090.7	\$1,130.0	\$1,091.0	\$1,115.0	\$1,162.0	\$1,205.0
Income Growth	6.9%	0.2%	3.6%	0.0%	2.2%	4.2%	3.7%
Debt	\$0.0	\$0.0	\$82.9	\$104.6	\$127.8	\$151.0	\$163.0
Capital Expenditures	60.4	97.4	127.5	112.1	106.7	120.0	120.0

The above financial information, including forecast information, was prepared based on current Canadian Generally Accepted Accounting Principles (GAAP).

¹⁰ Taxes from 2006/2007 to June 30th, 2010 include GST and PST on leases. Taxes from July 1, 2010 forward are HST, which replaces GST and PST.

FINANCIAL ANALYSIS

- BCLC is expecting to benefit from a slowly strengthening economy over the three-year period covered by this plan, returning to year-over-year growth.
- Increasing our focus on revenue initiatives combined with the strategic management of operating costs and capital expenditures is expected to help BCLC's performance through the economic recovery.
- By 2012/13, BCLC's total net win is forecast to increase by \$296.7 million or 15.1% over the forecast for 2009/10.
- Effective July 1, 2010, the Province of British Columbia intends to introduce HST to replace the current PST and GST. This introduction will reduce BCLC's net income; however it is expected that the overall effect of the HST on revenue for the Province of British Columbia will be neutral, and that any impact on BCLC's net income will be offset by the federal/provincial tax-sharing agreement.
- BCLC's total net income is forecast to increase by 2.9% annually over the three-year period, with 2012/13 net income expected to be \$114.0 million greater than the 2009/10 forecast. This increase reflects the continued introduction of innovative games and services in all of our gaming channels.
- Net income targets for each of the three years covered by this Service Plan reflect the anticipated marketplace conditions and the effect of HST.
- Lottery net win is expected to increase by \$47.2 million, or 3.6% annually over the three-year period. Growth in this channel will come from the introduction of new games and delivery options.
- Driven by the introduction of casino-style games, strong growth in eGaming net win of \$50.6 million is anticipated over the three-year period. BCLC will also improve the player experience on PlayNow.com and on bclc.com by launching new site designs.
- Casino net win is expected to grow by \$139.0 million, or 3.3% annually over the three-year period. This growth will primarily be driven by enhancements to existing facilities, the selection and location of slot machines and the development of tourism markets.
- Growth over the three-year period in community gaming is expected to be \$59.9 million in net win, or 9.8% annually. This growth will be the result of the continued development of community gaming centres. Bingo continues to experience a decline in popularity as players migrate to new, more entertaining games.
- Operating costs, which include service provider commissions, other direct costs, administration and amortization, are projected to remain relatively stable through 2012/13.
- Capital expenditures in 2010/11 will continue to support lottery, egaming, casino and community gaming operations as well as increased investment in responsible gambling programs. Additional capital expenditures will be incurred to modernize BCLC's gaming and back office systems to maintain a high level of gaming integrity and internal control.
- BCLC maintains a \$150 million short-term credit facility with the Province of British Columbia under the Fiscal Agency Loan program in order to finance capital expenditures.
- BCLC does not have retained earnings to report as the *Gaming Control Act* requires BCLC to remit our entire net income to the federal and provincial governments.

NET INCOME SENSITIVITY PROJECTIONS AND RISK FACTORS

NET INCOME THAT MAY BE AT RISK

BCLC net income estimates are made after consideration of the trends, opportunities, challenges and risks in conjunction with the mitigation strategies described in previous sections. Risk occurrences could negatively impact BCLC's targets resulting in a decrease in the net income delivered to the Province of British Columbia. Our forecasts of the possible variances are shown below.

NET INCOME FORECASTS \$ millions	2010/11	2011/12	2012/13
High	\$1,150.0	\$1,200.0	\$ 1,250.0
Target	1,115.0	1,162.0	1,205.0
Low	1,025.0	1,060.0	1,085.0

QUANTIFIABLE RISKS

\$ millions	Lottery	eGaming	Casino	CGC	2010/11 Total	2011/12 Total	2012/13 Total
Failure to open/relocate planned gaming facilities	0.0	0.0	0.0	17.0	17.0	6.0	1.0

RISK FACTORS

- Fluctuations in interest and foreign currency rates;¹¹
- Economic issues continue to result in a reduction to personal disposable income and entertainment spending;
- Competition from regulated and unregulated gaming competitors increases;
- Public acceptance of gaming changes from current levels;
- Changes to gaming rules and regulations;
- Consumer preference shifts impact product mix and profitability;
- Service provider viability;
- Key suppliers of goods, services or technology become less economically viable;
- Delays occur in obtaining host local government permits and approvals for the development of gaming facilities;
- New games or services or changes to existing games and services do not meet expectations or are delayed; and
- The frequency and size of lottery jackpots are lower than expected.

¹¹ Change based on exchange rate of \$0.96 CDN dollar to \$1.00 US dollar

OUR CAPITAL PLAN

SPENDING ON OUR INFRASTRUCTURE AND TECHNOLOGY

\$ thousands	2007/08 ACTUAL	2008/09 ACTUAL	2009/10 BUDGET	2009/10 FORECAST	2010/11 TARGET	2011/12 TARGET	2012/13 TARGET
Gaming Systems							
Lottery	\$7,148	\$6,580	\$13,023	\$14,601	\$13,700	\$7,000	\$7,000
eGaming	1,926	2,923	9,920	11,719	1,350	2,850	3,350
Casino	32,359	49,421	60,090	49,639	52,755	81,150	80,650
Community Gaming	12,058	13,544	18,868	12,042	11,620	10,000	10,000
Player First	2,971	13,885	0	0	0	0	0
	\$56,462	\$86,353	\$101,901	\$88,001	\$79,425	\$101,000	\$101,000
Infrastructure & Corporate							
Systems	2,855	7,537	18,510	18,727	16,625	15,000	15,000
Facilities	1,137	3,532	7,050	5,325	10,612	4,000	4,000
	\$3,992	\$11,069	\$25,560	\$24,052	\$27,237	\$19,000	\$19,000
Total New Capital	\$60,454	\$97,422	\$127,461	\$112,053	\$106,662	\$120,000	\$120,000

- The primary driver of BCLC's capital expenditures is the acquisition of gaming equipment to support revenue generation in the lottery, eGaming, casino and community gaming channels. This includes gaming equipment to support revenue generation at over 4,000 lottery locations, our Internet site PlayNow.com, 17 casinos, and a growing number of community gaming centres.
 - The budget for the lottery channel includes \$11.1 million for the development of a new player card program, supporting new game delivery, providing players with promotions and other special offers and tracking preferences and trends. In addition to the ongoing maintenance and upgrade of equipment at lottery locations, BCLC is moving towards a more contemporary model focused on improving the experience for our players.
 - During the 2009/10 year, BCLC's Board approved an additional \$7.8 million in capital to fund the addition of new casino-style games and the supporting infrastructure and technology. 2010/11 funding will provide for future product and service offerings as well as the redesign of the PlayNow.com and bcl.com sites that will improve ease of access for players and the site's flexibility.
 - BCLC has initiated a formal competitive procurement process that will review the options for the replacement of our casino management system. The 2010/11 capital budget includes \$5.2 million for phase one of a three-year project implementation that is expected to exceed \$50 million. This foundational project will replace the legacy casino management system that supports over \$1.30 billion in net win and provides the foundation for future growth. It is a top corporate priority, receiving the highest level of focus, including project management, significant reviews, diligence, and Board approval of any decision to proceed with acquisition and implementation.
 - The refresh of slot machines and game themes will continue, as will the upgrading of casino facilities and the transition of commercial bingo halls to community gaming centres. We will investigate systems that will allow the extension of our BC Gold player card to table games.
- In 2010/11 our business system modernization investment is expected to be \$9.4 million. This includes:
 - Continued phased implementation of an integrated contact management system that will improve tracking of player and public requests and/or complaints, associated activities and reporting throughout the organization. Player self-service options and knowledge management tools are included.
 - Continued phased implementation of centralized business information sources and the infrastructure and workflows required to use that information throughout the organization and across other systems will be implemented. This program will reduce effort and time to market and enable future improvements in areas such as voluntary self-exclusion.
 - The replacement of the casino inventory system, which tracks the parts required to keep the gaming equipment maintained and operational at casinos, community and commercial bingo facilities will be examined, as well as the replacement of systems used to record and manage related information, including agreements and contracts with our service providers and suppliers.
 - Continued phased implementation of technology and business processes that improve enterprise marketing tools and the infrastructure of lottery sales and retail network support.
- As a result of the 2011 expiry of our Richmond office lease, BCLC has increased the budget for facilities by \$9.0 million in order to relocate to a new facility in metro Vancouver. This new facility meets the functional and space requirements to consolidate BCLC from the three existing, dated and inefficient Richmond office and warehouse locations.
- Cost of purchases made in US dollars has been based on an exchange rate of \$0.96 Canadian dollar to \$1.00 US dollar.

APPENDIX: SERVICE PLAN GOALS AND PERFORMANCE MEASURES COMPARISON

WHAT WE WILL DO DIFFERENTLY, AND WHY

OUR FRAMEWORK SETS DIRECTION FOR LONG TERM SUCCESS

Our Board and Senior Executive teams review our mission, goals, strategies, performance measures and the associated targets and results on an annual basis. In 2009/10, focus on the future of gaming and the long term success of BCLC led to some changes to our framework. We believe this framework will have longevity as we move forward to build the organization.

BCLC's mission statement has been updated and reflects our mandate for how we operate gaming in British Columbia.

"WE CONDUCT AND MANAGE GAMBLING IN A SOCIALLY RESPONSIBLE MANNER FOR THE BENEFIT OF BRITISH COLUMBIANS."

Our values of integrity, social responsibility and respect remain unchanged and will continue to guide the behaviours of all BCLC employees.

We have restated two of BCLC's four goals to broaden our focus in the areas of player and financial/operations.

This chart compares the goals in our previous Service Plan 2008/09–2010/11 to the goals in this Service Plan 2009/10–2011/12.

2009/10 – 2011/12 SERVICE PLAN GOALS	2010/11 – 2012/13 SERVICE PLAN GOALS	COMMENTS
Public/Planet Build public trust and support for BCLC gaming	Public/Planet Build public trust and support for BCLC gaming	No change.
Player Provide facilities and games to develop the business	Player Create a player-centric company	This goal provides organization-wide focus on the player to extend beyond games and facilities to the overall infrastructure that supports our players.
Financial/Operations Invest in infrastructure to support current business operations and future growth	Financial/Operations Invest in infrastructure and technology innovation to support current business operations and future growth	This goal is a primary area of focus for the organization. Investing in our infrastructure through innovative improvements to our processes, reallocation of our capacity, and modernization of our technology is required in order to provide business integrity and operational efficiency for our core existing business as well as positioning us for the future.
People Have a workforce passionately driving the success of our business	People Have a workforce passionately driving the success of our business	No change.

HOW WE'RE MEASURING OUR SUCCESS

This chart compares the performance measures and targets in our previous Service Plan 2009/10–2011/12 to the performance measures and targets in this year's Service Plan 2010/11–2012/13. The financial performance measures Net Win and Net Income are not included in this comparison.

PERFORMANCE MEASURES	2009/10 BUDGET	2009/10 FORECAST	2010/11 TARGET	COMMENTS
Public Support for Gaming	63%	61%	63%	No change to this measure.
Public Trust and Confidence in BCLC Games	61%	58%	61%	No change to this measure.
Player Awareness of Responsible Gambling Activities	88%	91%	60%	BCLC's performance in this area is exceeding expectations. For 2010/11, we are removing the initiatives players are most aware of from the calculation for this measure in order to provide improved visibility into our level of success for new responsible gambling programs. This has resulted in significant reductions to our targets.
Level of Greenhouse Gas Emissions	N/A	1,660	1,418	No change to this measure.
Player Satisfaction	73%	73%	74%	In 2009/10 BCLC significantly changed how Player Satisfaction is measured in order to apply consistent measurement in all of our gaming channels. In previous years, differing measurement scales and studies were weighted with the channel contribution to net win and consistent measurement had not been implemented for PlayNow.com, including the rating scale and calculation method. BCLC calculates results for this metric using the top five from a standard 10-point scale.
Player Participation	82%	79%	52%	In 2010/11 BCLC will change from measuring the percentage of BC adults who have played a BCLC game or visited a gaming facility within the past year, to assessing their monthly frequency of play. The yearly measure has monitored shifts in the size of BCLC's overall player base, which due to large jackpots and casino promotions, was very high. The monthly measure will provide us with better information on the success of our programs to increase play frequency, particularly amongst infrequent players, a major driver for increasing net win. This change to the measure required that we set new targets.
Net Win per Capita	\$450	\$437	\$460	No change to this measure.
Operating Costs (% of net win)	41.6%	41.8%	41.6%	No change to this measure.
Employee Engagement	60%	75%	75%	No change to this measure.
Employee Vacancy Rate	7%	2.5%	5%	No change to this measure.



Appendix K

BCLC Service Plan 2011/12-2013/14 (BCLC0003674).



service plan

2011/12–2013/14



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message from BCLC's

board chair and president and ceo

ON BEHALF OF THE BOARD OF DIRECTORS AND OUR EMPLOYEES, WE ARE PLEASED TO PRESENT BCLC'S SERVICE PLAN 2011/12–2013/14 TO THE HONOURABLE RICH COLEMAN, MINISTER OF PUBLIC SAFETY AND SOLICITOR GENERAL.

BCLC is responsible for the conduct, management and operations of lottery, egaming, casino, community and commercial bingo gambling in British Columbia. BCLC employees, along with our private sector service providers, are proud of the gambling experience we provide in a socially responsible way, and the resulting income generated for the Province of British Columbia. We have a long heritage of trust and accountability with our players and continue our commitment to corporate social responsibility, sustainability and public transparency.

Gambling generates over a billion dollars each year that is used by the Province to fund programs for communities, charities and services in British Columbia, including over 5,000 organizations that last year received Community Gaming Grants.

During a challenging economic period, BCLC has performed well relative to the market. Reduced consumer discretionary and entertainment spending continue to be evident in BCLC's operations, as well as those of our retailers and service providers.

With an increased focus on revenue generating programs in an improving economy, in 2010/11 we are forecasting success in increasing net win for the first time in two years. Net win, the amount of revenue after prizes are paid, is forecast to grow by 3.5% from the previous year to reach \$2.01 billion by the end of 2010/11 and is expected to climb to \$2.26 billion by 2013/14.

Over the next three years BCLC will continue to concentrate on improving the player experience in order to maximize our performance and optimize net income from gambling. We will do this through innovation and investment in processes, technology, social responsibility, products and customer understanding. In total, over the three years covered by this plan, BCLC is forecasting \$3.44 billion in net income for the Province of British Columbia.

BCLC is part of the economic and social fabric of communities in British Columbia. Our Benefits to BC program provides the public with more information about how net income from gambling funds programs and services in communities throughout the province. About 80 percent of the net income from gambling is directed by the Province of British Columbia to fund public services, such as health care and education.

Integrity and security is at the core of all of our activities, so that we provide players with an exceptional gambling experience while leading the way in social responsibility for our industry. We continue to work diligently to build player confidence in our delivery of gambling, particularly through our web site PlayNow.com.

BCLC continues to focus significant attention on offering competitive products to entertain our players on PlayNow.com. Our plans for growth of what has become a mature business are supported through enhancements to our core product brands and investments in innovative new products, gambling facilities and services for our players.

In 2011/12 we will also improve the information and services we offer players and the public on bclc.com and increase the cost effectiveness of marketing in our lottery channel through the introduction of digital signage.

Investments in our business, including the infrastructure and technology that support our gambling offerings, will sustain our future net income. BCLC has begun the detailed planning for the replacement of the gaming management system that supports \$1.60 billion in annual net win from casinos and community gaming centres in British Columbia. 2011/12 will be the start of a three-year plan to replace this complex system, requiring a significant financial investment and the intensive focus of the company, as well as the participation of our service providers.

Gambling is for fun and is one of the most popular forms of entertainment. Recently the World Lottery Association awarded BCLC with its prestigious Responsible Gambling Award, to recognize our offering of the best overall responsible gambling programs internationally. We are proud to be an industry leader in responsible gambling best practices and are committed to continuous improvement.

One of the ways we are encouraging players to make healthy choices is through GameSense, which offers an accessible range of materials to help players make informed decisions about our gambling products.

We are also seeking ways to enhance our voluntary self-exclusion program, and will look at the program from the users' perspective so that we can make it even stronger. We are also increasing the usage of licence plate recognition and other tools that are used to identify self-excluded individuals before they enter our gambling facilities.

BCLC views environmental sustainability as a key component of our social responsibility and is continuing to develop plans to reduce and offset our emissions to achieve carbon neutrality. We have formalized our sustainability management approach and continue to seek further carbon reduction opportunities through our facilities and business operations.

The 2011 Western Canada Summer Games are coming to Kamloops in August. BCLC is very proud to sponsor this event, which will bring considerable economic benefit to the city as young athletes, their coaches and their families converge in Kamloops. These Games are Western Canada's largest multi-sport competition for young athletes and are an integral part of Canada's Long Term Athlete Development Model.

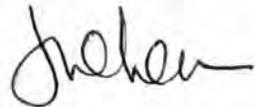
BCLC stands out as exceptional amongst Canadian employers, again being selected as one of Canada's Top 100 Employers in addition to a fifth year as a Top BC employer. We have gained new recognition as a top employer for Canadians Over 40 and as a Top Family-Friendly Employer. We have a workforce that is passionate about their jobs, the success of the company and their connections to the community.

BCLC has a balanced approach to our business, reflecting our external and internal business focus through our goals and performance measures. In reviewing our level of success in achieving our business plans, we assess our results against targets and use publicly available benchmarks from other comparable gambling organizations.

BCLC's Service Plan 2011/12-2013/14 was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the *BC Reporting Principles*. The plan is consistent with Government's strategic priorities and fiscal plan. The Board is accountable for the contents of this plan, including how it has been reported.

All significant assumptions, events, policy decisions and identified risks as of January 12, 2011 have been considered in preparing the plan. The performance measures presented are consistent with BCLC's mandate and goals, and focus on aspects critical to the organization's performance. The performance targets in this plan have been determined based on an assessment of BCLC's operating environment, forecast conditions, risk and past performance.

January 21, 2011



John McLernon
Board Chair



Michael Graydon
President and CEO

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organizational overview

BCLC IS THE CROWN AGENCY MANDATED TO CONDUCT, MANAGE AND OPERATE LOTTERY, EGAMING, CASINO AND COMMERCIAL BINGO GAMBLING IN BRITISH COLUMBIA.

Gambling is available in over 4,000 lottery retail and hospitality locations, 17 casinos, 16 community gaming centres and 11 commercial bingo halls as well as directly to over 140,000 registered players in British Columbia through our PlayNow.com Internet site. We provide our products and services in a socially responsible manner consistent with our responsibilities reflected in British Columbia's *Responsible Gambling Strategy*.

WHO WE ARE

Incorporated in October 1984 and pursuant to amendments to the *Criminal Code* of Canada (1969), British Columbia Lottery Corporation (BCLC) operates under the *Gaming Control Act (2002)* of British Columbia.

We operate our commercial gambling business in accordance with the legislative, regulatory and policy framework established by the Province of British Columbia under the authority and direction of the Minister responsible for gambling, the Honourable Rich Coleman, Minister of Public Safety and Solicitor General.

VISION

BCLC will be a company characterized by innovation, striving to be at the forefront of our industry. We will get there by constantly challenging our notion of what is achievable in how we connect with our customers, design and deliver our products, services and technology and operate as a company.

Our success will be driven by our ability to hear, anticipate and act upon customer expectations and desires. We want to be connected to our customers, to emerging markets and distribution channels, business partners and each other in our increasingly online world. Technology will be a keystone that makes this future possible.

Social responsibility isn't something we do because we have to; it is an intrinsic part of our business. We continue to increase our understanding of gambling behaviours so we can help customers empower themselves to play responsibly. We have a Corporate Social Responsibility Charter that guides our actions, so that we can take a leadership role economically, socially and environmentally.

We are aiming high, planning to be where our customer will be in the future, not just where they are today, delivering exceptional gambling entertainment in British Columbia.

MISSION

We conduct and manage gambling in a socially responsible manner for the benefit of British Columbians.

OUR VALUES

INTEGRITY: The games that we offer and the ways we conduct business are fair, honest and trustworthy.

SOCIAL RESPONSIBILITY: Everything we do is done with consideration of its impact on and for the people and communities of British Columbia.

RESPECT: We value and respect our players, service providers and each other.

OUR GOALS AND STRATEGIES

1. Build public trust and support for BCLC gambling
 - Demonstrate a high level of corporate citizenship and social, economic and environmental responsibility
2. Create a player-centric company
 - Improve the organizational capacity to hear, anticipate and act upon customer expectations and desires
 - Offer exceptional entertainment through innovative and engaging channels and products
3. Invest in infrastructure and technology to drive innovation that enables our growth
 - Design processes and implement technology that improves operational effectiveness and prepares for the future
 - Enable an integrated multi-channel player community
4. Have a workforce passionately driving the success of our business
 - Make BCLC a great place to work

[Click here](#) to review a comparison of BCLC's goals from the previous year to this Service Plan 2011/12–2013/14, located in the Appendix.

HOW WE ARE REGULATED

Gambling is regulated by the Gaming Policy and Enforcement Branch (GPEB) of the Ministry of Public Safety and Solicitor General. BCLC complies with written directives from the Minister and the Assistant Deputy Minister/General Manager of GPEB.

GPEB develops and oversees gambling policy, legislation and standards, licenses charitable events and horse racing, registers gambling workers and service providers, certifies gambling equipment, investigates allegations of impropriety and directs Government's responsible gambling initiatives.

GPEB also distributes gambling proceeds, such as community grants to charitable organizations, conducts audits of commercial and charitable gambling for compliance and develops and implements a risk management framework for the industry.

WHAT WE DO AND WHERE WE ARE

Gambling is entertainment, and BCLC provides innovative gambling opportunities to players in British Columbia to generate income that the Province of British Columbia uses to fund public health care, education, charitable and community programs that benefit all British Columbians. A portion of BCLC's net income is also remitted to the Government of Canada.

The consolidated financial statements of BCLC include a wholly owned subsidiary, BC Lottotech International Inc. (Lottotech). The primary business of Lottotech is the purchase of capital assets for BCLC, which are reviewed and approved by BCLC's Board of Directors through our annual business planning and

2010/11 FORECAST HIGHLIGHTS

NET WIN IS FORECAST TO INCREASE BY \$67.6 MILLION FROM THE PREVIOUS YEAR

Net income delivered to the Province of British Columbia is forecast at \$1.08 billion in 2010/11, \$35.0 million below the budget of \$1.15 billion but providing growth over the previous year. The number of lottery retail and hospitality locations is relatively steady, new casino products were added to PlayNow.com, which will have over 180,000 members by year-end, and the Maple Ridge community gaming centre opened.

British Columbians will win a forecast \$628.0 million in lottery, PlayNow.com and bingo prizes. Prizes won at casino table games and slot machines are paid during game play and are not reflected as prizing in our financial statements. Our gambling channel private sector service providers will earn \$587.0 million in commissions and service fees. BCLC's total operating costs including salaries and the purchase of goods and services are expected to total \$158.4 million. Gambling creates significant direct and indirect employment opportunities across British Columbia, particularly in the 28 municipalities where host local governments will share \$83.9 million from casino and community gaming centre facilities revenue.

(\$ millions)	LOTTERY	PLAYNOW.COM	CASINO & COMMUNITY GAMING CENTRES	TOTAL
Revenue	\$970.0	\$44.3	\$1,621.0	\$2,635.3
Net Win ¹	432.6	26.6	1,548.1	2,007.3
Net Income before Taxes	280.4	9.5	869.1	1,159.0
Net Income	260.9	7.1	812.0	1,080.0
Channel	2,927 Retail locations 1,119 Hospitality locations, including 878 self-service terminals	Internet	15 Casinos 2 Racecourse Casinos 16 Community Gaming Centres 11 Commercial Bingo Halls	
Products	Lotto Games Sports Games Social Games Instant Games	Lotto and Sports Games e-only Games Casino-style Games	Slot Machines Table Games Poker Games Paper and Electronic Bingo	

¹ Net Win is the amount of revenue after prizes are paid to players. BCLC uses net win to compare our results across our gambling channels and with other gambling jurisdictions.

budget process. The financial statements, management and oversight of Lottotech are consolidated within BCLC operations.

Since 1985, BCLC has grown from a lottery company with \$113.2 million in net income, to a commercial gambling entertainment organization generating a forecast \$1.08 billion in net income in 2010/11.

BCLC integrates responsible gambling and player security into the design and development of new products and services, markets and advertises our products, manages the technology necessary to run our business, and oversees contracted retailer and service provider operations to maintain gambling integrity, security, compliance and performance.

Our focus is on our players, from the design of innovative products and gambling facilities to entertain them, through to the processes, technology and social responsibility that support our delivery of an exceptional experience. BCLC owns the gambling equipment, including lottery and bingo terminals, casino table products and slot machines.

BCLC employees work from two offices: one in Kamloops and a second in metro Vancouver. We also have employees located in communities around the province, working with our contracted lottery, casino and community gaming centre service providers.

Our Kamloops office is the primary location of our information technology, finance and administration functions. Gambling operations, security, sales, marketing, communications and product distribution functions are primarily in Vancouver.

[Click here](#) to learn more about how BCLC is organized.

corporate governance

BCLC'S BOARD OF DIRECTORS (BOARD) IS APPOINTED BY ORDER OF THE LIEUTENANT-GOVERNOR IN COUNCIL.

BCLC is compliant with the standards and guidelines and each of the disclosure requirements contained in the *Best Practice Guidelines–BC Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations (2005)*.

Our Board framework includes the terms of reference for the Board, the Board Chair, President and Chief Executive Officer, Directors, Standing and Ad Hoc Board Committees and the Corporate Secretary, as well as processes for strategic planning, succession planning and Board performance evaluations.

Our Board has the primary responsibility to foster BCLC's short-term and long-term success, consistent with its responsibility to our Shareholder, the Province of British Columbia, and in consideration of the legitimate interests held by other stakeholders including players, employees, service providers, suppliers, communities and the public.

The nine Directors are stewards of BCLC, chosen on the basis of their expertise and experience. The Board has a collective responsibility to oversee the conduct of BCLC's business and to provide direction to BCLC's Senior Executive, who are responsible for day-to-day operations.

Upon appointment, and each subsequent year, the Directors agree to act in accordance with the Board's *Code of Conduct and Conflict of Interest Guidelines*.

The Chair is the presiding Director, responsible for the effective leadership and performance of the Board and the liaison between the Board and Minister responsible for gambling. The Chair works together with the President and CEO ("the CEO") to ensure effective relations with stakeholders, including Government.

Reporting to the CEO, the Corporate Secretary facilitates communication between the Board and Senior Executive team, playing a key role in the administration of corporate and governance matters, working with the Board through the Chair.

BCLC's Senior Executive team attends Board meetings. To maintain autonomy, the Board may convene in camera sessions.

Click here to learn more about [BCLC's Corporate Governance](#) and more about our [Board of Directors](#).

Click here to learn more about the Province of British Columbia's [Board Resourcing and Development Office](#).

Minister Responsible for Gambling
The Honourable Rich Coleman
Minister of Public Safety and Solicitor General

Board of Directors
John McLernon (Chair)

Role:	To provide stewardship and ethical leadership to oversee the management of BCLC's affairs in the best interests of BCLC and the long-term interests of our Shareholder, the Province of British Columbia.
Governance:	In carrying out the mandate of the Board, each director has specific statutory duties and obligations under employment, environmental and financial reporting and is required to act in accordance with fiduciary duty of care and conflict of interest guidelines and do so: <ol style="list-style-type: none"> honestly and in good faith; with a view to the best interests of the Corporation; with the care, diligence, and skill of a reasonably prudent person; and consistent with the terms of reference that set out the standards of performance that the Board expects of each director.
Chair:	John McLernon
Members:	Arthur Willms (Vice-Chair), Trudi Brown, David Gillespie, Cynthia M. Grauer, Walter Gray, Moray Keith, D. Neil McDonnell, Michael Riley

BCLC has three standing Board committees; other committees are established as needed. The committees are responsible for advising and formulating recommendations to the Board. Our Standing Board committees are:

Audit Committee	Purpose: To assist the Board in fulfilling oversight responsibilities for BCLC's financial reporting provided to government and the public, the effectiveness of internal control systems, audit and risk management processes, performance and findings and compliance with laws, regulations and policies. Chair: Michael Riley Members: David Gillespie, Moray Keith, Arthur Willms
Governance and Corporate Social Responsibility Committee	Purpose: To provide focus on governance that enhances BCLC's performance, including for the Board of Directors, and to provide oversight responsibility for corporate social responsibility policy. Chair: David Gillespie Members: Trudi Brown, Walter Gray, Moray Keith
Human Resources and Compensation Committee	Purpose: To assist the Board in fulfilling obligations relating to human resources and compensation matters to enhance BCLC's performance against the strategic plan. Chair: D. Neil McDonnell Members: Cynthia Grauer, John McLernon
Ad Hoc Committees	Purpose: Established for a specific period of time to undertake a specific task, and then disbanded.
Ex-Officio Members	The Board Chair is an ex-officio member of all committees where not appointed as a full member. The President and CEO is also an ex-officio member of all committees.

our senior executive team

BCLC's President and Chief Executive Officer (CEO) reports to our Board of Directors. [Click here](#) to read the terms of reference for the CEO, which are included in our Board framework.

As the person responsible for providing overall leadership and vision in developing the tactics and plans to realize BCLC's objectives, the CEO ensures strategic and annual plans are effectively implemented, monitored and reported, and the financial and operational objectives are achieved.

The CEO provides the leadership, management, and general supervision and controls BCLC operations on a day-to-day basis in accordance with the strategies, plans and policies approved by BCLC's Board.

The CEO is supported by a Senior Executive team comprised of nine Vice Presidents, each responsible for a division of the organization, all of whom report directly to the CEO.

A Vice President is responsible for the leadership and operation of each of the three business channels: Casino and Community Gaming, Lottery Gaming and eGaming, which is included in the responsibilities of the Vice President of Corporate Affairs.

The business channels are supported by six divisions, each led by a Vice President responsible for managing the operations of BCLC's financial, corporate services, corporate security, compliance, social responsibility and communications, marketing, technology, business transformation and human resource capabilities.

The Director, Audit Services reports administratively to the CEO and functionally to the Board Audit Committee.

[Click here](#) to learn more about BCLC's [Senior Executive team members](#).

<p>Minister Responsible for Gambling The Honourable Rich Coleman Minister of Public Safety and Solicitor General</p>	
<p>Board of Directors John McLernon (Chair)</p>	
<p>President and CEO Michael Graydon Responsible for BCLC's leadership and vision, directing and supporting the Senior Executive team in the development of the plans and actions required to realize the strategic goals of the organization.</p>	
<p>Business Transformation Lynette Hughes, Vice President Responsible for business transformation to align employees, business models and technology with business strategy, including business planning, corporate policy, process transformation and the program management office.</p>	<p>Casino and Community Gaming Centres Darryl Schiewe, Vice President Responsible for the development and operation of casino, community and commercial bingo gambling, including products, sales, distribution and contracted private sector service providers.</p>
<p>Corporate Affairs Kevin Gass, Vice President Responsible for corporate social responsibility, communications and eBusiness, including stakeholder and media relations, public affairs, sponsorship and promotions, PlayNow.com and bclc.com.</p>	<p>Corporate Security and Compliance Terry Towns, Vice President Responsible for corporate security and compliance, including customer service complaint investigations, legal services, privacy and freedom of information administration, information security and employee and service provider compliance.</p>
<p>Customer Strategy and Corporate Marketing Marsha Walden, Vice President Responsible for the strategic planning process, including player-centricity, advocacy and support, as well as corporate and casino marketing, innovation and research.</p>	<p>Finance and Corporate Services Tom Williamson, Vice President and Chief Financial Officer Responsible for finance, including financial reporting and liaison with Government, and corporate services including administration, facilities and procurement.</p>
<p>Human Resources Peter Charlton, Acting Vice President Responsible for human resources and organizational development, including recruitment, compensation, rewards and recognition, leadership and other development and training programs.</p>	<p>Information Technology Scott Norman, Vice President and Chief Information Officer Responsible for the technology architecture and infrastructure supporting BCLC's gambling and back office systems, including enterprise risk management.</p>
<p>Lottery Jim Lightbody, Vice President Responsible for the development and operation of lottery gambling, including products, marketing, sales and distribution, and contracted private sector service providers.</p>	

strategic context

what BCLC is experiencing now and anticipating for the future

These trends, opportunities and risks will shape our operations and have the potential to influence our performance during the three years covered by this plan. In preparing strategy, BCLC has assessed the risks and the opportunities they may present, as well as the likelihood and potential impact.

economic and market trends and issues

BCLC expects the following trends, opportunities and issues to shape our operations and potentially influence our performance during the three years covered by this plan.

We continually monitor the marketplace and our plans to be successful within it, making adjustments where necessary to leverage or mitigate occurrences in order to maximize our net income for the Province of British Columbia.

ECONOMY

British Columbia's economic growth rate forecasts for 2011/12 are higher than is expected nationally². However, while consumer confidence is well above the Canadian average, British Columbian consumers have reduced their discretionary and entertainment spending, and the impact is evident in BCLC's operations and those of our service providers.

Context: Over the past two years BCLC total revenue has declined by \$85.1 million or 3.3%. BC's disposable income per capita is slightly lower than the national average. Improvement has been evident in BCLC's results for the first nine months of 2010/11.

The downturn in the economy has resulted in weaknesses in credit markets impacting access to capital by our casino and community gaming centre service providers. While gambling integrity and compliance activities remain unchanged, planned investments in facility enhancements have slowed.

Actions: BCLC will continue to focus on revenue initiatives to generate growth, in particular to maintain our core, mature products. We have reassessed our operating and capital budgets to proactively mitigate any negative impact on gambling income.

CONSUMERS

Canadians spend more time online than in pursuit of other leisure activities as the integration of entertainment and communications is expanding. Online consumers expect unique, more social, personalized and interactive experiences. Consumers are more demanding, looking for products which offer real entertainment in a more budget-conscious economy.

Context: While more than 80% of British Columbians play a BCLC product at some time over the course of a year, most play infrequently. Delivering high entertainment value and building loyal player relationships are increasingly important as competitive differentiators. BCLC must provide products and services that provide a complete entertainment experience for

our players, with a continuing focus on the quality of customer service and delivery.

Actions: We are continuing the shift to a player-centric organization, seeking ways to make playing fun, convenient and secure, and addressing trends like changes in consumer shopping habits through self-service and the Internet. BCLC recognizes that a deeper understanding of our customers requires that we change our processes so that we can more quickly react to their entertainment needs with new product offerings.

POPULATION

British Columbia's highly diverse population is continuing to grow, with the adult population projected to increase 8.5% between 2009 to 2014.

Context: Gambling product preferences differ globally. Today's products may not appeal to the diversity in ethnicity and across the younger and senior adult age groups.

Actions: BCLC's growing focus is on players rather than products so that we attract players with differing gambling preferences.

LABOUR FORCE

The availability of and competition for highly skilled people remains a challenge despite the recent economic downturn.

Context: Although the number of recruitments has slowed, filling professional roles continues to be challenging.

Actions: In order to enhance our ability to successfully attract and retain skilled employees, BCLC will focus on our employment brand, including our status as one of Canada's and British Columbia's top employers. We are reviewing our total rewards program, including comparisons with other industries. We are continuing to provide leadership and employee development programs, training and skill development opportunities.

BCLC INFRASTRUCTURE, PROCESSES AND TECHNOLOGY

The world is becoming increasingly more self-service, with the widespread use of mobile and wireless enabled devices, access to the Internet is becoming more widely available and emerging as an essential service channel for consumer spending. Along with digital TV, these trends are about convenience and customization and are leading the way in consumer entertainment enabled by technology.

² Growth rate forecast is the result of an internal review of BC Government Budget and Fiscal Plan - 2010/11 to 2012/13, Economic Performance and Trends, Canadian Economic Forecast and press releases by The Bank of Canada, CIBC, RBC and The Conference Board of Canada.

Context: BCLC relies on technology to deliver gambling with a high degree of integrity and security. New technologies can lead to business advantages, such as product and service innovation for our players and operational efficiencies for BCLC and our service providers.

The need to implement new systems is increasing our operating costs, as BCLC is leveraging best-of-breed technology purchases and outsourcing systems, rather than funding in-house development.

Actions: We are investing in technology to modernize our processes and systems. Our research includes the identification of the most promising developments and evaluating their potential application to our gambling business.

The gambling products and services on PlayNow.com may in future be leveraged across BCLC's other business channels.

The replacement of the legacy gaming management system used to operate and manage our casino business will not only sustain our existing \$1.60 billion in net win, but may also provide better services for our players and improved player insights for BCLC and our service providers.

The implementation of this new system will include reviewing processes within BCLC and our service providers and the standards, policies and procedures that support them so that we leverage capabilities of new technology while continuing to effectively deliver our gambling business.

The automation and integration of our financial processes into more robust systems is a multi-year program that will strengthen financial controls, as well as improve business insight and capabilities well into the future.

GAMBLING INDUSTRY

The gambling industry is Canada's largest entertainment industry, employing more than 135,000 people directly and contributing \$15.3 billion to the Canadian economy in 2008/09.³

Privately owned Internet gambling companies and casinos in neighbouring jurisdictions are also seeking growth, targeting British Columbian consumers with marketing and other offers that compete with BCLC's regulated gambling business. The global mobile gambling market is also growing as the usage, types and number of available devices, features and applications continues to expand rapidly.

Context: Gambling has a significant presence in British Columbia's economy. Although growth has slowed and the economy has negatively impacted our sales, BCLC's net income continues to grow. In 2010/11 BCLC is forecasting net win of \$2.01 billion, which will provide \$1.08 billion in net income to governments.

Actions: BCLC continues to focus on growing revenue within the socially responsible gaming policy set by the Province of British Columbia. This includes the continued redevelopment of commercial bingo halls to community gaming centres that provide players with more entertainment options, the availability of products on PlayNow.com and lottery self-service options.

BCLC GAMBLING

Gambling offerings from providers located outside British Columbia continue to compete with BCLC's casino, community gaming and Internet gambling offerings.

Our gambling products are sold through contracted private sector service providers and via the Internet on PlayNow.com.

Our private sector service providers play an important role in providing the customer service that contributes to our players' enjoyment of our products and the facilities where gambling is available. Net Win, our revenue after prizes have been paid to players, is used to compare sales across our business channels.

Context: BCLC optimizes our financial performance within the gambling and social policy framework established by Government. General economic conditions have impacted our service providers, resulting in delays to facility improvements. Consumer spending on discretionary and entertainment activities continues to lag behind recovery in the overall economy. Significant income and employment is generated in the private sector from the gambling industry.

BCLC's 2010/11 net win is forecast below budget but ahead of our 2009/10 results. Our targets for 2010/11 forward have been revised to reflect the slower than anticipated development of new and enhanced facilities and the later than planned launch of products on PlayNow.com.

Actions: Growth is expected from our strategy to focus on our six core products: slot machines, baccarat, blackjack, Lotto 6/49, LOTTO MAX and Keno. We will introduce new lottery distribution technology, continue to enhance existing casino facilities and develop community gaming centres, along with improved marketing, slot machine management and the introduction of server-based gambling. Growth in PlayNow.com will come from the continued development of casino-style games, including the addition of poker and updated sports and bingo products.

We analyze our financial results on a time series basis, as the types of gambling offered by other gambling jurisdictions varies too much to allow consistent benchmarking.⁴



Sources:

BCLC Annual Reports and financial reporting

³ Source: *National Gambling Impact Study - Phase II*, Canadian Gambling Association, HLT Advisory Inc., April 2008

⁴ In all charts, Net win and net income figures for 2008/09 and 2009/10 are actual, 2010/11 includes forecasts and approved budgets and 2011/12 through 2013/14 are targets

LOTTERY

Context: In our lottery business, we manage a portfolio of national and regional games spanning the lotto, sports, social and instant categories. We distribute in multiple channels including retail, hospitality (including casinos) and on the Internet through PlayNow.com. Our service providers earn an industry-standard commission, calculated as a percentage of sales revenue, to service BCLC lottery games in their locations,

BCLC's lottery gambling is a major profit generator and remains a priority. Traditional lottery offerings continue to see some erosion in market share, although due to the number of large jackpot rolls, lottery net income (before taxes) is expected to grow in 2010/11.

Actions: We are focused on innovation to provide more exciting and entertaining lottery experiences while maintaining player security and system integrity. More convenient ways to purchase products, particularly in the high traffic retail grocery and hospitality environments, and new game development, particularly in the sports category, are ways we plan to increase player participation and income from this business.

Lottery net win is calculated by deducting prizes paid to players from total sales revenue.

LOTTERY NET WIN



LOTTERY NET INCOME



PLAYNOW.COM

Context: BCLC offers Internet gambling in British Columbia through our PlayNow.com website. PlayNow.com incorporates social responsibility through age, jurisdiction and identification verification, deposit restrictions, display of play time and wagers, player-set weekly wallet limits, odds of winning, as well as privacy protection and voluntary self-exclusion options.

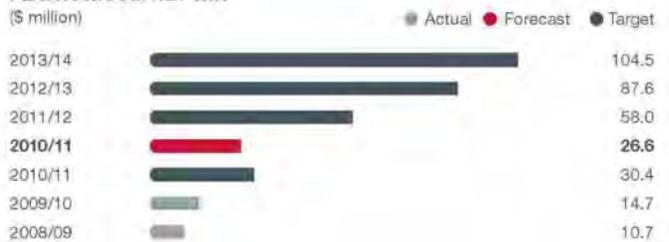
Actions: Creating a successful business through sales from our PlayNow.com web site is a strategic priority for BCLC. Strong growth continues in this channel, which provides an estimated 180,000 registered players in British Columbia with the convenience and security of purchasing online on a regulated web site, where the revenue generated stays in the province.

To tap into the \$80 million spent by British Columbians on Internet gambling, BCLC launched casino-style products on PlayNow.com in 2010. We are continuing with plans to implement other innovative products so that we can compete with privately owned Internet gambling sites, who are increasing their marketing to players in British Columbia.

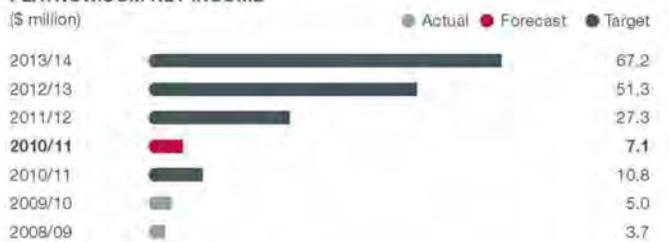
We are also planning to improve our communication with our players while continuing to offer specials and promotions to increase our player base.

PlayNow.com net win is calculated by deducting prizes paid to players from total sales revenue.

PLAYNOW.COM NET WIN



PLAYNOW.COM NET INCOME



CASINO AND COMMUNITY GAMING CENTRES

Context: Six private sector casino service providers and 15 service providers for commercial, independent and charitable community and commercial bingo gambling earn a percentage of net win for providing gambling facilities and day-to-day operational services.

Since assuming responsibility for casino gambling in 1998, BCLC's priority has been to upgrade existing casino facilities to higher quality properties. This strategy, which is nearing completion, has resulted in a more diverse entertainment experience for players that includes full-service restaurants and theatre-style show lounges, and in some locations, resort-style accommodations and conference facilities.

Bingo gambling has been in a steady decline over the past decade as interest in the game diminishes; in 2010/11 this decline is forecast at 12%. BCLC's priority for this market has been to upgrade commercial bingo halls in key market locations to community gaming centres with improved customer service and amenities such as restaurants and lounges, and offer more entertaining products, including slot machines and other electronic products. Because community gaming centres have been well received by players and their local communities, the net win generated from them is increasing as more are developed.

Actions: In 2011/12 BCLC will continue to develop casino properties that provide players with an exceptional entertainment experience. Where market demand allows, we work with our service providers to position casinos as a major tourism attraction.

BCLC is working with service providers on plans to redevelop existing commercial bingo halls to community gaming centres in several municipalities. We are also researching new, more entertaining products for bingo players, including ways to leverage our products from other gambling channels in these gambling facilities.

BCLC offers players membership in BC Gold, a player rewards program providing members with exclusive contests and events, points for play, and savings at restaurants and hotels. With the number of active members forecast at 225,000 in 2010/11, BCLC is continuing the review of technology that would allow the extension of the program to table game players, to grow the number of active members to 265,000 by 2013/14.

Analyzing the player appeal of slot machine products and their placement within gambling facilities will be one of the ways BCLC will continue to work with our service providers to improve the gambling experience for our players. We are also planning entertaining tournaments and promotions, particularly for our BC Gold members.

Casino and community gaming centre revenue is shown as net win, which is the amount after prizes are paid to players.

CASINO AND COMMUNITY GAMING NET WIN



CASINO AND COMMUNITY GAMING NET INCOME



risks and opportunities

THE POTENTIAL IMPACT AND OUR ACTIONS TO MINIMIZE AND/OR MITIGATE OR REALIZE THE BENEFITS

BCLC has a formal enterprise risk management scheme, with consistent evaluation of arising and ongoing risk and quarterly monitoring and reporting of agreed action plans for all significant operational risks. Over the past year, we have further developed project risk management arrangements, with detailed risk assessments, project risk plans and formal reporting.

In 2011/12 we will continue to develop and leverage our risk management approach to strengthen strategic, business and project planning processes. The following table provides an overview of significant risks and opportunities that BCLC faces and the actions planned or underway to address those issues.

RISKS & OPPORTUNITIES	IMPACT	ACTIONS
REGULATORY CHANGE		
<p>Risk: Complying with evolving regulatory requirements may create additional financial or operational challenges or compliance may not be fully achieved.</p> <p>Opportunity: Compliance initiatives may strengthen systems and identify opportunities for improvement.</p>	<p>If new regulations are applied to our business, BCLC may be required to implement new processes that increase our operating costs.</p> <p>If systems and processes to support compliance are ineffective, BCLC may face fines, increased regulatory oversight or a decline in public trust.</p>	<p>Goal #1 Public/Planet</p> <p>In addition to a formal Policy Office, BCLC has committed significant resources to our compliance programs, including Legal Services and Operational and Internal Audit Services.</p> <p>We will continue to develop and strengthen compliance programs. Further expertise and technical resources to support compliance are planned for 2011/12.</p>
CHANGE IN CUSTOMER PREFERENCES		
<p>Risk: BCLC products and services may not appeal to existing or new players.</p> <p>Opportunities: Develop new innovative games and delivery mechanisms so that we continue to entertain our players.</p> <p>Develop new relationships with our players so that we learn how to continue to or improve upon the value of the entertainment we offer.</p>	<p>If BCLC does not provide appealing products that are easily accessible, the number of adult British Columbians that purchase lottery products, visit casinos or community gaming centres or play on our Internet site will decrease, negatively impacting our revenue and the net income generated for the Province of British Columbia.</p>	<p>Goal #2 Player</p> <p>BCLC actively researches current and potential player audiences to identify emerging trends in preferences and to monitor response to our existing products and services.</p> <p>BCLC's approach includes our business plan programs with metrics and targets to focus understanding on our customers, delivering exceptional entertainment experiences, realizing player value and changing our culture.</p>
SERVICE PROVIDER MANAGEMENT		
<p>Risk: BCLC relies on private sector service providers to support the delivery of gambling products and business operations. Our plans may not be carried out as defined in contracts or other agreements, or may not be successfully delivered.</p> <p>Opportunity: The ability to leverage the knowledge and expertise of service providers for mutual success.</p>	<p>Products and/or services may not deliver on expectations, meet only part of BCLC's or the customer's needs or may not be aligned with BCLC strategic direction.</p> <p>BCLC's operations and net income may be negatively impacted by a market disruption resulting from the business failure of a service provider or if a service provider does not invest to maintain facilities and grow the business.</p>	<p>Goal #2 Player Goal #3 Financial/Operations</p> <p>BCLC actively works with our service providers in operating the gambling business, in areas such as financial performance and compliance reporting, product and customer service delivery, to improve the gambling business in British Columbia for the benefit of our players and the Province of British Columbia.</p>

RISKS & OPPORTUNITIES	IMPACT	ACTIONS
PROCESSES AND TECHNOLOGY		
<p>Risk: BCLC's operations require well designed and managed processes and are highly dependent on technology.</p> <p>Legacy systems may limit growth potential.</p> <p>Opportunity: New systems and processes will better support current operations and enable future growth opportunities.</p>	<p>As BCLC develops the gambling business, the systems and processes supporting it require updating or replacement, increasing expenses to supply and support the business.</p> <p>Changes in the underlying technologies or processes also may have unintended consequences as systems integration becomes more difficult and more costly. Opportunities may be missed.</p>	<p>Goal #3 Financial/Operations</p> <p>BCLC's strategy to transform our business has strategically targeted programs to modernize our infrastructure, processes and technology and will maintain or improve upon security, integrity, efficiency and resilience.</p> <p>We have several major programs that will evolve our technology capabilities and reduce our reliance on legacy systems. The most significant of these is the multi-year program to replace the gaming management system used to manage casino and community gaming centre operations.</p>
FOCUS ON SECURITY		
<p>Risk: New security challenges, particularly relating to information management, continue to emerge across industries.</p> <p>Opportunity: Further improve our processes, systems and practices to protect our assets and our players.</p>	<p>Emerging security threats require responsive and preventative action to prevent systems and/or processes from damage or compromise. Immediate consequences include loss of data or integrity, downtime, service suspension and the cost of remedial action.</p> <p>Longer term effects could include regulatory action and potential loss of player and public trust.</p>	<p>Goal #1 Public/Planet Goal #3 Financial/Operations</p> <p>Security is an ongoing priority as new areas of business are developed and new technology is introduced.</p> <p>BCLC has dedicated security systems and personnel and a number of programs to safeguard BCLC operations and our players from fraud, criminal activity and/or other accidental or malicious acts.</p> <p>We are further developing our security and information management systems and processes through adding new technology and additional resources.</p>

our capacity to achieve results

The current and future needs of our business requires sound, responsive and adaptive business processes and technology. To develop and maintain these processes and technologies in an increasingly complex and changing business environment, BCLC needs a workforce that is responsive, adaptive and possessing the skills and capabilities necessary to leverage our business in ways that satisfy our players.

As entertainment options and consumer expectations change, BCLC needs to leverage synergies, capabilities and technology to offer new products and experiences to our players. Our modernization programs provide challenges to the employee capacity for change, as well as our overall ability to appropriately resource business operations and the successful implementation of strategy. Without the right balance of skills, abilities and the engagement of our employees, BCLC will not be able to realize our goals.

We are improving our business planning processes to better balance program prioritization and scheduling. Increases to employee capacity is targeted for strategic programs as well as in oversight and compliance areas, with short-term needs met with temporary and contracted resources. Through the investment in a new learning management system and ongoing programs for leadership development, BCLC is strengthening our ability to develop our workforce. To make sure that our capacity is effectively utilized, BCLC relies on resource planning aligned with emerging business needs and our programs to modernize our business processes and systems.

Except for some professional roles in high marketplace demand, the economic downturn and resulting softening of the employment market reduced some of the challenges we were experiencing in recruiting new talent. Enhanced recruitment processes and the use of our status as one of Canada's Top 100 Employers and one of BC's Top 55 Employers positions BCLC to compete in the talent market as the economy improves.

our plan for the next three years

goals, strategies and performance measures

BCLC's Board and senior executive conduct an annual review of our mission, values, goals, strategies, performance measures and associated targets. We also gather results from other gambling jurisdictions with similar operations and compare BCLC's results to these benchmarks to assess our performance relative to these comparator organizations.

how we measure our performance

Each year, BCLC sets performance targets based on trends in current performance and the expected impact of our programs to maintain or improve performance, or other marketplace factors indicating a potential change.

For non-financial measures, BCLC contracts with independent third-party professionals to conduct surveys, and uses those results to measure our performance against the targets we have set. On a quarterly basis, we assess our results and also review and analyze the data collected in these surveys to verify the accuracy and reliability of the reported results. Our performance results are published each year in our [Annual Service Plan Report](#).

Public support for gambling, player awareness of responsible gambling initiatives, player satisfaction and participation are measured by Research and Incite Consultants, a third-party research supplier which uses a random sampling of the BC adult population throughout the year. Samples are verified to ensure that they are representative of BC's regional population, age and gender balance. In 2010/11 we transitioned from collecting data via telephone surveys to online surveys. In the first quarter we collected data using both methods so that we could compare the results of each collection method. The overall trend is that BCLC received more positive scores in the online data collection, beyond what we had anticipated in our target setting. While we will continue to report historical data, the results are not directly comparable due to the difference in collection methodology.

Financial information is obtained from BCLC's audited financial statements, published in BCLC's Annual Service Plan Report, and other internal reporting. Population figures from BC Stats are used to calculate some performance measures. Employee engagement is measured on our behalf by Ipsos Reid, a third-party research supplier who conducts an annual survey of BCLC employees.

Our performance benchmarks are obtained from the audited financial results published by the comparator benchmark organizations, Lafleurs World Lottery Almanac and the publicly available Canadian Gambling Digest.

The organizations that BCLC benchmarks to are the Ontario Lottery and Gaming Corporation (OLG), Loto-Quebec (LQ) the Swedish lottery Svenska Spel and the total Canadian gambling average. These benchmarks provide insight into BCLC's financial performance against national norms and comparable Canadian gambling jurisdictions. Svenska Spel is widely regarded as the most innovative international lottery and Internet gambling jurisdiction. We review the performance results published by other gambling organizations annually for additional benchmarking opportunities.

performance measures and targets at a glance

Our performance measures and targets for the next three years are summarized in the table below.

GOAL	MEASURE	2010/11		TARGETS		
		TARGET	FORECAST	2011/12	2012/13	2013/14
1. Build Public Trust and Support for BCLC Gambling	Public Support for Gambling	63%	55%	56%	57%	58%
	Player Awareness of Responsible Gambling Activities	60%	80%	81%	82%	83%
	Level of Greenhouse Gas Emissions (CO ₂ e in metric tonnes)	1,545	1,545	1,514	1,484	1,439
2. Create a Player-Centric Company	Player Satisfaction	74%	72%	77%	78%	79%
	Player Participation (at least monthly)	52%	61%	61%	62%	63%
	Net Win per Capita	\$458	\$444	\$456	\$467	\$476
3. Invest in Infrastructure and Technology to Drive Innovation that Enables our Growth	Operating Costs as % of Net Win	41.5%	41.5%	42.1%	42.4%	42.3%
	Net Income (\$ millions)	\$1,115.0	\$1,080.0	\$1,105.0	\$1,147.0	\$1,189.0
	Electronic Gambling Devices per Capita	results reported; annual targets not set				
4. Have a Workforce Passionately Driving the Success of our Business	Employee Engagement	83%	83%	83%	83%	83%
	Employee Vacancy Rate	5.0%	2.0%	2.0%	3.0%	3.0%

public / planet

goal #1: build public trust and support for BCLC gambling

- *Demonstrate a high level of corporate citizenship and social, economic and environmental responsibility*

BCLC BELIEVES THAT SUPERIOR AND SUSTAINED PERFORMANCE IS CLOSELY TIED TO SUPERIOR AND SUSTAINED SOCIAL RESPONSIBILITY

BCLC supports the Province of British Columbia in its efforts to reduce the incidence and harmful impacts of problem gambling, and to educate and raise public awareness of responsible and problem gambling. We will continue to provide a safe and responsible gambling environment for our players.

We deliver our gambling products in a manner that encourages responsible play and healthy choices. Our efforts continue to be focused on integrating responsible gambling principles into BCLC's operations. We are enhancing responsible gambling programs for our players and communication about the availability of and access to programs, including voluntary self-exclusion.

BCLC's GameSense communication and education program includes responsible gambling tips in our product advertising aimed at raising the awareness of the general public and our players.

The public is interested in where the money from gambling goes. We will continue our Benefits to BC public awareness program that focuses on the more than \$1 billion each year that goes to the Province of British Columbia for important programs like health care, education and community initiatives.

BCLC views environmental sustainability as a key component of corporate social responsibility and is promoting environmentally sustainable behaviours in our organizational culture as an integral component of our business.

Our employee-led Green Committee continues to engage their co-workers, running a monthly eco-challenge to raise awareness of simple actions that can reduce personal and work-related negative environmental impacts, ranging from ways to use less energy to saving water and sustainable waste management ideas, such as composting.

CORPORATE RESPONSIBILITY IS THE OPPORTUNITY EVERYONE AT BCLC HAS TO BE A POSITIVE CATALYST SOCIALLY, ECONOMICALLY AND ENVIRONMENTALLY. WE CALL THIS "PLAYING IT RIGHT".

BCLC employees volunteer their time to lead United Way fundraising activities and participate in the "Day of Caring" event. Through their outstanding generosity and support, our employees plan to continue their work so that we build on the nearly \$300,000 they have raised so far to help improve lives and build our communities.

Employee groups are also volunteering their time for Christmas Charity and other charitable causes that help disadvantaged families in the communities where they live and work.

As a Presenting Sponsor of the Western Canada Summer Games to be held in Kamloops in August 2011, BCLC has wrapped its Kamloops office building with murals featuring athletes participating in swimming, cycling and track and field events. A number of employees have already signed on as volunteers for the games, which are a significant event for the City of Kamloops.

public / planet performance measures and benchmarks

BCLC has three performance metrics that help us to assess whether our corporate social responsibility programs are successfully reaching the public and our players.

Our results for Public Support for Gambling and Player Awareness of Responsible Gambling Activities are measured through a continuous tracking study conducted by Research and Incite Consultants. An overview of their methodology is provided [here](#). As a result of changes we made to the Player Awareness of Responsible Gambling Activities survey, we have recalculated the 2009/10 result and adjusted targets for the next three years accordingly.

We measure our greenhouse gas emissions using standard calculations provided by Government. Data is obtained from suppliers of electricity, natural gas, fleet fuel, paper suppliers and from internal financial and procurement reporting. Targets are set so that BCLC successfully reduces our reportable emissions by 33% by 2020, consistent with the provincial target. This requires a reduction from the 2007 baseline of 1,610 CO₂e tonnes to 1,079 CO₂e tonnes in 2020.

PUBLIC SUPPORT FOR GAMBLING

This metric measures the percentage of adult British Columbians who support legalized gambling, which is central to BCLC’s management and growth of our gambling business.

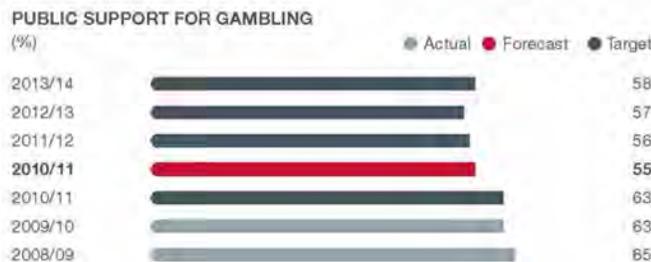
The public places importance on BCLC’s overall effect on our communities. Providing the public with more information about how government uses BCLC net income to fund programs for British Columbians is important for public support of gambling. Our planned improvements to the bclc.com web site will improve our communication with the public and our players.

BCLC continues to seek ways to make playing our games more convenient and secure. From the introduction of casino-style games, including poker, on PlayNow.com and market assessments and the redevelopment of gambling facilities, BCLC is striving to improve the entertainment and convenience for our players.

Managing the market also includes our responsible gambling program GameSense, which offers approachable and accessible materials to help players make informed decisions about our gambling products. BCLC also promotes public awareness of, and access to, government provided problem gambling services.

Public support for gambling has been impacted by the difficulties experienced in 2010 with PlayNow.com and FINTRAC reporting. Public concern about the distribution of gambling net income has also had a negative effect on this measure.

Starting in 2011/12, BCLC plans to change the question used to survey British Columbians, from “gaming” to “gambling” so that we are more clearly describing our business. We do not expect a significant difference in our results.



PLAYER AWARENESS OF RESPONSIBLE GAMBLING ACTIVITIES

A key component of BCLC’s provision of commercial gambling is our commitment to strengthening responsible gambling programs and their delivery. This measure is intended to track the success of BCLC’s player education efforts about responsible gambling over time.

Creating a healthy gambling industry is a priority across the organization. BCLC actively works with other Canadian jurisdictions in strengthening the industry commitment to share responsible gambling best practices. We continue to research player education tools, so that we are able to incorporate the highest level of responsible gambling standards into our business operations.

GameSense is a responsible gambling program designed to offer approachable and accessible materials to help players make informed decisions about our products. BCLC is continuing with GameSense information kiosks in all casino and community gaming centre locations, which are staffed by GPEB contractors or offer self-service information. The program is aimed at dispelling myths and misinformation about gambling and promoting healthy and informed choices.

Our voluntary self-exclusion program is accessible to those having difficulty controlling their gambling and can be used to assist individuals who want to self-exclude from the gambling BCLC offers.

We are continuing Appropriate Response Training so that BCLC employees, service providers and retailers are educated on how to respond to players who require assistance.

At our casinos we are also continuing to implement technology that provides license plate and facial recognition of individuals who have self-excluded and we are increasing the use of RFID technology in casino chips to reduce the potential for counterfeiting.

BCLC’s PlayNow.com online gambling site incorporates strong player security. We have robust age controls and proactive communication tools to enable players to monitor and manage play time and spending. Additional player education tools and gambling activity controls are being researched so that our responsible gambling resources on PlayNow.com continue to evolve along with the products that we offer. BetStopper is one innovative tool to help prevent minors from being exposed to online gambling websites and is available for download free of charge to British Columbia residents.

In 2010/11 we removed the best known responsible gambling programs from the survey questions, so that we could get better insight into the success of newer initiatives. While this was expected to result in lower scores, the change has been offset with a more positive response from players who are now surveyed online.



LEVEL OF GREENHOUSE GAS (GHG) EMISSIONS

From 2010 onward, BCLC must meet the requirements for carbon neutrality set out in the *Greenhouse Gas Reductions Target Act* and pursue actions to minimize GHG emissions. BCLC's reportable GHG emissions result from buildings, fleet vehicles and certain office paper supplies.⁵

BCLC views sustainability as a key component of corporate social responsibility and is promoting environmentally sustainable behaviors in our organizational culture as an integral component of our business. Led by an environmental sustainability specialist, all levels of the organization are being encouraged to develop sustainability solutions. We are formalizing our sustainability management approach to seek further GHG reduction opportunities.

Expansion of the size of our business led to an increase in emissions. Initiatives to reduce our carbon footprint are underway, including upgrades to the HVAC system in our Kamloops facility; replacing corporate fleet vehicles with hybrid alternatives; enhancing procurement practices to include sustainable criteria; exploring alternative power sources; recycling end-of-life equipment and upgrading video conferencing equipment.

Our recent move to a building targeting LEED Platinum Standard certification in metro Vancouver will further reduce our GHG emissions and energy consumption. This office location has better public transit access for our customers and our employees, and we are using the opportunity the move has provided to achieve additional benefits for the organization by implementing other sustainability practices, such as centralized printing, improved video conferencing and office composting. Our efforts to positively impact our service providers and suppliers are also continuing.

LEVEL OF GREENHOUSE GAS EMISSIONS



⁵ GHG reporting is calculated based on calendar years.

player

goal #2: create a player-centric company

- *Improve the organizational capacity to hear, anticipate and act upon customer expectations and desires*
- *Offer exceptional entertainment through innovative and engaging channels and products*

HOW OUR PLAYER FOCUS WILL BENEFIT OUR BUSINESS

BCLC will continue to develop exciting and innovative new products and services for our players, including game concepts and casino and community gaming centre facilities that provide entertaining play experiences. We are continuing to integrate player focus into our culture so that as we operate the business and implement strategy, the impact on, and benefits for our players are our primary considerations.

We will further develop our management of the relationship with our players by examining player needs and preferences across all of our gambling channels more effectively. BCLC is building flexibility into the development of all new products, services and systems so that as shopping and other consumer preferences change, we can more easily shift our product offerings to meet those preferences.

OPTIMIZING OUR NET INCOME DEPENDS ON OUR ABILITY TO PROVIDE EXCITING ENTERTAINMENT EXPERIENCES THAT PROVIDE THE THRILL OF CHANCE AND WINNING FOR OUR PLAYERS

In lottery gambling, the relatively new nationwide game LOTTO MAX is offering our players more exciting jackpots. Our ongoing product innovation efforts continue with the objective of meeting player expectations for new experiences through improvements to existing products as well as the creation of new products. Marketing efforts will focus on our lotto products, in particular LOTTO MAX.

We are looking at ways to make purchasing more convenient as our players change where and how they shop and the kind of service options they expect. As part of these efforts, BCLC is considering consumer trends, particularly in entertainment activities. We are planning improvements to our prize payout processes to improve the “once in a lifetime” winning experience. We are also reviewing communication programs, including the use of new digital signage, to be certain our offerings continue to evolve with consumer expectations.

BCLC’s introduction of casino-style products on PlayNow.com has moved us into an extremely competitive market. We will continue to improve the products we offer on our Internet site so that we provide British Columbian players who gamble

on PlayNow.com with games and features that keep their entertainment experience exciting, including tournaments and promotions that attract and retain players. We are also assessing other ways to provide our players with a more entertaining play experience, such as the larger jackpots that could result from partnering with other jurisdictions.

Casino gambling will continue to focus on facilities that provide a variety of entertainment opportunities for the domestic and international tourism markets. BCLC will continue working with our service providers to transform commercial bingo halls into community gaming centres in selected market locations.

We are working with our service providers to improve customer service for our players, partnering to provide ongoing training programs for their employees. The development of our new gaming management system will enable the future introduction of higher entertainment products in casino and community gaming centre locations.

BCLC is improving our business intelligence capabilities across the company. These capabilities are required to support the analysis of the performance of our slot machines and table games, PlayNow.com and lottery products and the features available within these products, so that ultimately we provide players with a more entertaining variety of gambling options.

We are investigating technologies that enhance the availability of products, player services and business model efficiencies in all of our gambling channels, including those with the potential to help offset a continuing decline in bingo gambling as well as those that may be best suited to meet the expectations of British Columbia’s diverse and growing adult population.

Through our BC Gold player card program, BCLC offers player-focused rewards and incentives to players at casino and community gaming centre facilities. We are reviewing the extension of the services and benefits offered by this card from slot machine play to table game play, growing the number of active members from a forecast 225,000 this year, to 265,000 in 2013/14. In partnership with our service providers, BCLC will continue to offer special tournaments for poker, blackjack, mahjong, and slot machine players.

player performance measures and benchmarks

BCLC has three performance metrics to help us assess whether our player-focused programs are successful.

Our results for Player Participation and Player Satisfaction are measured through a continuous tracking study conducted by Research and Incite Consultants. An overview of the methodology used to conduct these surveys is provided [here](#). Through improving focus on our players, BCLC plans to increase the level of participation by infrequent players and the overall satisfaction levels of all our players; our targets are set based on continually improving on our current results.

Our results for Net Win per Capita use BCLC financial reporting as a calculation per 1,000 population, obtained from BC Stats.

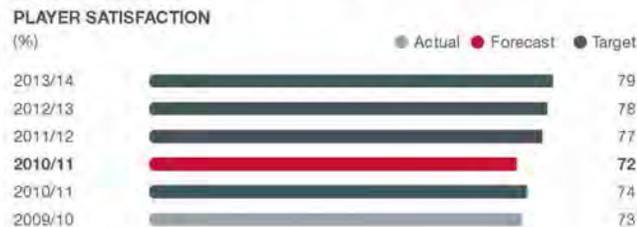
PLAYER SATISFACTION

This performance metric measures player satisfaction for the games, services and facilities offered in all of BCLC's gambling channels. This performance measure is directly linked to BCLC's ability to continue to generate net income. The metric gauges the overall success BCLC has in attracting and retaining players to BCLC games and visitors to our gambling facilities and in building loyalty.

Satisfaction is rated by those who play at least once in a three-to-five month period and weighted by net win. Our results will rise in 2011/12 as BCLC moves to a new calculation method that does not factor in the amount of net win generated in each business channel. Our results prior to 2009/10 are not comparable due to differences in measurement scales and collection methods.

Player satisfaction remains relatively constant in all gambling channels, with a slight increase at casino facilities and high results on PlayNow.com.

BCLC is increasing our focus on managing the relationship with our players. By examining player needs and preferences across all of our gambling channels, we will better understand where programs for player-facing activities can improve the level of satisfaction and grow our business.



PLAYER PARTICIPATION

Until 2010/11 BCLC monitored shifts in the size of its player base by measuring the percentage of adult British Columbians who participated in BCLC gambling in the past year. Results showed that the participation rates were approaching 85%, a figure that we were unlikely to exceed, given a percentage of British Columbia's population is opposed to gambling.

In 2010/11 BCLC adjusted this metric to measure the percentage of adult British Columbians who play a BCLC game or visit a BCLC gambling facility at least monthly, measured using a survey which asks how frequently they participate in each of the games offered. The change has been made so that we can more clearly determine if changes to our programs are succeeding in increasing player participation, particularly amongst infrequent players.

Increasing player participation depends on our ability to provide exciting and fun entertainment experiences for players, where and when it is convenient for them to play.

In the first two quarters of 2010/11 an unprecedented number of jackpot rolls occurred on our new LOTTO MAX game. While this trend is not expected to continue, it is expected to positively impact our results this year.



NET WIN PER CAPITA

This measure indicates the extent to which BCLC is able to balance offering gambling entertainment with responsible play to grow income. BCLC benchmarks amongst organizations with similar offerings.

Some jurisdictions supplement casino gambling with a broad network of VLT machines; therefore VLT revenue is included in benchmarking results from Loto-Quebec and the Canada Total to give a complete picture of total spending on gambling. The Province of British Columbia does not permit VLTs.

To entertain our players, BCLC strives to design innovative games and player services and high quality gambling facilities. Growth in recent years has come primarily from the casino business and the upgrades that transform commercial bingo halls to community gaming centres.

We deliver our games in a manner that encourages responsible play and healthy choices and continue to focus our efforts on enhancing our GameSense program for players along with voluntary self-exclusion and other responsible gambling programs and services.

While revenue performance has improved this year, BCLC's results in 2010/11 are not expected to meet our target. Our plans for providing entertaining games, player-focused services, enhanced facilities, marketing promotions and contests are ways we will attract and retain players to maximize net win in all of our gambling channels.

BCLC benchmarks our net win per capita with the results achieved in other gambling jurisdictions with similar gambling offerings. Our results reflect the growth in our jurisdiction, primarily from casino and community gaming centre facilities.

2008/09 NET WIN PER CAPITA BENCHMARKS

(\$)



Sources:

BC Stats, BCLC and Svenska Annual Reports, L'affleur's Lottery Almanac

NET WIN PER CAPITA

(\$)



financial / operations

goal #3: invest in infrastructure and technology to drive innovation that enables our growth

- *Design processes and implement technology that improves operational effectiveness and prepares for the future*
- *Enable an integrated multi-channel player community*

BCLC IS FOCUSED ON SUSTAINING AND GROWING NET INCOME FROM GAMBLING

BCLC is continuing to modernize our business. Our work in creating a resilient, renewable and robust organization is focused on our capability to sustain current operations and a strong base to support the future growth of net income.

Each day, BCLC processes millions of transactions from locations across British Columbia from players purchasing on our Internet site, buying lottery tickets at lottery retailers and hospitality locations, or playing slot machines, table games or bingo at one of our gambling facilities.

We are modernizing and building a connected company so that we can provide our players with a seamless integration of products and services across all of our gambling channels. BCLC is putting better tools at the fingertips of our employees to improve their ability to provide great customer service.

The large volume of transactions requires continued work on our infrastructure, including the business processes, structures and technology that directly support gambling, as well as back office operations and administration. In order for BCLC to continue to provide new innovative products and services, our systems must always be operational, dependable, and fault resistant so that we can quickly and effectively adapt to changing business drivers. This requires robust systems that are simple and connected.

Our employees need to be at the forefront of technology, using information gathering, processing, disseminating and collaboration tools to manage the business. A redesign of bclc.com will improve the information accessibility and availability for the public and our players, as well as update the underlying technology.

BCLC has replaced an estimated 40% of our legacy systems, removing duplicated information and automating manual processes with new enterprise technology that provides direct and authorized access to consistent, integrated information in a secure environment.

Over the next several years, the primary focus of our modernization effort is on the replacement of the gaming management system BCLC uses to manage the more than \$1.60 billion in net win that will be generated annually at casino and community gaming centre facilities during the three years covered in this plan.

While the primary purpose of this new system is to sustain existing revenue, in addition to improving the effectiveness and efficiency of casino operations, this new system also moves BCLC towards our goal of becoming a player-centric organization, providing opportunities to improve player programs and business analytics capabilities to be used by BCLC and our service providers. In the future this system will also support more entertaining products in these gambling facilities.

OUR BUSINESS INVESTMENT IS FOCUSED ON SUSTAINABILITY AND GROWTH FOR OUR GAMBLING BUSINESS

The majority of the corporate priority programs for the organization continue to be implemented through the program management office, including the gaming management system and other programs that focus on increasing revenue, reducing risk and strengthening compliance efforts.

In our business operations, we are also strengthening risk and policy frameworks, systems and internal controls on an ongoing basis, including records management. In our finance area, we will complete the implementation of a centralized accounts receivable system, improving our effectiveness and preparing this area for the new gaming management system.

BCLC is increasing the automation of reporting to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) from casinos to augment our reporting of large cash and suspicious transactions as required by the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* of Canada.

Training programs, standards, policy and procedure manuals and testing are provided by BCLC to our service providers to make certain that their gambling operations are focused on providing the service, integrity and security our players expect.

financial / operations performance measures and benchmarks

BCLC has three performance metrics to help us assess whether our activities are effectively improving our business operations. Budgets are set considering the sales we believe can be generated through supporting our existing products and services, along with the forecasts of the potential of new products and services, and are approved by government. Targets are consistent with these approved budgets.

OPERATING COST RATIO (% OF NET WIN)

BCLC uses this measure to assess our success in balancing the generation of sales with the cost of operating the business, providing insight into our effectiveness.

This metric is the result of Consolidated Operating Costs divided by Consolidated Net Win, calculated from information available publicly in BCLC's financial statements and expressed as a percentage.

For comparative purposes, BCLC's operating costs includes operating and direct costs such as service partner commissions, but does not include prizes. This calculation normalizes the different operating models of other jurisdictions (i.e., instead of operating our casino and community gaming centre facilities directly, BCLC pays commissions to service providers).

BCLC's operating cost ratio for 2010/11 is expected to be on target at 41.5%.

While BCLC is focused on growing the business, we are also investing more heavily in infrastructure, technology, compliance and people in order to modernize our business infrastructure, systems and processes.

OPERATING COST RATIO

(% of net win)



Sources

BCLC Audited Financial Statements and financial reporting

2008/09 OPERATING COST BENCHMARKS

(% of net win)



Sources

BC Stats, BCLC and Svenska Annual Reports, L'affleur's Lottery Almanac

NET INCOME

Net income is the total amount of income generated from BCLC gambling after all expenses. Net income is distributed to the Province of British Columbia and is used to fund public health care, education, charitable and community programs that benefit all British Columbians. As a result of an agreement between the federal and provincial governments, the Government of Canada receives a portion of BCLC's net income.

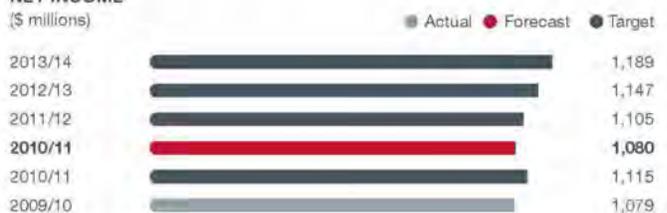
BCLC optimizes our financial performance within the gambling and social policy framework established by Government. While BCLC's 2010/11 net income before taxes is forecast to exceed the previous year by \$38 million, our total net income is expected to be on par with the previous year. The forecast \$1.08 billion in net income is expected to be \$35.0 million or 3.1% below our budget.

Despite an increased focus on revenue generating programs, reduced consumer discretionary and entertainment spending continue to be evident in BCLC's operations, as well as those of our retailers and service providers. Targets have been revised to reflect the reduced player spending and later than planned launch of casino-style games.

BCLC will continue to focus on revenue-generating initiatives, strategically balancing our costs to operate the business and modernize our business infrastructure in order to sustain current operations and support the future growth of net income.

NET INCOME

(\$ millions)



Sources

BCLC Audited Financial Statements and financial reporting

ELECTRONIC DEVICES PER CAPITA

This metric provides a measure of the accessibility of BCLC gambling to British Columbians and compares it over time. We compare the accessibility of electronic gambling devices in British Columbia to other jurisdictions on a per capita basis to allow for variation in the age of participation.

Differences in Government policy regulate the types of gambling devices that are available in each Canadian province. In British Columbia, Government gambling policy excludes VLT's, providing for a responsible gambling model that limits participation in this category of gambling to slot machines located in casino and community gaming centre facilities, where accessibility is limited to adults. OLG does not have VLT's and as other jurisdictions reduce or reallocate VLTs we expect the benchmark average to decline. Our gambling model provides comparable revenue to other jurisdictions.

BCLC is continuing with the strategies to develop casinos and community gaming centres to meet market demand, with a focus on entertainment. The number of devices in B.C. has grown as BCLC has worked with our service providers to transform commercial bingo halls into community gaming centres in selected market locations.

BCLC DEVICES PER CAPITA



Sources

BC Stats, BCLC devices data

2008/09 DEVICES PER CAPITA BENCHMARK



Source

Specific data gathered and reported by BCLC

people

goal #4: have a workforce passionately driving the success of our business

- *Make BCLC a great place to work*

WE ARE PROUD TO BE RECOGNIZED AS A TOP CANADIAN AND BC EMPLOYER

BCLC is honoured that in 2010 we were again selected as a top employer in Canada and British Columbia and for the first time, also selected as a Top Employer for Canadians Over 40 and as a Top Family-Friendly Employer. These awards from MediaCorp continue to recognize that the programs, services and experiences offered at BCLC stand out as exceptional amongst Canadian employers. Our workforce is full of people who are passionate about their jobs and connections to the community.

Our human resources programs will continue to nurture a culture and environment that supports BCLC's business strategy. Through strategic workforce planning, performance management and managing our employment brand, we will stay an employer of choice. We will continue to invest in leadership and employee development to provide the training and resources needed to sustain the business and plan for the future leadership of the company.

BCLC is reviewing the total rewards program to enhance competitiveness, cost sustainability and alignment with employee needs and to reduce program administration. In partnership with the management team, we will continue to improve formal and informal employee recognition. Overall, these efforts will contribute to maintaining and improving employee engagement.

BCLC needs a passionate workforce to drive the success of our business. Our employees continue to work on the programs we have put in place to modernize our business, from processes to the infrastructure and technology, so that we can free up capacity from transactional processing and support future growth.

people performance measures and benchmarks

BCLC has two performance metrics to help us to monitor our success in attracting and retaining an engaged workforce.

Our result for employee engagement is already high and our employee vacancy rate is low, both of which are part of the criteria that puts BCLC in the Top 100 Canadian Employers. The goal of BCLC's leadership team continues to be maintaining both metrics at existing levels, with the vacancy rate increasing only slightly as the economy continues to improve and competition for resources increases.

EMPLOYEE ENGAGEMENT

Employee engagement is defined as the intellectual and emotional involvement employees have in an organization. Highly engaged employees exert extra effort and are dedicated to doing the very best job possible to contribute to the organization's success. Organizations with high employee engagement are more successful at retaining and recruiting employees.

Ipsos Reid has developed a customized engagement survey that reflects our unique culture, values and business objectives.

The survey conducted in January 2010 provided an engagement result of 83%, exceeding our result for the previous year by 1%.

BCLC's improvement is attributed to a continued focus and commitment to employee engagement through programs to develop our leadership teams, communication of our corporate goals and strategies, development of workforce management and support for employee recognition. We will continue to support these programs and develop further improvements in the areas of employee training and development, career advancement and workforce productivity.

EMPLOYEE ENGAGEMENT (%)



Source
Ipsos Reid



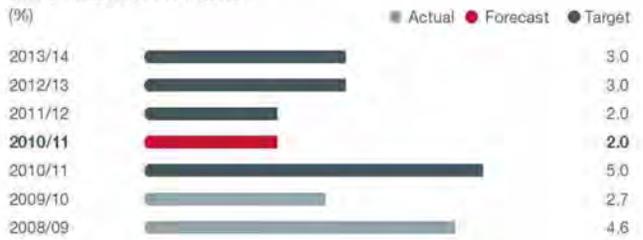
EMPLOYEE VACANCY RATE

This metric is intended to measure BCLC’s employee morale and turnover, competitiveness, and the effectiveness of recruitment processes.

The vacancy rate metric is subject to considerable variation based on factors such as organizational growth, internal personnel movement, employee demographics and external market conditions. As such, it must be interpreted within the context of the timeframe that it is being measured.

BCLC’s result for 2009/10 of 2.7% was well below our target, which was set during a period where we anticipated workforce growth. In response to a number of external and internal factors, our forecast for 2010/11 is also below target. As there is currently no workforce growth, our recruitment level remains low, with vacancies being primarily the result of employee turnover.

EMPLOYEE VACANCY RATE (%)



Source

Specific data gathered and reported by BCLC

our financial outlook

how much we'll sell, spend and provide in net income and our assumptions in preparing this plan

The Province of British Columbia uses BCLC net income from gambling to fund public, charitable and community programs that benefit all British Columbians.

consolidated corporate operations

OVER THE THREE YEAR PERIOD, BCLC'S TOTAL COSTS BEFORE TAXES ARE DECREASING FROM 56.0% TO 55.5% AS A PERCENTAGE OF REVENUE.

\$ millions	2008/09 ACTUAL	2009/10 ACTUAL	2010/11 BUDGET	2010/11 FORECAST	2011/12 BUDGET	2012/13 TARGET	2013/14 TARGET
Revenue	\$ 2,550.2	\$ 2,517.3	\$ 2,700.0	\$ 2,635.3	\$ 2,726.0	\$ 2,812.0	\$ 2,902.0
Prizes	599.7	577.6	627.6	628.0	627.6	625.0	638.2
Net Win	1,950.5	1,939.7	2,072.4	2,007.3	2,098.4	2,187.0	2,263.8
Direct Expenses	619.7	606.8	636.0	615.6	639.0	661.8	685.1
Operating Costs	138.1	149.2	157.0	158.4	170.0	170.0	169.8
Amortization and Other	64.3	62.7	81.5	74.3	89.2	108.9	117.0
Total Costs	822.1	818.7	874.5	848.3	898.2	940.7	971.9
Net Income Before Taxes	1,128.4	1,121.0	1,197.9	1,159.0	1,200.2	1,246.3	1,291.9
Taxes	37.7	41.9	82.9	79.0	95.2	99.3	102.9
Net Income	\$ 1,090.7	\$ 1,079.1	\$ 1,115.0	\$ 1,080.0	\$ 1,105.0	\$ 1,147.0	\$ 1,189.0
Debt	-	60.0	-	65.9	87.2	99.3	116.3
Capital Expenditures	97.4	92.5	106.7	106.9	109.3	130.0	125.0

PRIZES

- Prizes will increase by \$10.2 million or 1.6% over the three year period as a result of the overall increase in revenue.
- Prizes as a percentage of revenue are decreasing from 23.8% to 22.0% over the three year period as a result of a shift in consumer preferences to casino-style games. Lottery prizes as a percentage of revenue are forecast to remain stable or increase slightly over this period. Revenue for casino-style games are recorded as net win (after prizes have been paid to players).

DIRECT EXPENSES

- Direct expenses are increasing by \$69.5 million or 11.3% over the three year period as a result of the overall increase in revenue.
- Direct expenses include service provider commissions, lottery ticket printing and bingo paper, supplies and leases.

OPERATING COSTS

- Operating costs are expected to remain stable over the three year period and decrease as a percentage of net win from 7.9% to 7.5%. This decrease will be achieved through strategic cost management and business transformation initiatives.
- Operating costs include employee costs, systems support, equipment purchase, gaming equipment installation and maintenance, professional fees and marketing costs. Marketing costs include advertising, marketing and corporate social responsibility programs.

AMORTIZATION AND OTHER

- Amortization is increasing by \$35.5 million over the three year period, primarily due to capital expenditures to support revenue programs in the lottery, PlayNow.com, casino and community gaming business channels and for our business infrastructure, including systems modernization programs.
- The Other category consists of interest expense for short-term borrowing and employee accrued benefits. These costs are expected to increase by \$7.2 million over the three year period as a result of projected increases in interest rates.

CORPORATE ASSUMPTIONS

- Real GDP growth for the British Columbia economy is assumed at 1.8% for 2011.
- Inflation has been assumed at 2.0% over the three year period.
- BCLC uses the three-month Canadian Treasury Bill rates as forecast by the Ministry of Finance (rates as of December 16, 2010); interest rates have been assumed at 1.51% for 2011/12, 2.84% for 2012/13 and 4.03% for 2013/14.
- No major changes will be made to BCLC's mandate or the Province of British Columbia's gambling and social policy.
- No major changes will be made to GPEB mandate, regulations or policy.
- Net win and net income assumptions are based on BCLC obtaining the necessary provincial, host local government and regulator approvals required under the *Gaming Control Act (2002)* to open new facilities and launch new products.

casino and community gaming centres

\$ millions	2008/09 ACTUAL	2009/10 ACTUAL	2010/11 BUDGET	2010/11 FORECAST	2011/12 BUDGET	2012/13 TARGET	2013/14 TARGET
Net Win	\$ 1,518.0	\$ 1,507.1	\$ 1,613.2	\$ 1,548.1	\$ 1,609.6	\$ 1,664.2	\$ 1,716.8
Direct and Operating Costs	657.5	664.3	704.5	679.0	714.0	750.0	780.4
Net Income Before Taxes	860.5	842.8	908.7	869.1	895.6	914.2	936.4
Taxes	26.2	30.4	59.4	57.1	67.9	70.7	73.6
Net Income	\$ 834.3	\$ 812.4	\$ 849.3	\$ 812.0	\$ 827.7	\$ 843.5	\$ 862.8

CASINO AND COMMUNITY GAMING CENTRE ASSUMPTIONS

- British Columbia casino marketplace capacity studies are accurate.
- The planned openings, upgrades and relocation of existing casinos and of existing commercial bingo halls to community gaming centres will be on schedule.
- The increase in table game play will continue.
- The decrease in slot machine play does not continue, and play increases as a result of more detailed analytics that provide new insights into game selection and machine locations.

lottery

\$ millions	2008/09 ACTUAL	2009/10 ACTUAL	2010/11 BUDGET	2010/11 FORECAST	2011/12 BUDGET	2012/13 TARGET	2013/14 TARGET
Revenue	\$ 930.7	\$ 904.3	\$ 970.0	\$ 970.0	\$ 970.0	\$ 985.0	\$1,005.0
Prizes	509.0	486.4	541.2	537.4	539.2	549.8	562.5
Net Win	421.7	417.9	428.8	432.6	430.8	435.2	442.5
Direct and Operating Costs	157.9	145.4	153.2	152.2	157.8	158.4	158.4
Net Income Before Taxes	263.8	272.5	275.6	280.4	273.0	276.8	284.1
Taxes	11.1	10.8	20.7	19.5	23.0	24.6	25.1
Net Income	\$ 252.7	\$ 261.7	\$ 254.9	\$ 260.9	\$ 250.0	\$ 252.2	\$ 259.0

LOTTERY ASSUMPTIONS

- Effective marketing focus on big lotto jackpots will increase awareness and interest that results in purchases by infrequent players.
- Planned improvements to Keno will increase the entertainment value to retain players.
- Planned releases of new lottery products will be on schedule.
- BCLC market forecasts for new lottery products are accurate.
- The estimated number and size of jackpot rolls on national lotto games will not vary significantly from historical averages.
- Players continue the trend of shifting lottery purchases from traditional retail to PlayNow.com.

playnow.com

\$ millions	2008/09 ACTUAL	2009/10 ACTUAL	2010/11 BUDGET	2010/11 FORECAST	2011/12 BUDGET	2012/13 TARGET	2013/14 TARGET
Revenue	\$ 23.5	\$ 33.6	\$ 53.0	\$ 44.3	\$ 75.0	\$ 110.0	\$ 130.0
Prizes	12.8	18.9	22.6	17.7	17.0	22.4	25.5
Net Win	10.7	14.7	30.4	26.6	58.0	87.6	104.5
Direct and Operating Costs	6.6	9.0	16.8	17.1	26.4	32.3	33.1
Net Income Before Taxes	4.1	5.7	13.6	9.5	31.6	55.3	71.4
Taxes	0.4	0.7	2.8	2.4	4.3	4.0	4.2
Net Income	\$ 3.7	\$ 5.0	\$ 10.8	\$ 7.1	\$ 27.3	\$ 51.3	\$ 67.2

PLAYNOW.COM ASSUMPTIONS

- Planned product releases will be on schedule.
- BCLC market forecasts for new products are accurate.
- The regulator approvals required under the *Gaming Control Act (2002)* to launch new products will be received.

net income that may be at risk

BCLC NET INCOME ESTIMATES ARE MADE AFTER CONSIDERATION OF THE TRENDS, OPPORTUNITIES, CHALLENGES AND RISKS IN CONJUNCTION WITH THE MITIGATION STRATEGIES DESCRIBED IN PREVIOUS SECTIONS.

Risk occurrences could negatively impact BCLC's targets resulting in a decrease in the net income delivered to the Province of British Columbia. Our forecasts of the possible variances are shown below.

NET INCOME FORECASTS

\$ millions	2011/12	2012/13	2013/14
High	\$1,140.0	\$1,175.0	\$ 1,225.0
Target	1,105.0	1,147.0	1,189.0
Low	1,040.0	1,080.0	1,095.0

QUANTIFIABLE RISKS

\$ millions	2011/12	2012/13	2013/14
Failure to open/relocate planned gambling facilities	20.5	44.4	80.6

RISK FACTORS

- Fluctuations in interest and foreign currency rates;⁶
- Economic issues reduce consumers' personal disposable income and entertainment spending;
- Competition from regulated and unregulated gambling competitors increases;
- Public acceptance of gambling decreases from current levels;
- Changes to gambling rules and regulations;
- Shifts in consumer preferences that impact product mix and profitability;
- Revenue loss and market disruption resulting from the business failure of a service provider;
- Service providers are unable to deliver on development plans;
- Delays occur in obtaining host local government permits and approvals for the development of relocated or renovated facilities;
- New products or services or changes to existing products and services are delayed or do not achieve market expectations; and
- The frequency of lottery jackpots is lower than historical averages.

⁶ The cost of purchases made in US dollars has been based on an exchange rate of \$0.99 Canadian dollar to \$1.00 US dollar. Borrowing costs have been based on an average interest rate of 1.51%.

our capital plan

spending on our infrastructure and technology

\$ thousands	2009/10 ACTUAL	2010/11 BUDGET	2010/11 FORECAST	2011/12 BUDGET	2012/13 TARGET	2013/14 TARGET
Gambling Systems						
Lottery	\$11,429	\$13,700	\$10,797	\$7,786	\$7,600	\$7,700
PlayNow.com	7,958	1,350	9,395	10,990	4,650	4,250
Casino and Community Gaming	56,400	64,375	51,229	68,780	99,290	88,050
	\$75,787	\$79,425	\$71,421	\$87,556	\$111,540	\$100,000
Infrastructure & Corporate Systems						
Facilities	13,215	16,625	18,989	15,305	11,660	16,000
	3,454	10,612	16,531	6,450	6,800	9,000
	\$16,669	\$27,237	\$35,520	\$21,755	\$18,460	\$25,000
Total New Capital	\$92,456	\$106,662	\$106,941	\$109,311	\$130,000	\$125,000

- The primary driver of BCLC's capital expenditures is the acquisition of gambling equipment to support revenue generation in the lottery, PlayNow.com, casino and community gaming centre channels.
 - Lottery channel capital includes the installation of digital signage at selected lottery retail locations over the next three years. This digital signage will improve accuracy and consistency of jackpot and other advertising messages to our players across the province. This new communication method will over time eliminate the need for paper point-of-sale materials. Funding is also included for the integration of lottery ticket sales with retail point-of-sale devices, which supports player purchases at in-lane locations such as grocery stores.
 - PlayNow.com capital includes funding for the development of more flexible and comprehensive sports and bingo products and we are exploring partnerships with other jurisdictions to reduce costs. Ways to leverage this investment across other areas of our business are also being reviewed.
 - BCLC has completed a formal competitive procurement process to review the options for the replacement of our gaming management system. This foundational project will replace the legacy gaming management system that supports over \$1.60 billion in net win and provides the foundation for future growth. It is a top corporate priority, receiving the highest level of focus, including project management, significant reviews, diligence, and Board approval of any decision to proceed with acquisition and implementation.

This multi-year program is expected to exceed \$50.0 million in total cost. The planning phase will determine the detailed financial and schedule requirements for this program, which will also include table game player management and casino inventory components.
 - The refresh of slot machines and game themes will continue, as will the upgrading of casino facilities and the transition of commercial bingo halls to community gaming centres. We will investigate systems that will allow the extension of our BC Gold player card to table game products.
 - We will increase our investment in business analytics, specifically to increase revenue in our lottery, Internet, casino and community gaming centre channels.
- BCLC's investment in business transformation and system modernization will continue to decommission our back office systems, standardizing and amalgamating data for use across the organization. The rate of investment has slowed in this area as BCLC's focus will be primarily on the gaming management system replacement.
- For programs which started in 2010/11 but are not planned to be completed by year-end, the capital will be carried forward. These funds are reflected in the 2011/12 budget.
- The cost of purchases made in US dollars has been based on an exchange rate of \$0.99 Canadian dollar to \$1.00 US dollar.

shareholder's letter of expectations

A key component of our governance framework is the *Shareholder's Letter of Expectations*, an agreement which clearly outlines our mutual commitment to deliver on performance expectations for the benefit of British Columbians. This letter, intended to define and promote a positive and cooperative working relationship, supports BCLC's mandate to conduct, manage and operate lottery, casino, commercial bingo and Internet gambling. It also identifies Government's strategic priorities and performance expectations for BCLC. Government directs BCLC to take specific actions. Our actions and the status of our activities to implement them are summarized below.

[Click here to read BCLC's full *Shareholder's Letter of Expectations*.](#)

GOVERNMENT DIRECTION

To optimize the Corporation's financial performance, within the gambling and social policy framework established by the Shareholder and in response to customer and marketplace demand for products and services, propose new revenue opportunities as they arise;

To optimize the performance, security, integrity and efficiency of the Corporation and its products and services through the replacement and modernization of infrastructure, processes and technology over the next five year period;

BCLC ACTIONS

Within the gambling and social policy framework established by the Province of British Columbia, in 2010/11 BCLC's net win before taxes and net win total are forecast exceed the previous year. Net income is forecast at \$1.08 billion, \$35.0 lower than our budget. Our lower performance against our net income plan is directly attributed to a slower than expected recovery of consumer spending on entertainment.

BCLC will continue to strategically manage total expenditures with the goal of maximizing net income.

Net income growth is expected through innovative new products, services and marketing, continued improvements to casino and community gaming centre facilities and customer relations management, all of which are expected to move BCLC further towards becoming a player-centric organization.

BCLC reports financial results to our Shareholder on a quarterly basis and regularly notifies our Shareholder of any major changes occurring or likely to occur that may impact the achievement of our Service Plan targets.

Processes and technology to support the performance, integrity and efficiency of the business continue to be a key focus to sustain the current business and provide future growth potential.

The integrity and security of BCLC's gambling systems is paramount to ensuring public trust and confidence in the products and services we offer our players. BCLC's priority to modernize our business infrastructure, including processes and technology, is key to continuing to provide integrity and security in our gambling systems. Our primary area of focus is on the replacement of the gaming management system that supports over \$1.60 billion in net win.

GOVERNMENT DIRECTION

To optimize the Corporation's social responsibility objectives, building public trust and support in a manner consistent with the Province's Responsible Gambling Strategy and with BCLC's Social Responsibility Charter; and

BCLC ACTIONS

BCLC delivers gambling in a manner that encourages responsible gambling and healthy choices.

Our efforts continue to be focused on enhancing responsible gambling programs for our players and communication about the availability of and access to programs, including voluntary self-exclusion.

Building public and stakeholder trust and support by improving the service for our players is a key strategy for BCLC. Continuous improvement is planned through programs such as player-focused training, ongoing management oversight, and collaboration with our service providers.

We have revitalized our responsible gambling resources with GameSense, a program designed to offer approachable and accessible materials to help players make informed decisions about our gambling products. BCLC will continue to have GameSense information centres in all casino and community gaming centre locations, for which GPEB provides staffing, and will also continue to provide appropriate response training for gambling staff.

We support the Province of British Columbia in its efforts to reduce the incidence and harmful impacts of problem gambling and to educate and raise public awareness of responsible gambling and problem gambling. BCLC also actively participates with other Canadian jurisdictions to strengthen the industry commitment to share responsible gambling best practices. Our achievement of Level 4 certification from the World Lottery Association recognizes that BCLC business operations incorporate the highest level of responsible gambling standards.

For employees, BCLC's Social Responsibility Charter documents the opportunity that everyone at BCLC has to be a positive catalyst economically, socially and environmentally. As we begin to develop and implement the social responsibility roadmap for our employees, we'll set goals, measure and report our successes and challenges so that we are aligned with the expectations of our Shareholder.

To operate within the Province's legislative framework and regulations, including the *Gaming Control Act (2002)*, and comply with policies, directives and standards that may be issued from time to time by the Minister of Public Safety and Solicitor General or the regulatory agency, the Gaming Policy and Enforcement Branch (GPEB).

BCLC operates its gambling business and financial activities within the legislative, regulatory and policy framework established by the Province of British Columbia.

Increasing regulatory, audit, compliance and enforcement activities continues to increase the cost and complexity of operating BCLC's gambling business. We are continuing our focus on improving the policy framework as well as the planned addition of resources for increased focus on compliance.

BCLC continues to comply with policy directives issued by the Minister, including directives and standards issued by GPEB. BCLC & GPEB meet on a quarterly basis to enhance cooperation and coordination between the organizations while respecting GPEB's independent role as regulator.

appendix: service plan goals and performance measures comparison

what we are doing differently, and why

BCLC's mission statement and our values of integrity, social responsibility and respect remain unchanged and will continue to guide our employees. We have restated one of BCLC's four goals to broaden our focus in the area of financial/operations. As a result of combining our casino and community gaming centre channels into one operational area, we have also combined performance measures and reporting for this channel.

The charts below compare BCLC's previous goals to the goals in this Service Plan 2011/12–2013/14 followed by the changes we have made to two of our performance measures.

COMPARISON OF GOALS

2010/11 – 2012/13 SERVICE PLAN GOALS	2011/12 – 2013/14 SERVICE PLAN GOALS	COMMENTS
Public/Planet Build public trust and support for BCLC gambling	Public/Planet Build public trust and support for BCLC gambling	No change.
Player Create a player-centric company	Player Create a player-centric company	No change.
Financial/Operations Invest in infrastructure and technology innovation to support current business operations and future growth	Financial/Operations Invest in infrastructure and technology to drive innovation that enables our growth	This goal is a primary area of focus for the organization. Investing in our infrastructure through innovative improvements to our processes, reallocation of our capacity and the modernization of our technology is continuing. This investment will sustain our business integrity and improve operational efficiencies as well as position us for the future.
People Have a workforce passionately driving the success of our business	People Have a workforce passionately driving the success of our business	No change.

COMPARISON OF PERFORMANCE MEASURES

In 2010/11 the survey method Research and Incite Consultants uses for BCLC player and public measures changed from a telephone survey to an online survey for cost effectiveness. In the first quarter of the year, we used both methods so that we could understand the impact of the change, which overall has improved our results beyond what we anticipated in our targets.

PERFORMANCE MEASURES	2010/11 TARGET	2010/11 FORECAST	2011/12 TARGET	COMMENTS
Public Support of Gambling	63%	55%	56%	In 2011/12 BCLC plans to change the name of this metric and the corresponding survey question to more accurately reflect our gambling business focus. "Gambling" will replace the former "Gaming" focus. This is not anticipated to impact our results, so targets have not been modified.
Level of Greenhouse Gas Emissions (CO ₂ e metric tonnes)	1,545	1,545	1,514	Changes made to the government conversion factors for emissions resulted in a recalculation using the new methodology. The original 2010/11 target was 1,418; all future year targets have also been revised.
Player Satisfaction	74%	72%	77%	In 2011/12 BCLC plans to modify this metric calculation so that the enterprise satisfaction is a composite average of the satisfaction levels in each gambling channel, providing a better indication of the total gambling BCLC offers.



Appendix L

BCLC Service Plan 2012/13-2014/15 (BCLC0003675).

INTEGRITY TECHNOLOGY INNOVATION
ENTERTAINMENT CHANGE REVENUE
transformation **service plan** optimization

2012/13–2014/15



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message from BCLC's

board chair and president and ceo

On behalf of the Board of Directors and our employees, we are pleased to present BCLC's 2012/13–2014/15 Service Plan to the Honourable Rich Coleman, Minister of Energy and Mines.

As the largest net income generating commercial Crown Corporation in British Columbia, we know that BCLC's performance has a direct impact on the people and communities of our province. We remain focused on providing our players an outstanding entertainment experience in a manner that best demonstrates our commitment to social responsibility. BCLC was created over 27 years ago to generate income to benefit provincial programs and priorities. That purpose holds true today.

BCLC experienced record revenue and net income in 2010/11 and is projecting a slight softening in 2011/12. However, over the forecast period, net income to Government is projected to increase about 4.0 per cent annually from \$1.08 billion in 2011/12 to \$1.21 billion in 2014/15. In total, over the three years covered by this plan, BCLC is forecasting \$3.5 billion in net income to the Province. We are committed to sustaining and growing the revenue we return to Government and will do this through a continued, clear focus on optimizing our business, strategic cost management and by providing gambling facilities and products that reflect player demand. We are also taking a proactive approach to looking at BCLC's business model in its entirety, to ensure the Corporation is appropriately positioned to maximize the benefits we provide to British Columbians.

Technology and infrastructure are at the core of our ability to deliver the entertainment our players expect and, ultimately, successfully achieving the net income targets we have projected. This demand for technology to support our operations requires continued investment to improve operational effectiveness and prepare us for the future. In particular, we will replace our casino Gaming Management System that is essential to supporting about 70 per cent of BCLC's net win every year. This multi-year project will modernize our casino and community gaming business and help us be more responsive to players.

To better serve our players, we are focusing our efforts and programs on developing a keen understanding of their preferences and on delivering the kind of entertainment experiences they expect. Based on these insights, we will continue to focus on service excellence and introduce innovative products and refine delivery channels to better compete for and earn adult consumers' discretionary entertainment dollar.

Our success also hinges on our ability to build public trust and support for gambling in British Columbia. BCLC has been recognized as a leader in responsible gambling in Canada and the world. We are committed to maintaining and further improving our GameSense services and programs through research and third-party accreditation such as RG Check and the World Lottery Association Responsible Gambling Framework. We are also committed to meeting and exceeding federal and provincial anti-money laundering regulations. We have increased training and monitoring and are implementing the recommendations of the Province's review of BCLC's anti-money laundering practices. In our facilities, we are working closely with our service providers on measures to prevent underage access.

Public trust is also dependent on our ability to engage in a dialogue with the people and communities of B.C. and our ability to communicate how gambling proceeds benefit our province. We are pursuing more active engagement of our stakeholders, to share information and learn more about their perspectives on our business. BCLC will also look for ways to make information about our business more readily available online. Additionally, we will continue to pursue efforts toward environmental sustainability and carbon neutrality by engaging our staff through conscientious business practices.

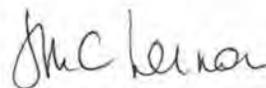
Our employees play a key role in the success of our business. They are responsible for creating innovative solutions, designing new products and programs and collaborating with our service providers and retailers to ensure our players get the outstanding entertainment experience we promise. We will continue to invest in employee and leadership development and will focus on supporting a workforce that is passionate about their jobs.

Over the next three years we will continue to review our level of success in achieving our business plans by assessing our results against our targets and by using publicly available benchmarks from other comparable gambling organizations.

As with previous plans, this year's Service Plan was prepared under the direction of the Board and in accordance with the *Budget and Transparency Accountability Act* and *B.C. Reporting Principles*. The plan is consistent with Government's strategic priorities and fiscal plan. The Board is accountable for the contents of this plan, including how it has been reported.

All significant assumptions, events, policy decisions and identified risks as of January 26, 2012 have been considered in preparing the plan. The performance targets in the plan have been determined based on an assessment of BCLC's operating environment, forecast conditions, risk and past performance.

January 26, 2012



John McLernon
Board Chair



Michael Graydon
President and CEO

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organizational overview

BCLC is the Crown agency mandated to conduct, manage and operate lottery, egaming, casino and commercial bingo gambling in British Columbia.

who we are

Incorporated in October 1984 and pursuant to amendments to the *Criminal Code of Canada* (1969), British Columbia Lottery Corporation (BCLC) operates under the *Gaming Control Act* (2002) of British Columbia.

We operate our gambling business within the legislative, regulatory and policy framework established by the Province under the authority and direction of the Minister of Energy and Mines.

mandate

Our mandate is to conduct and manage gambling in a socially responsible manner for the benefit of British Columbians. We offer exceptional gambling entertainment through:

- National and provincial lotteries
- Casino gambling
- Commercial bingo
- Online gambling

vision

Gambling is widely embraced as exceptional entertainment through innovation in design, technology, social responsibility and customer understanding.

values

Integrity: The games that we offer and the ways we conduct business are fair, honest and trustworthy.

Social Responsibility: Everything we do is done with consideration of its impact on and for the people and communities of British Columbia.

Respect: We value and respect our players, service providers and each other.

our goals & strategies

1. Build public trust and support for BCLC gambling
 - Demonstrate a high level of corporate citizenship and social, economic and environmental responsibility
2. Create a player-centric company
 - Improve the organizational capacity to hear, anticipate and act upon customer expectations and desires
 - Offer exceptional entertainment through innovative and engaging channels and products
3. Invest in infrastructure and technology to drive innovation that enables our growth
 - Design processes and implement technology that improve operational effectiveness and prepare for the future
 - Enable an integrated multi-channel player community
4. Have a workforce passionately driving the success of our business
 - Make BCLC a great place to work

how we are regulated

Gambling is regulated by the Gaming Policy and Enforcement Branch (GPEB) of the Ministry of Energy and Mines. GPEB directs policies, legislation, standards, responsible and problem gambling strategies, licensed charitable events, horse racing, registers gambling service providers, certifies supplies and equipment, and conducts audits and compliance investigations.

what we do and where we are

BCLC integrates responsible gambling and player security into the design and development of new products and services, markets and advertises our products, manages the underlying technology, optimizes development of markets and channels, and oversees contracted retailer and service provider operations to maintain gambling integrity, security, compliance and performance.

Most BCLC products are sold day-to-day by private-sector service providers, including approximately 4,000 lottery retailers, 17 casinos, 17 community gaming centres and 10 commercial bingo halls. Secure, regulated online play is offered on PlayNow.com.

BCLC headquarters in Kamloops oversees finance, administration, and information technology, while our Vancouver corporate office manages sales, marketing, distribution and security. Field staff throughout the province also support our operations.

The consolidated financial statements of BCLC include a wholly owned subsidiary, B.C. Lottotech International Inc. (Lottotech). The primary business of Lottotech is the purchase and lease of capital assets for BCLC, with Lottotech's budget reviewed and approved by BCLC's Board of Directors through our annual business planning process. The financial operations, management and oversight of Lottotech are consolidated within BCLC operations. Lottotech's lease revenue is offset by the amortization of its capital acquisitions, with projected net income averaging 0.1 per cent of consolidated BCLC net income over the three-year planning period. BCLC has no other active or inactive subsidiaries.

how we benefit B.C.

Provincial programs & services: BCLC benefits citizens and communities every day. In 2011/12, BCLC is forecasting to deliver \$1.08 billion in income to the Government of British Columbia for health care, education, community and municipal programs. A portion also goes to the Government of Canada. BCLC retains none of its earnings.

Gaming grants: Each year, community and charitable organizations receive gaming grants awarded by the Province for public safety, youth and disabled sports, adult arts and sports organizations, environmental groups, animal welfare agencies, people in need, fairs, festivals, museums and programs like preschools. For more information, visit www.pssg.gov.bc.ca/gaming/grants/community-gaming or visit the Minister of Energy and Mines website at www.gov.bc.ca/ener/index.html.

Jobs & contracts: In addition to about 900 employees, BCLC provides livelihoods for over 37,000 direct and indirect workers in gambling operations, government agencies, charities and support services.¹

¹ 2010 Economic Impacts of the Canadian Gaming Industry: Key Findings Report-HLT Advisory Inc.(October 2011).

core business areas (channels)

Channel	Casino & Community Gaming Centres	Lottery	eGaming
2011/12 Forecasted Net Income (Total \$1.08 billion)	\$807 million	\$249 million	\$21 million
Distribution Network	15 Casinos 2 Racecourse Casinos 17 Community Gaming Centres 10 Commercial Bingo Halls	2,900 Retail locations 1,000 Hospitality locations	PlayNow.com
Products	Slot Machines Table Games Electronic Tables Poker Games Paper & Electronic Bingo	Lotto Games Sports Games Social Games Instant Games	Lotto and Sports Games e-only Games eCasino ePoker
Structure	6 private sector casino service providers & 15 service providers for commercial, independent and charitable community & commercial bingo gambling earn a percentage of net win for providing gambling facilities and day-to-day operational services	Our retailers earn an industry-standard commission, calculated as a percentage of revenue to service lottery games in their locations	Games are provided through PlayNow.com website

corporate governance

BCLC'S BOARD OF DIRECTORS (BOARD) IS APPOINTED BY ORDER OF THE LIEUTENANT-GOVERNOR IN COUNCIL.

BCLC is compliant with the standards and guidelines and each of the disclosure requirements contained in the *Best Practice Guidelines–B.C. Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations (2005)*.

Our Board framework includes the terms of reference for the Board, the Board Chair, President and Chief Executive Officer, Directors, Standing and Ad Hoc Board Committees and the Corporate Secretary, as well as processes for strategic planning, succession planning and Board performance evaluations.

The Directors are stewards of BCLC, chosen on the basis of their expertise and experience. Upon appointment, the Directors agree to act in accordance with the Board's Code of Conduct and Conflict of Interest Guidelines.

Our Board's governance principles are:

- To foster BCLC's short-term and long-term success, consistent with its responsibility to the Government of the Province of British Columbia;
- To give due consideration of the legitimate interests held by other stakeholders including players, employees, service providers, suppliers, communities and the public; and
- To provide objective oversight of the strategic direction, planning and conduct of BCLC's business and direction to BCLC's Senior Executive, who are responsible for day-to-day operations.

The Chair is the presiding Director, responsible for the effective leadership and performance of the Board and the liaison between the Board and Minister responsible for gaming. The Chair works together with the President and CEO to ensure effective relations with stakeholders, including Government.

Reporting to the CEO, the Corporate Secretary facilitates communication between the Board and Senior Executive team, playing a key role in the administration of corporate and governance matters, working with the Board through the Chair.

BCLC's Senior Executive team attends Board meetings. To maintain autonomy, the Board may convene in camera sessions. Learn more about [BCLC's Corporate Governance](#) and more about our Board of Directors.

Learn more about the Province of British Columbia's [Board Resourcing and Development Office](#).

Minister Responsible for Gaming The Honourable Rich Coleman Minister of Energy and Mines

Board of Directors John McLernon (Chair)

Role:	To provide stewardship and ethical leadership to oversee the management of BCLC's affairs in the best interests of BCLC and the long-term interests of the Government of the Province of British Columbia.
Governance:	In carrying out the mandate of the Board, each director has specific statutory duties and obligations under employment, environmental and financial reporting and is required to act in accordance with fiduciary, duty of care and conflict of interest guidelines and do so: <ol style="list-style-type: none"> honestly and in good faith; with a view to the best interests of the Corporation; with the care, diligence, and skill of a reasonably prudent person; and consistent with the terms of reference that set out the standards of performance that the Board expects of each director.
Chair:	John McLernon
Members:	Arthur Willms (Vice-Chair), Trudi Brown, David Gillespie, Cynthia M. Grauer, Moray Keith, D. Neil McDonnell, Michael Riley

BCLC has three standing Board committees; other committees are established as needed. The committees are responsible for advising and formulating recommendations to the Board. Our Standing Board committees are:

Audit Committee	Purpose: To assist the Board in fulfilling oversight responsibilities for BCLC's financial reporting provided to government and the public, the effectiveness of internal control systems, audit and risk management processes, performance and findings and compliance with laws, regulations and policies. Chair: Michael Riley Members: David Gillespie, Moray Keith, Arthur Willms, D. Neil McDonnell
Governance and Corporate Social Responsibility Committee	Purpose: To provide focus on governance that enhances BCLC's performance, including for the Board of Directors, and to provide oversight responsibility for corporate social responsibility policy. Chair: David Gillespie Members: Trudi Brown, Moray Keith
Human Resources and Compensation Committee	Purpose: To assist the Board in fulfilling obligations relating to human resources, and compensation matters to enhance BCLC's performance against the strategic plan. Chair: D. Neil McDonnell Members: Cynthia Grauer, John McLernon
Ad Hoc Committees	Purpose: Established for a specific period of time to undertake a specific task, and then disbanded.
Ex-Officio Members	The Board Chair is an ex-officio member of all committees where not appointed as a full member. The President and CEO is also an ex-officio member of all committees.

our senior executive team

BCLC's President and Chief Executive Officer (CEO) reports to our Board of Directors. [Read](#) the terms of reference for the CEO, which are included in our Board framework.

The CEO provides the leadership, management, and general supervision and controls BCLC operations on a day-to-day basis in accordance with the strategies, plans and policies approved by BCLC's Board.

The CEO is supported by a Senior Executive team comprised of nine Vice-Presidents, all of whom report directly to the CEO.

A Vice-President is responsible for the leadership and operation of each of the three business channels: Lottery Gaming, eGaming and Casino and Community Gaming. A Vice-

President has been appointed to plan and implement a new casino Gaming Management System, a multi-year technology project that is the foundation for the operation of our casino and community gaming business.

The business channels are supported by five divisions, responsible for managing the operations of BCLC's financial, customer and corporate relations, corporate security and compliance, transformation and technology, and human resource capabilities.

The Director, Audit Services reports administratively to the CEO and functionally to the Board Audit Committee. [Learn more about BCLC's Senior Executive team members.](#)

Minister Responsible for Gaming
The Honourable Rich Coleman
Minister of Energy and Mines

Board of Directors
John McLernon (Chair)

President and CEO
Michael Graydon

Responsible for BCLC's leadership and vision, directing and supporting the Senior Executive team in the development of the plans and actions required to realize the strategic goals of the organization.

Casino and Community Gaming Centres Jim Lightbody, Vice-President

Responsible for the development and operation of casino, community and commercial bingo gambling, including products, sales, distribution and contracted private sector service providers.

Casino System Implementation Darryl Schiewe, Vice-President

Responsible for the planning, implementation and operationalization of a technological system that underpins the operation of our \$1.5 billion casino and community gaming business.

Corporate Security and Compliance Terry Towns, Vice-President

Responsible for corporate security and compliance, including customer service complaint investigations, legal services, privacy and freedom of information administration, information security and employee and service provider compliance.

Customer Strategy and Corporate Relations Marsha Walden, Vice-President

Responsible for driving player-centric strategies and corporate relations activities designed to increase player and public understanding of our business, transforming how BCLC approaches innovation, corporate social responsibility, communications and enterprise-level marketing.

eGaming Rhonda Garvey, Vice-President

Responsible for the direction of the eGaming business unit, providing leadership in all aspects relating to operations, development and marketing of BCLC's secure and regulated gambling website, PlayNow.com.

Finance & Corporate Services Tom Williamson, Vice-President and CFO

Responsible for finance, including financial reporting and liaison with Government, and corporate services including enterprise risk management, corporate policy, facilities and procurement.

Human Resources Peter Charlton, Vice-President

Responsible for human resources and organizational development, including recruitment, compensation, rewards and recognition, leadership and other development and training programs.

Lottery Gaming Kevin Gass, Vice-President

Responsible for the development and operation of lottery gambling, including products, marketing, sales and distribution, and contracted private sector service providers.

Transformation and Technology Lynette Hughes, Vice-President

Responsible for strategic planning, corporate business transformation, the program management office and the information technology infrastructure and systems that supports gambling and back office systems.

strategic context

These trends, opportunities and risks will shape our operations and potentially influence our performance during the three years of this plan. In preparing strategy, BCLC has assessed risks and opportunities, likelihood, and potential impact.

economic and market trends and issues

We monitor the marketplace to proactively leverage or mitigate external influences.

economy

Recent government economic assumptions forecast the B.C. economy will grow by 2.0 per cent in 2011 and 2.3 per cent in 2012, down from the 3.8 per cent growth of 2010. Future government forecasts point to the recovery continuing, but at a modest pace with a higher risk of recession.²

B.C. personal disposable income growth is projected to be modest in 2011 and 2012 at 1.3 per cent and 2.2 per cent respectively but will rise to 2.5 per cent annually after 2012.³

Over the past two years our net income has been relatively unchanged with our 2011/12 income projected to be 2.5 per cent less than 2010/11. While net income growth has been relatively flat over the last several years, BCLC did achieve record net income in 2010/11.

Actions: We will continue to focus on revenue generating initiatives to generate growth while sustaining our core, mature products. We will also focus on optimizing the business and strategic cost management.

player centricity

Our players are our business. We are transforming from a product-driven to a player-driven organization. To be successful we need to understand who our customers are and what they want in order to provide outstanding entertainment experiences.

More than 80 per cent of British Columbians play our games at least once a year and most play infrequently. Building loyal player relationships and becoming truly player-centric are increasingly important if we want to remain competitive in the entertainment market.

Actions: We will focus on service excellence and use tools and technology to become more player-centric. We will continue to seek ways to make playing fun, convenient and secure, including addressing trends such as changes in consumer shopping habits that focus on self-service and the Internet. We will gain player insight using tools and technology that help us listen to our customers and improve the customer experience wherever and whenever they are playing our games or interacting with our company or our service providers.

public opinion

Everything we do is done in consideration of its impact on the people and communities of British Columbia. Public support is our licence to operate. We must continue to work hard to further build public trust and confidence by offering products and services with the highest standards of integrity and social responsibility, operating efficiently and effectively and communicating how the net income we generate benefits people and communities across the province.

In the last several years, we have seen positive results for player awareness of responsible gambling activities, but have come short of fully achieving our targets for public trust.

Actions: We are committed to ongoing improvement to our responsible gambling programs, security and compliance, stakeholder relations, transparency and financial and environmental stewardship.

This year we will review our GameSense Info Centre program to determine whether it best meets the needs of the people who access it over 27,000 times each year. We are also taking action on recommendations to optimize our Voluntary Self-Exclusion program and plan to conduct further research in this area. In our facilities, ongoing training and increased identification checks will help maintain and strengthen security and compliance. We will also reach out to stakeholders across the province on issues of importance to our business to help build mutual understanding. On the environmental front, we will continue to implement socially and environmentally conscious business practices, promote recycling and reduce waste.

revenue sustainability

We deliver over \$1 billion in revenue annually to the Province. Looking ahead, our facilities redevelopment strategy is nearing completion, some of our products are reaching maturity in their life cycle and newer games are more expensive to develop and provide lower margins than our traditional games. This, combined with an aging player demographic and soft economic conditions, will make it challenging for BCLC to sustain and grow income to the Province.

² Province of B.C. Economic Assumptions for first Quarterly Report released on September 8, 2011

³ Central 1 Economic Analysis of Canada, September 2011

The gambling industry is Canada's largest entertainment industry estimated to generate \$15.3 billion in net win in the 2011 calendar year.⁴ However, growth in the Canadian market over the last five years has been less than 1.0 per cent annually. Through continued introduction of innovative new products and development of our gaming channels, BCLC has realized a higher growth rate of 5.5 per cent over this same period. At BCLC we are projecting a net win growth rate of 1.1 per cent in 2011/12. The net income we provide to the Province is also projected to increase at a moderate pace of about 4.0 per cent per year over the period covered by this plan.

Our traditional facility-based lottery and casino products were introduced in an under serviced market, and these products were more profitable than the technology-based games of today. We are focused on building a viable, dynamic eGaming business on PlayNow.com. However, with technology and development costs, games on PlayNow.com will ultimately produce smaller margins than traditional facility-based games.

Actions: We have two primary strategies to sustain and enhance our business: development of new products and channels, and optimization of the business. We are expecting to see continued strong growth on PlayNow.com and we are committed to developing a full suite of appealing products offered conveniently and securely on B.C.'s only regulated Internet gambling website.

technology and infrastructure

We rely on technology to deliver gambling with a high degree of integrity and security, to sustain and grow our business. New technologies also lead to business advantages, such as product and service innovation for our players and operational efficiencies for ourselves and our service providers.

Sustaining current operations and enabling future growth are key priorities. However, about half of our systems are considered legacy and need to be updated or replaced. Business transformation activities and maintenance of new systems have added additional cost pressures.

Actions: We are making progress in modernizing and transforming our infrastructure and gaming systems. We have also embarked on a three-year project to replace our casino Gaming Management System which supports the annual generation of \$1.5 billion in revenue and \$800 million in net income. The new system will provide a foundation for modernization, sustainable, moderate growth and more flexible, responsive player relations.

PlayNow.com

PlayNow.com helps to keep some of the revenue spent by British Columbians on Internet gambling in B.C. and offers players a regulated and secure alternative. PlayNow.com has over 180,000 registered players and now offers a full suite of products including ePoker and eCasino games. PlayNow.com

provides opportunities to grow our business and provides new and exciting entertainment experiences for adults. Responsible gambling measures include age, location and identification verification, deposit restrictions, display of play time and wagers and player-set weekly wallet limits.

Actions: Continuing development of PlayNow.com is a strategic priority. Moving from building a competitive Internet gambling business to an interface that is available to other areas of the business is an exciting opportunity to leverage eGames, and provide fun to players, all in a regulated environment aligned with responsible gambling standards.

About 3,000 people a day access BCLC's websites using a mobile device or tablet even though our websites are not yet fully optimized for these devices. One third of adult Canadians own a mobile device and within five years, mobile will be the device of choice to access the Internet.

We are responding by making time-sensitive information such as jackpot levels and winning numbers mobile-ready and are also preparing for communicating services and promotions through mobile. PlayNow.com's security and protection features will apply whether players choose to access the website using mobile or a personal computer.

lottery

Lottery is a major profit generator and remains a priority. Three of our six core products are lottery products: Lotto 6/49, LOTTO MAX and Keno, which are projected to generate \$257 million or 12.5 per cent of our total net win through the retail and hospitality network in 2011/12. Lottery gambling is a mature channel.

Actions: We will engage players through product, service and business innovations while maintaining player security and system integrity. New ways to play sports games through the PlayNow.com portal in lottery facilities will give additional entertainment value to our players in a regulated environment.

casino and community gaming centres

Since BCLC assumed responsibility for casino gambling in 1997, a major focus has been to work with service providers to build and upgrade existing facilities to higher quality properties. This strategy is nearing completion.

Worldwide bingo gambling has been in decline over the past decade; in B.C. this decline is forecast at 13.9 per cent over last year. Our priority for this market has been, and continues to be, to upgrade commercial bingo halls to community gaming centres with improved customer service, amenities and product offerings including slot machines.

Actions: We will continue to develop properties that offer exceptional entertainment, where the appropriate market conditions exist. We will continue to improve the entertainment value of the games offered in this channel. Revenue growth is

⁴ HLT Advisory, information presented to BCLC July 2011

also anticipated through the new casino Gaming Management System and its advanced marketing capabilities, which we will roll out over the next three years. The new and enhanced BcGold Encore rewards program demonstrates our commitment to listening to our players and providing them with the kinds of

offers that interest them. Over 550,000 players have signed on to the program and nearly half used their cards last year.

For net win and net income trends of all our core business areas, refer to [Our Financial Outlook](#) on page 20.

risks and opportunities

BCLC has a formal enterprise risk management program, with ongoing evaluation of risks and quarterly Board reporting of action plans for all significant risks identified. Over the past year we have further developed and leveraged our risk management program, integrating it with our strategic, business, and project planning processes.

RISKS & OPPORTUNITIES	IMPACT	ACTIONS
SUSTAIN AND GROW		
<p>Risk: BCLC generates over \$1 billion in income annually for the Province of B.C. and all British Columbians. With the facilities redevelopment strategy of casinos nearing completion, gaming products that are reaching maturity in their life cycles, an aging player demographic, and challenging economic times, sustainment of income to government is at risk.</p> <p>Opportunity: By transforming our business and becoming more player-centric, BCLC will better meet the expectations of current customers and attract new players to our games.</p>	<p>The net income contribution that BCLC makes to the Province may decline if the entertainment products we offer do not appeal to existing and potential players.</p>	<p>BCLC continues to explore and implement new product and delivery channels in response to changing consumer preferences. Through the new casino Gaming Management System and other initiatives, BCLC will become more player-centric, and enable the corporation to maintain and grow its customer base.</p>
SOCIAL MANDATE		
<p>Risk: If BCLC is not seen as being a socially responsible, transparent organization that brings value to British Columbians, then public acceptance of our mandate will decrease.</p> <p>Opportunities: Greater engagement with our players and all British Columbians.</p>	<p>If the public or other stakeholders lose confidence in BCLC there could be a reduction in player participation resulting in a decline in revenue. BCLC might have fewer opportunities for new initiatives that generate income for the Province and all British Columbians.</p>	<p>BCLC has an active stakeholder engagement program, including community relations events in many communities which generate discussion and educate stakeholders about BCLC's corporate social responsibility (CSR) initiatives.</p> <p>Specific CSR initiatives include BCLC's GameSense responsible gambling awareness program; Voluntary Self-Exclusion (VSE) programs that include license plate and facial recognition projects; and ongoing responsible gambling research. BCLC also continues with mandatory Appropriate Response Training (ART) for front-line gaming staff at our facilities, training which includes preventing underage access.</p>
		<p>The Province has outlined recommendations in strengthening BCLC's role in the prevention of money laundering at gambling facilities, recommendations BCLC is in the process of implementing. We are committed to exceeding both federal and provincial anti-money laundering regulations, and increased monitoring and training continues.</p>

RISKS & OPPORTUNITIES	IMPACT	ACTIONS
INFRASTRUCTURE AND CAPACITY		
<p>Risk: BCLC technology systems and expertise may not be capable of sustaining current operations and transforming the organization to meet future needs.</p> <p>Opportunity: Implementing new technologies and recruiting and developing staff will lead to the development and sustainment of reliable and robust information technology that supports the growth of our business.</p>	<p>System and infrastructure failures may have financial and operational repercussions. Players may be unable to participate in lottery, eGaming or facility gaming on a temporary or protracted basis.</p> <p>If technology or capacity restricts innovation, BCLC's ability to meet the expectations of existing and new players will be constrained, affecting future revenue.</p>	<p>Corporate transformational initiatives are underway that will include replacement of a number of legacy systems—most significantly, the casino Gaming Management System. BCLC also plans to strengthen business continuity and disaster recovery capabilities to improve further its ability to respond immediately to potential system disruptions or failures.</p>
INFORMATION MANAGEMENT		
<p>Risk: Maintaining security and, in particular, protecting personal information, is an industry-wide concern, as is defending the organization from malicious cyber-attacks.</p> <p>Opportunity: There are opportunities to improve information lifecycle management, security and systems.</p>	<p>If information held by BCLC were improperly managed or protected, the consequences could include data or integrity loss leading to potential privacy concerns or harm to our players and loss of player and public trust.</p>	<p>BCLC has adopted an integrated approach to privacy impact assessments, incorporating a review process into project and operational management. Where information may be held by third parties, clear instructions and remedies will be included in contractual documentation.</p> <p>BCLC plans to formalize the corporate information architecture, improving governance throughout the information lifecycle. This will strengthen systems which manage personal information.</p>
THIRD-PARTY DEPENDENCIES		
<p>Risk: BCLC is reliant on retailers and service providers to distribute its products and manage its gambling facilities. The corporation is also dependent on vendors providing gaming and business solutions.</p> <p>Opportunity: Business partnerships leverage the benefits of private sector competitiveness and distribution and provide BCLC with access to specialist expertise and the ability to provide better amenities and services to our players.</p>	<p>Service providers or retailers may not appropriately implement BCLC policies or comply with regulations, resulting in a range of potential customer service or compliance issues. Public trust may decline.</p> <p>Third parties may not deliver services as required, resulting in delays in implementing new initiatives and realizing the associated revenue.</p>	<p>We work closely with our service providers and retailers. Policy and procedure manuals are regularly updated and training programs provided. Any areas of higher risk, such as financial transactions, retail wins, and casino admissions are actively monitored and reviewed. Progressive discipline policies are in place, aligned to audit and security programs. Incidents are reported and investigated. The security and audit teams liaise closely with the Gaming Policy and Enforcement Branch (GPEB), our service providers, and provincial and local police forces.</p>

RISKS & OPPORTUNITIES	IMPACT	ACTIONS
CORPORATE BUSINESS PRACTICES		
<p>Risk: BCLC manages a complex business and requires robust business practices to manage all processes with accuracy and integrity, and in compliance with regulatory requirements and social responsibility objectives.</p> <p>Opportunity: Streamlining and automating business processes to improve efficiency.</p>	<p>If regulations, BCLC's policies and business practices are not followed, the organization could experience operational difficulties, financial losses, potential audit qualification, and/or decline in reputation.</p>	<p>Our policy office continues to support the development and maintenance of corporate and operational policies and procedures. Audit Services reviews and advises on control frameworks. Management provides ongoing guidance and support to staff to ensure that they understand their roles and responsibilities.</p> <p>BCLC has implemented mandatory training modules for key risk areas, and the focus for the year ahead includes a number of transformational initiatives which aim to enhance internal control processes, further develop change management protocols and reinforce accountability.</p>
GAMING MANAGEMENT SYSTEM (GMS)		
<p>Risk: BCLC's existing Gaming Management System (GMS) currently supports the collection of \$1.5 billion in revenue, and \$800 million in net income for the Province. This system is technologically obsolete and no longer fully supported by the vendor. Failure of this system would have a significant impact on corporate revenue and net income to the Province.</p> <p>Opportunity: In addition to providing stability to a critical part of BCLC's gaming infrastructure, the new GMS will provide opportunities to grow revenue through enhanced marketing capabilities.</p>	<p>Failure of the current GMS would have material consequences for the \$1.5 billion in revenue and \$800 million in net income that are collected using the system, and could create consumer confidence issues with lasting impact on public confidence.</p>	<p>Following several years of planning and detailed business case development which culminated in approval by the Board of Directors this summer, BCLC has embarked on a four-year project to replace its current, aging GMS.</p> <p>Implementation of the new system is expected to begin in the summer of 2012 and take approximately three years to complete.</p>

our capacity to achieve results

Current and future needs require sound, responsive and adaptive business processes and technology. Our workforce must have the skills and capabilities to work in this environment and leverage our business to satisfy our players.

We are investing in our workforce through continual refinements to our online learning management system, ongoing programs for leadership development, and a new, more formalized employee development program. To ensure our workforce capacity is effectively utilized, resource planning is aligned with emerging business needs.

We are improving our business planning processes to ensure we are allocating our human, operating and capital resources to the highest value-added projects. Reinforcing a culture of business optimization, continuous improvement and operational efficiency will result in allocating resources to where the business need is the greatest.

our plan for the next three years

goals, strategies and performance measures

BCLC's Board and senior executive conduct an annual review of our mission, values, goals, strategies, performance measures and associated targets. We also gather results from other gambling jurisdictions with similar operations to assess our performance relative to comparable businesses.

how we measure our performance

Each year, BCLC sets performance targets based on trends in current performance and the expected impact of our programs to maintain or improve performance.

For non-financial measures, BCLC contracts with independent third-party professionals to conduct surveys, and uses these results to measure our performance against established targets. On a quarterly basis, we assess our results and also review and analyze the data collected in these surveys to modify and improve business performance. Our performance results are published each year in our [Annual Service Plan Report](#).

Public support for gambling, player awareness of responsible gambling initiatives, player satisfaction and participation are measured by Research and Incite Consultants, a third-party research supplier which uses a random sampling of the B.C. adult population throughout the year. Samples are verified to ensure that they are representative of B.C.'s regional population, age and gender balance. In 2010/11 we transitioned from collecting data via telephone surveys to online surveys.

Financial information is obtained from BCLC's audited financial statements, published in BCLC's Annual Service Plan Report, and in other internal reporting. Population figures from BC Stats are used to calculate some performance measures. Employee engagement is measured on our behalf by Ipsos Reid, a third-party research supplier who conducts an annual survey of BCLC employees.

Our financial performance benchmarks are obtained from the audited financial results published by the comparator benchmark organizations, Lafleurs World Lottery Almanac and the publicly available Canadian Gambling Digest.

The organizations that BCLC benchmarks to are the Ontario Lottery and Gaming Corporation (OLG), Loto-Québec (LQ) the Swedish lottery Svenska Spel and the total Canadian gambling average. These benchmarks provide insight into BCLC's financial performance against national averages and comparable gambling jurisdictions. Svenska Spel has been selected as a benchmark comparator because it is regarded as one of the most innovative regulated international lottery and Internet gambling jurisdictions. We review the performance results published by other gambling organizations annually for additional benchmarking opportunities.

performance measures and targets at a glance

Our performance management framework is summarized in the table below.

Goal	Strategies	Performance Measures
1. Build public trust and support for BCLC gambling	Demonstrate a high level of corporate citizenship and social, economic and environmental responsibility	Public Support for Gambling
		Player Awareness of Responsible Gambling Activities
		Level of Greenhouse Gas Emissions
2. Create a player-centric company	Improve the organizational capacity to hear, anticipate and act upon customer expectations and desires	Player Satisfaction
		Player Participation
3. Invest in infrastructure and technology to drive innovation that enables our growth	Offer exceptional entertainment through innovative and engaging channels and products	Net Win per Capita
		Net Income
4. Have a workforce passionately driving the success of our business	Design processes and implement technology that improve operational effectiveness and prepare for the future	General Operating Costs as % of Net Win
		Electronic Gaming Devices per 1,000 population
4. Have a workforce passionately driving the success of our business	Enable an integrated multi-channel community	Employee Engagement
		Employee Vacancy Rate
4. Have a workforce passionately driving the success of our business	Make BCLC a great place to work	Employee Engagement
		Employee Vacancy Rate

Our performance targets for the next three years are outlined in the following pages. A more detailed explanation of the methodology used for each measure and our benchmarking is contained in Appendix 1.

goal 1: build public trust and support for BCLC gambling

our mandate is to conduct and manage gambling in a socially responsible manner for the benefit of British Columbians

BCLC gambling delivers more than \$1 billion in proceeds each year to the Province of British Columbia for health care, education, community initiatives and other programs. Sustaining and growing this revenue depends on us maintaining the trust and support of the public and our players.

demonstrating corporate social responsibility

We must balance revenue generation for the Province, with investment to deliver the entertainment experience that our players seek in a manner that is ethical and socially responsible. We will reach out to stakeholders on issues of critical importance to our business to help build mutual understanding. We will also take steps to become more transparent and will continue to communicate how the revenue we generate supports the people and communities of B.C.

We measure public support for legalized gambling in British Columbia to ensure our products and facilities are accepted by the public.

focusing on continuous improvement of our responsible gambling programs

We are committed to the continuous improvement of our programs which are designed to reduce the incidence and impacts of problem gambling. We continue to focus on integrating responsible gambling principles throughout our operations. Our GameSense responsible gambling communication and education program has been acknowledged as among the best in the world. For a small number of our players, gambling ceases to be fun and becomes a problem; we invest in research for opportunities to improve problem gambling prevention and player education and also in programs and technology to support these players.

We measure player awareness of our responsible gambling activities to determine whether our responsible gambling programs are effective at reaching players.

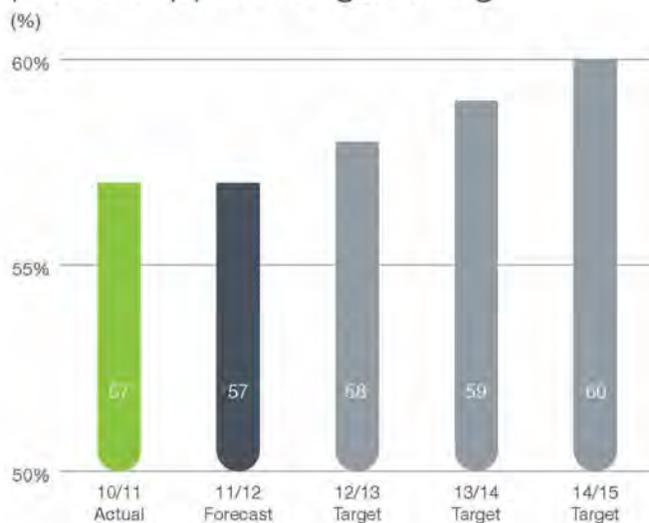
decreasing our carbon footprint

BCLC views sustainability as a key component of corporate social responsibility and is promoting environmentally sustainable behaviours in our organizational culture as an integral part of our business. We recently relocated our lower mainland facility and are proceeding through the LEED certification process. Our environmental program spans all aspects of our business, from reduction of energy consumption, through technology solutions to reduce travel, to management

of our waste products to maximize re-use or recycling. BCLC is required to meet the carbon neutrality requirements set out in the Government's *Greenhouse Gas Reductions Target Act*.

We measure reportable greenhouse gas emissions to monitor our progress towards meeting our target of reducing our greenhouse gas emissions by 33 per cent by 2020.

public support for gambling



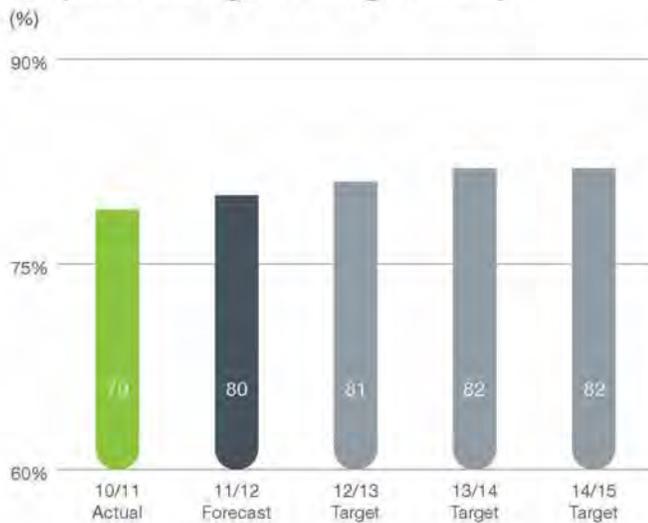
description of performance measure

Public Support for Gambling is a measure of the percentage of adult British Columbians who support legalized gambling. If we demonstrate and communicate how we meet our social responsibility mandate successfully, we should expect to see our results increase. It is measured by a third-party consultant throughout the year using an online survey. We do not benchmark this measure, due to a lack of comparable data from other gambling jurisdictions.

significant changes from the previous service plan

Public support for gambling has not changed significantly from the previous service plan. Government's gaming grant announcement to reinstate eligibility to more charities, increased awareness of the responsible gambling programs provided by BCLC and the beneficiaries of gambling revenue is forecast to maintain a consistent level of public support for gambling.

player awareness of responsible gambling activity



description of performance measure

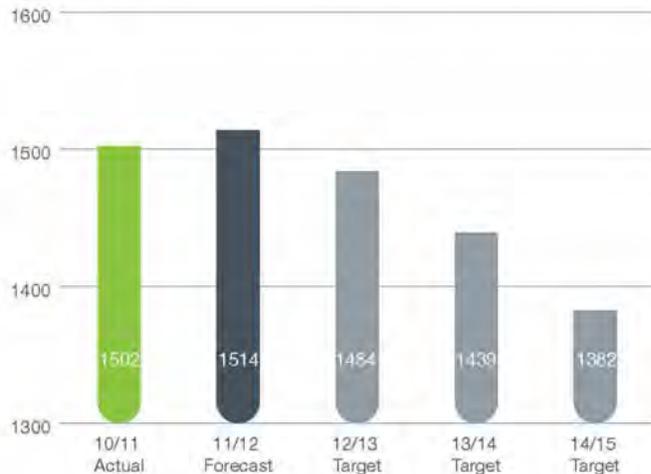
Player Awareness of Responsible Gambling Activity is a measure of the percentage of our players who are aware of one or more of our responsible gambling initiatives. We use it as a measure of our success in promoting awareness of our responsible gambling initiatives. It is measured by a third-party consultant throughout the year using an online survey. We do not benchmark this measure, due to a lack of comparable data from other gambling jurisdictions.

significant changes from the previous service plan

In 2010/11 we changed the question mix to remove the best-known responsible gambling initiatives, the 'Know Your Limit, Play Within It' tag line and the B.C. Partnership for Responsible Gambling. This was done to focus on public awareness of lesser-known programs such as GameSense and the Province's toll-free Problem Gambling Help Line. Our targets are set based on past performance in growing awareness of our programs, adjusted to reflect the fact that the best known programs have been removed from the question mix.

level of greenhouse gas emissions

(CO₂e tonnes)



description of performance measure

BCLC uses standard calculations provided by the Province to report our greenhouse gas (GHG) emissions in a standard format. This calculation is completed and reported in metric tonnes of carbon dioxide emissions (CO₂e) for the calendar year. We obtain data from suppliers of electricity, natural gas, fleet fuel, paper and from internal financial reporting.

significant changes from the previous service plan

We moved our lower mainland office into a LEED-pending facility in late 2010. Our current targets are set based on achieving a three per cent year-over-year reduction in reportable emissions, to achieve a 33 per cent reduction in reportable emissions by 2020. In 2011 we were completing the relocation from our older facilities in Richmond, so the 2012 calendar year will be the first full year of emissions data based on operating from our new facility.

goal 2: create a player-centric company

our players are our business

Our players choose where and how they spend their entertainment dollars, so our entertainment experience must offer what they expect and be available where, when and how they expect it. We need to provide exciting, attractive mainstream entertainment that appeals to a broad player base.

understanding our players

Delivering outstanding entertainment starts with understanding who our players are and being able to hear, anticipate and act upon what they want.

Our Voice of the Player program is designed to make it easy for our players to interact with us and for us to identify what engages them and what frustrates them. The program will enable us to use customer feedback, research and player data that we already have to gain insight into who our current and future customers are and what they want.

offering the exceptional entertainment that they want

Our customer service strategy is designed to create an exceptional entertainment experience. Sometimes we don't get it right, but, by focusing on service excellence and putting in place the tools and technology to help us to deal effectively with player concerns as they arise, we can make it right.

Accessibility, ambience, cleanliness, safety and quality of amenities all contribute to creating an outstanding experience. We will work closely with our service providers to develop and enhance our gambling facilities and our retail presentation in order to meet the needs and expectations of our players and communities.

We are transforming from a product-driven to a player-driven organization. This means that we will use our understanding of our players, current and future, to identify or develop the themes, games, prize structures and variety that appeal to a broader player base and make them available in ways that are convenient to our players.

how we will know that we are getting there

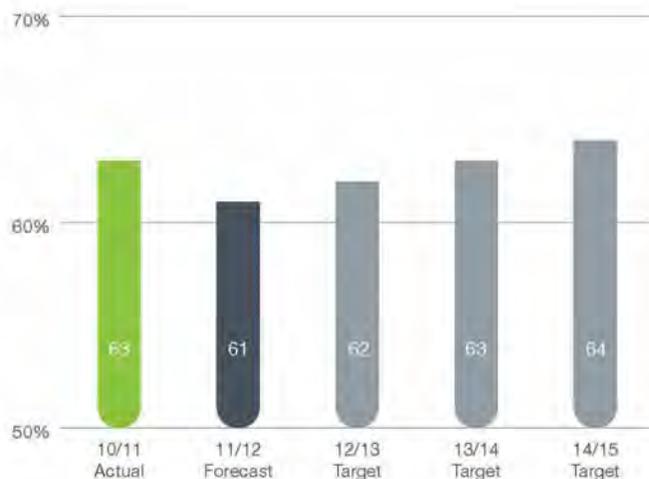
Player participation measures how frequently adult British Columbians play our games and gives us insight into how successful our programs and promotions are in attracting them to our games and facilities.

Our player satisfaction measure is designed to tell us how satisfied our players are with our games and facilities. If we are successfully transforming to a player-centric organization we should expect to see satisfaction increase.

Net win per capita tells us how successful we are in growing revenue per player. It is indexed to total population to allow us to benchmark to other jurisdictions, as the age at which legal gambling is permitted may vary.

player participation

(%)



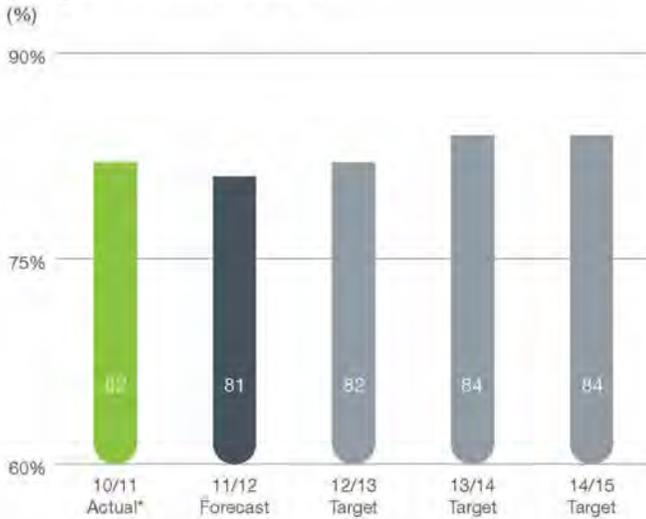
description of performance measure

Player participation measures the percentage of B.C. adults who play or visit at least once every month. By measuring frequency, we have a gauge of players' purchase behaviour.

significant changes from the previous service plan

In 2010/11 we changed from measuring recency of play (played at least once in the last month) to frequency of play (played at least once every month). Our targets in the last Service Plan were based on our estimates of how much this change would affect our performance level. Our actual performance in 2010/11 exceeded estimates, so we have revised targets upwards to reflect incremental growth in player participation as our player programs start to take effect.

player satisfaction



* 2010/11 has been recalculated using the new method. Former calculation for 2010/11 was 70%.

description of performance measure

Player satisfaction is a measure of satisfaction with the products, services and facilities offered in each of BCLC's gambling channels. The metric also gauges the overall success BCLC has in attracting and retaining players to BCLC products, visitors to our gambling facilities, and in building loyalty.

significant changes from the previous service plan

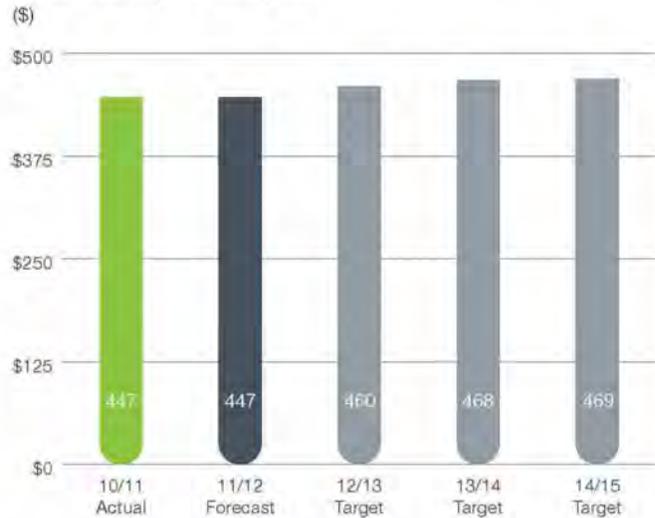
Prior to 2011 players were asked to score their satisfaction in each gambling channel based on their play in that channel. Responses in the top five boxes in a 10-point scale for each channel were divided by the number of channels the player plays in and the scores in each channel were weighted by the relative contribution of that channel to BCLC's total net win, with a resulting composite total for the enterprise.

Beginning in 2011, the scoring changed. Responses in the top five boxes for each channel are still divided by the

number of channels the player plays in; all of these scores are added together and result in the net BCLC score. This new method removes the skew that previously occurred because of the higher net win contribution from slot play. The "overall satisfaction with BCLC" question was also eliminated as a large proportion of players were unaware of BCLC's role and responsibilities, particularly with respect to gambling facilities.

Our targets are based on achieving incremental growth in player satisfaction as our player-centric programs begin to take effect.

net win per capita



description of performance measure

Net win is calculated for lottery and bingo games by deducting prizes from gross sales. Casino game prizes are paid during game play.

Net win per capita is widely used in the gambling industry, making consistent benchmarking possible. The net win is divided by the total population based on publicly reported population figures to obtain per capita metrics.

We benchmark our performance to Loto-Québec, Ontario Lottery and Gaming Corporation and the Canada average. Benchmarking data is presented in Appendix 1. BCLC has consistently outperformed the benchmark organizations.

significant changes from the previous service plan

Our targets are reviewed annually in September. Targets for the next three years have been set based on our forecast performance for 2011/12 and predicted growth in net win. Our forecast takes into account standard economic indicators used by the Province and the planned introduction of new products and facility developments.

goal 3: invest in infrastructure and technology to drive innovation that enables our growth

sustainable growth depends on our ability to leverage process and technology to deliver the entertainment experiences our players want

designing the processes and implementing technology that improve operational effectiveness and prepare for the future

We continue to modernize our infrastructure through the ongoing replacement of legacy systems, the optimization of information and data management and the formalization of enterprise-wide information technology architecture.

Over the next few years, our primary focus will be on replacing our aging casino Gaming Management System, which supports the annual collection of \$1.5 billion of BCLC revenue. The new system will sustain BCLC's largest revenue stream and provide a foundation for modernization, moderate growth and more flexible, responsive player relations. It also includes new responsible gambling tools, such as the ability for players to set limits for time and spend on slot machines.

We will refine and streamline policies, procedures, and processes throughout the organization through a number of business transformation initiatives.

BCLC will improve efficiency by automating manual processes associated with corporate invoicing and accounts receivable systems. We will strengthen the system used for reporting to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). We are also continuing to research and implement processes and technology to support our Voluntary Self-Exclusion program.

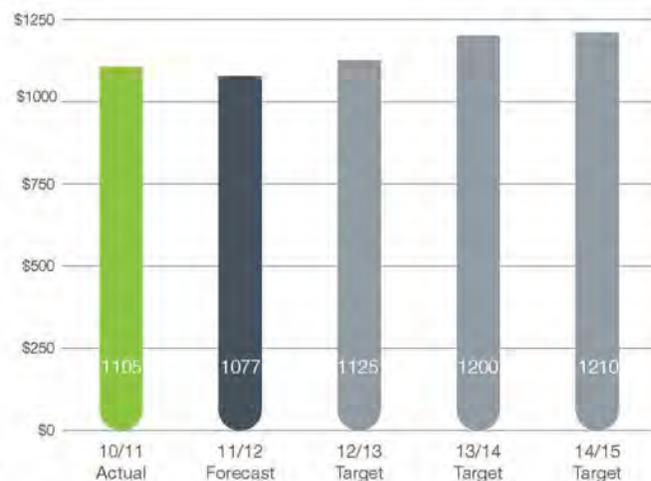
measuring our performance

BCLC uses three high level metrics to assess our performance against this goal:

- net income;
- general operating cost ratio; and
- the number of electronic gaming devices per 1,000 population.

net income

(\$ millions)



Net income is the total amount of income generated from BCLC gambling after all expenses. It is a direct indicator of our success in meeting our mandate to generate income for the benefit of all British Columbians.

description of performance measure

Net income is income after prizes, direct and operating expenses and taxes have been deducted. It is determined in accordance with International Financial Reporting Standards (IFRS).

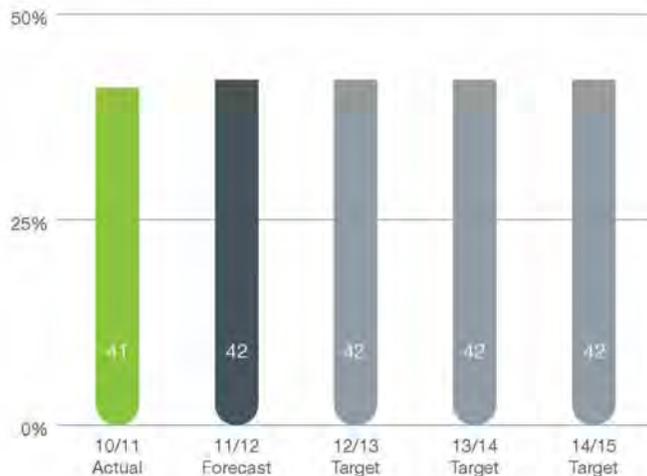
BCLC's net income is distributed to the Province and is used to fund public health care, education, charitable and community programs that benefit all British Columbians. As a result of an agreement between the federal and provincial governments, the Government of Canada receives a portion of BCLC's net income.

significant changes from previous service plan

Our targets are reviewed annually and are based on assessment of performance, with growth forecasts that take into account standard economic indicators used by the Province. Net income targets for 2013/14 and 2014/15 have also been adjusted to reflect the impact of the decision to rescind the HST and revert to the GST/PST taxes.

general operating cost ratio

(%)



Our general operating cost ratio as a percentage of net win is a measure of our operational efficiency. It indicates how successful we are in balancing the generation of revenue with the cost of operating our business.

description of performance measure

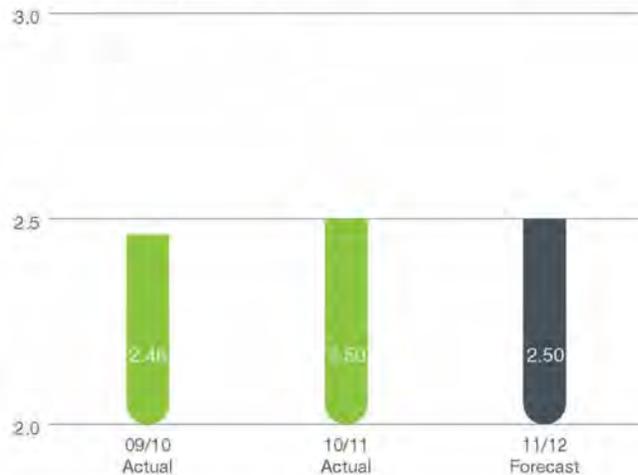
Our general operating cost ratio is the sum of our direct expenses (except prizes and ticket printing), gaming support costs, general operating costs and amortization divided by our net win and expressed as a percentage. We benchmark our operating cost ratio to that of other gambling jurisdictions; our costs are below those of the Ontario Lottery and Gaming Corporation, comparable to those of Loto-Québec, but significantly higher than Svenska Spel. For more details, see Appendix 1.

significant changes from previous service plan

BCLC is investing in modernizing our business, in particular in replacing the technology that supports casino and community gaming centre operations. Although investment in modernization will continue, BCLC is committed to maintaining its operating cost ratio at constant levels.

number of electronic gaming devices per 1,000 population

(devices per 1,000 population)



The number of electronic gambling devices per 1,000 population is a measure of the accessibility of BCLC gambling to British Columbians.

description of performance measure

The number of electronic gaming devices deployed by BCLC is divided by the total population and multiplied by 1,000. We use this measure to monitor the availability of gaming devices in B.C. over time. We do not set targets, but we do benchmark to other gambling jurisdictions to monitor how availability in B.C. compares to other provinces. In 2009/10, the last year for which comparator benchmark data is available, the Canadian benchmark average was 2.32, slightly below the availability rate in B.C.

significant changes from previous service plan

We do not expect availability to grow significantly in B.C., as our facilities redevelopment program is nearing completion. In B.C., Government gambling policy excludes Video Lottery Terminals (VLTs), limiting participation in this category to slot machines located in casino and community gaming facilities, where accessibility is restricted to adults. Other Canadian jurisdictions do allow VLTs, but the trend is to reduce or reallocate VLTs, so we expect the Canadian benchmark average to decline.

goal 4: have a workforce passionately driving the success of our business

BCLC is a great place to work

BCLC is honoured that, in 2012, we were again selected as a top employer in British Columbia. In 2011, we were also selected as a Top Employer for Canadians Over 40 and as a Top Family-Friendly Employer. We continue to pursue excellence in the programs, services and experience that we offer to our workforce.

We need a passionate and engaged workforce to drive the success of our business. Our employees work on the programs that we have put in place to modernize our business; they research, develop and integrate the games that our players enjoy; and they work with our service providers to deliver the great entertainment experience that our players expect.

maintaining our employee value proposition

Our human resources programs will continue to nurture a culture and environment that supports BCLC's business strategy. Through strategic workforce planning, performance management and managing our employment brand, we will remain as an employer of choice. We will continue to invest in leadership and employee development to provide the training and resources needed to sustain and grow the business and plan for the future leadership of the company.

measuring performance

BCLC has two performance metrics to help us to monitor our success in attracting and retaining an engaged workforce. Our employee engagement is already high and our employee vacancy rate is low. Our goal is to maintain both metrics at existing levels, with the vacancy rate increasing only slightly when the economy improves and competition for resources increases.

employee engagement



description of performance measure

This performance metric measures the engagement level of BCLC employees. Employee engagement is defined as the intellectual and emotional involvement employees have in an organization.

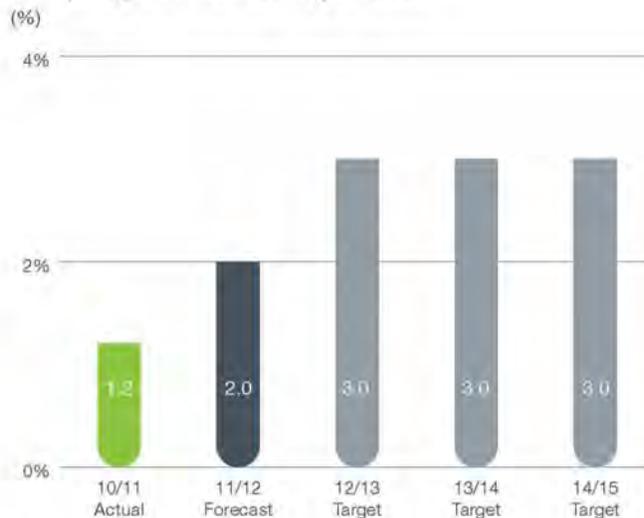
Highly engaged employees exert extra effort and are dedicated to doing the very best job possible to contribute to the organization's success. Organizations with high employee engagement are more successful at retaining and recruiting employees.

BCLC uses a third-party research company to measure the level of employee engagement using an annual employee survey that reflects our unique culture, values and business objectives. The survey is a reflection of a broad range of attributes that are important to BCLC: player-focus, delivering an outstanding gambling experience, social responsibility and making BCLC a great place to work.

significant changes from previous service plan

We are continuing to focus on transforming to a player-centric company, which requires the modernization of processes and technology. Maintaining employee engagement during major change can be challenging, but our targets for the next three years reflect our commitment to maintain the present high levels of engagement.

employee vacancy rate



description of performance measure

This metric is intended to measure BCLC's employee turnover, competitiveness, and the effectiveness of recruitment processes. The vacancy rate provides a high level metric that is subject to considerable variation based on factors such as organizational growth, internal personnel movement, employee demographics and external market conditions. As such, it must be interpreted within the context of the time frame that it is being measured.

The average percentage of vacant positions in the process of being filled (replacement or additional positions actively being recruited internally and externally) is measured on a monthly basis as a proportion of BCLC's total headcount. The year-end result is calculated by averaging the month-end rates.

significant changes from previous service plan

Our vacancy rate was particularly low in 2010/11, reflecting limited organizational growth and low turnover of employees in a flat labour market. Our targets reflect our expectation that the number of full-time equivalent positions will be stable at approximately 900 and that employee turnover will remain low, but closer to the levels experienced in 2008/09 and 2009/10.

our financial outlook

how much we'll sell, spend and provide in net income and our assumptions in preparing this plan

The Province of British Columbia uses BCLC net income from gambling to fund public, charitable and community programs that benefit all British Columbians.

NOTE: The tables in this section factor in changes from HST to PST and GST in the 2013/14 and 2014/15 years.

consolidated corporate operations

\$ millions	2009/10 ACTUAL	2010/11 ACTUAL	2011/12 BUDGET	2011/12 FORECAST	2012/13 BUDGET	2013/14 TARGET	2014/15 TARGET
Revenue	\$ 2,517.3	\$ 2,678.7	\$ 2,726.0	\$ 2,668.0	\$ 2,760.3	\$ 2,836.0	\$ 2,882.0
Prizes	577.6	652.3	627.6	619.3	624.5	634.5	645.4
Net Win	1,939.7	2,026.4	2,098.4	2,048.7	2,135.8	2,201.5	2,236.6
Direct Expenses	606.8	619.9	638.9	625.9	650.6	671.1	685.3
Gaming Support Costs	19.6	19.9	27.2	26.4	27.1	30.6	32.9
Operating Costs	129.6	131.1	142.8	143.6	142.9	134.7	135.2
Amortization and Other	62.7	69.3	89.2	80.5	90.2	100.1	105.7
Total Costs	818.7	840.2	898.1	876.4	910.8	936.5	959.1
Net Income Before Taxes	1,121.0	1,186.2	1,200.3	1,172.3	1,225.0	1,265.0	1,277.5
Taxes*	41.9	81.6	95.3	95.3	100.0	65.0	67.5
Net Income	\$ 1,079.1	\$ 1,104.6	\$ 1,105.0	\$ 1,077.0	\$ 1,125.0	\$ 1,200.0	\$ 1,210.0
Debt	60.0	85.0	98.0	98.0	128.0	138.0	143.0
Capital Expenditures	92.5	81.3	109.3	107.0	116.2	110.0	105.0

* For the 2009/10 and 2010/11 years, taxes include PST on leases which are not included in the tax line in BCLC's Annual Service Plan Report.

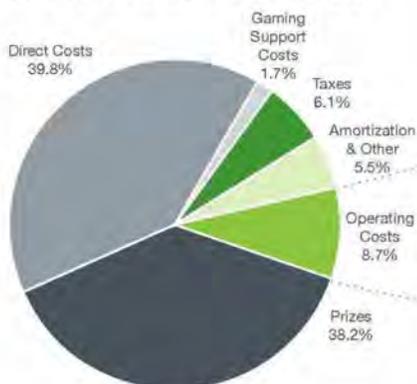
REVENUE

Revenue is projected to increase by \$214.0 million or 8.0 per cent over the three-year period reflecting moderate growth in the lottery, casino and community gaming channels and stronger growth in the emerging eGaming (PlayNow.com) channel.

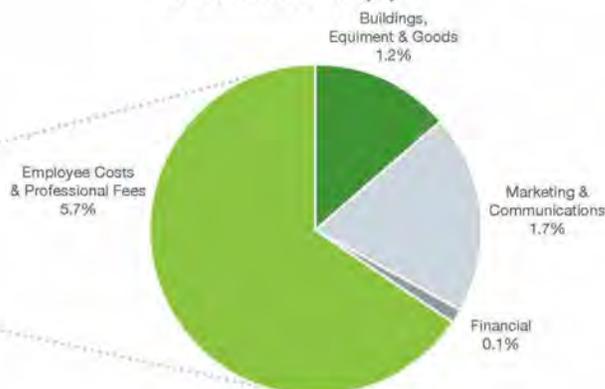
TOTAL EXPENDITURES

Total expenditures for 2012/13 including prizes, total costs and taxes are projected at \$1.6 billion. The following graphs show the breakdown of cost categories as a per cent of total expenditures.

2012/13 TOTAL EXPENDITURES (%)



OPERATING COSTS (%)



PRIZES

Prizes are projected to increase by \$26.1 million or 4.2 per cent over the three-year period due to increased revenue.

Prizes as a percentage of revenue are projected to decrease from 23.2 per cent to 22.4 per cent over the three-year period due to a shift in consumer preferences to casino games which record revenue net of prizes. Lottery prizes as a percentage of lottery revenue are forecast to increase slightly over this period.

DIRECT EXPENSES

Direct expenses include service provider commissions, lottery ticket printing and bingo paper, supplies and leases.

Direct expenses are forecast to increase by \$59.4 million or 9.5 per cent over the three-year period due to increased revenue.

GAMING SUPPORT COSTS

Gaming support are those costs which directly support revenue generation. They include equipment maintenance, systems support, data transmission, product delivery, draw audits and odds-setting.

Gaming support costs are projected to increase by \$6.5 million or 24.6 per cent over the three-year period due to increased revenue and a greater reliance on third-party system providers, as well as increasing technology costs, and the implementation of the Gaming Management System (GMS).

OPERATING COSTS

Operating costs include employee costs and professional fees, buildings, equipment and goods, marketing and communications, and financial costs.

Operating costs are forecast to decrease as a percentage of net win from 7.0 per cent to 6.0 per cent over the three-year period as a result of business optimization and strategic cost management initiatives.

AMORTIZATION AND OTHER

Amortization is forecast to increase by \$18.5 million over the three-year period, primarily due to capital expenditures which include the replacement of the Gaming Management System, investments in business support and modernization programs, and capital to support revenue programs in lottery, PlayNow.com, casino and community business channels.

The Other category consists of interest expense for short-term borrowing and accrued employee benefits. These costs are expected to increase by \$6.7 million over the three-year period as a result of projected changes in interest rates.

CORPORATE ASSUMPTIONS

Real GDP growth for the B.C. economy is assumed at an average 2.3 per cent over the three-year period.

Inflation has been assumed at an average 1.8 per cent over the three-year period.

BCLC uses the three-month Canadian Treasury Bill rates as forecast by the Ministry of Finance (rates as of December 9, 2011); interest rates have been assumed at 1.11 per cent for 2012/13, 1.96 per cent for 2013/14 and 2.98 per cent for 2014/15.

No major changes will be made to BCLC's mandate or the Province of B.C.'s gambling and social policy.

No major changes will be made to Gaming Policy and Enforcement Branch (GPEB) mandate, regulations or policy.

Net win and net income assumptions are based on BCLC obtaining the necessary provincial, host local government and regulatory approvals required under the *Gaming Control Act (2002)* to develop or relocate facilities and launch new products.

casino and community gaming centres

\$ millions	2009/10 ACTUAL	2010/11 ACTUAL	2011/12 BUDGET	2011/12 FORECAST	2012/13 BUDGET	2013/14 TARGET	2014/15 TARGET
Revenue	\$ 1,507.1	\$ 1,545.5	\$ 1,609.6	\$ 1,566.5	\$ 1,627.9	\$ 1,669.1	\$ 1,690.4
Total Costs	664.3	669.6	714.0	691.5	723.4	743.5	759.4
Net Income Before Taxes	842.8	875.9	895.6	875.0	904.5	925.6	931.0
Taxes	30.4	60.3	67.9	68.0	70.5	45.6	47.0
Net Income	\$ 812.4	\$ 815.6	\$ 827.7	\$ 807.0	\$ 834.0	\$ 880.0	\$ 884.0

Over the three-year planning period, net income before taxes is projected to increase by \$56.0 million, or 6.4 per cent. This growth is forecast to come from increased marketing efforts including enhancing and leveraging BcGold Encore, a focus on product initiatives at existing casinos, and the opening of new community gaming centres.

CASINO AND COMMUNITY GAMING CENTRE ASSUMPTIONS

The planned openings, upgrades and relocation of existing casinos and of existing commercial bingo halls to community gaming centres will be on schedule. The casino Gaming Management System will be implemented on schedule and will generate additional revenue.

lottery

\$ millions	2009/10 ACTUAL	2010/11 ACTUAL	2011/12 BUDGET	2011/12 FORECAST	2012/13 BUDGET	2013/14 TARGET	2014/15 TARGET
Revenue	\$ 904.3	\$ 1,019.4	\$ 970.0	\$ 970.0	\$ 985.0	\$ 1,005.0	\$ 1,025.0
Prizes	486.4	565.5	539.2	541.9	555.5	564.1	577.4
Net Win	417.9	453.9	430.8	428.1	429.5	440.9	447.6
Total Costs	145.4	154.8	157.8	156.1	153.5	156.1	161.0
Net Income Before Taxes	272.5	299.1	273.0	272.0	276.0	284.8	286.6
Taxes	10.8	18.8	23.0	23.0	25.0	15.8	16.6
Net Income	\$ 261.7	\$ 280.3	\$ 250.0	\$ 249.0	\$ 251.0	\$ 269.0	\$ 270.0

Over the three-year planning period, net income before taxes is expected to increase by \$14.6 million, or 5.4 per cent. Growth in this channel is forecast to come from the introduction of new products and product enhancements, and upgrades to the “look and feel” of the network.

LOTTERY ASSUMPTIONS

Planned releases of new products and services will be on schedule.

BCLC market forecasts for new products are accurate.

The estimated number and size of jackpot rolls on national lotto games will not vary significantly from historical averages.

playnow.com

\$ millions	2009/10 ACTUAL	2010/11 ACTUAL	2011/12 BUDGET	2011/12 FORECAST	2012/13 BUDGET	2013/14 TARGET	2014/15 TARGET
Revenue	\$ 33.6	\$ 43.0	\$ 75.0	\$ 70.0	\$ 91.3	\$ 108.0	\$ 116.0
Prizes	18.9	16.0	17.0	15.9	12.9	16.5	17.4
Net Win	14.7	27.0	58.0	54.1	78.4	91.5	98.6
Total Costs	9.0	15.8	26.3	28.8	33.9	36.9	38.7
Net Income Before Taxes	5.7	11.2	31.7	25.3	44.5	54.6	59.9
Taxes	0.7	2.5	4.4	4.3	4.5	3.6	3.9
Net Income	\$ 5.0	\$ 8.7	\$ 27.3	\$ 21.0	\$ 40.0	\$ 51.0	\$ 56.0

Over the three-year planning period, net income before taxes will increase by \$34.6 million, or 136.7 per cent. Growth is forecast to come from the continued development of casino games on PlayNow.com, the introduction of multi-jurisdictional bingo and enhancements to sports betting.

PLAYNOW.COM ASSUMPTIONS

Planned product releases will be on schedule.

BCLC market forecasts for new products are accurate.

net income that may be at risk

RISK FACTORS

The following factors contribute to uncertainty and risk and may individually, or in the aggregate, affect BCLC's operating results and the net income it is able to deliver to the Province.

- Obtaining host local government approvals for the development or relocation of gambling facilities
- Frequency of lottery jackpots
- New product launches and achieving market expectations
- Economic issues impacting adult consumers' disposable income and entertainment spending
- Shifts in consumer preferences impacting product mix and profitability
- Competition from unregulated gambling competitors
- Public acceptance of gambling
- Changes to gambling rules and regulations
- Revenue loss and market disruption resulting from the business failure of a service provider
- Fluctuations in interest and foreign currency rates⁵

QUANTIFIABLE RISKS

\$ millions	2012/13	2013/14	2014/15
One-year delay in opening/relocating planned gambling facilities	\$ 9.9	\$ 0.0	\$ 0.0
Interest rate risk*	1.3	1.4	1.4

* Calculated as 1.0 per cent of Debt.

Taking into account business and general economic trends, the opportunities and challenges facing the business, the risk factors described above, and the mitigation strategies described in the previous sections, BCLC forecasts the following net income ranges:

NET INCOME FORECASTS

\$ millions	2012/13 BUDGET	2013/14 TARGET	2014/15 TARGET
High	\$ 1,150.0	\$ 1,230.0	\$ 1,250.0
Target	1,125.0	1,200.0	1,210.0
Low	1,065.0	1,110.0	1,125.0

⁵ Purchases made in US dollars have been assumed to have been made at par. Borrowing costs have been based on an average interest rate of 3.0 per cent

our capital plan

spending on our infrastructure and technology

\$ thousands	2010/11 ACTUAL	2011/12 BUDGET	2011/12 FORECAST	2012/13 BUDGET	2013/14 TARGET	2014/15 TARGET
Gambling Systems						
Lottery	\$ 4,473	\$ 7,786	\$ 9,103	\$ 5,054	\$ 6,000	\$ 7,800
PlayNow.com	9,359	10,990	7,978	8,191	13,868	12,850
Gaming Management System (GMS)	–	5,100	28,267	44,175	24,457	7,536
Casino and Community Gaming	38,512	63,680	42,372	40,692	43,675	48,875
	52,344	87,556	87,720	98,112	88,000	77,061
Infrastructure & Corporate Systems	14,406	15,305	16,495	15,111	17,000	20,939
Corporate Facilities	14,505	6,450	2,767	3,009	5,000	7,000
	28,911	21,755	19,262	18,120	22,000	27,939
Total New Capital	\$ 81,255	\$ 109,311	\$ 106,982	\$ 116,232	\$ 110,000	\$ 105,000

BCLC's capital expenditures are driven by the need to maintain the corporation's revenue-generating infrastructure.

GMS

Over the three years covered by this plan, BCLC's single biggest capital investment will be in the replacement of its casino Gaming Management System (GMS). This system supports the collection of \$1.5 billion in casino and community gaming revenue and \$800 million in net income to the Province of B.C. In addition to ensuring the sustainability of existing revenue, the new system will provide enhanced marketing and analysis capabilities.

CASINO & COMMUNITY GAMING

In addition to significant investment in the new GMS system, BCLC will also be opening new community gaming centres and refreshing slot machines and table games at existing facilities.

EGAMING

Investment in eGaming will be centred around the continued development and implementation of new casino games on PlayNow.com, the introduction of multi-jurisdictional bingo and enhancements to sports betting.

LOTTERY

In the lottery channel, major initiatives include enhanced sports betting.

CORPORATE

BCLC will continue to invest in the replacement of legacy systems and the modernization of core technology and business infrastructure. While GMS remains the primary focus of our efforts, investment in other areas will slow.

For programs which started prior to 2011/12, but which will not be completed by year-end, the capital will be carried forward. These costs are reflected in the 2012/13 budget.

The cost of purchases made in US dollars has been based on exchange rate parity.

Government's letter of expectations

Government's Letter of Expectations is an annual letter of direction to BCLC that reinforces the corporation's mandate, identifies strategic priorities, and sets forth performance measures that form the cornerstones of the corporation's governance framework. This letter is intended to establish the basis for a positive and collaborative working relationship through the clear articulation of the responsibilities and expectations of both parties. A summary of how BCLC is working to fulfil government's expectations can be found below; the full Government's Letter of Expectations can be found at: [Government's Letter of Expectations](#).

GOVERNMENT DIRECTION

BCLC ACTIONS

Operate the gaming business within the social policy framework established by government and in alignment with the corporation's social responsibility objectives, building public trust and support in a manner consistent with the province's responsible gambling strategy and with the corporation's corporate social responsibility charter;

Social responsibility is integral to our business. Our efforts continue to be focused on enhancing responsible gambling programs through public education and responsible gambling awareness. We are also committed to continuous improvement in the Voluntary Self-Exclusion program.

BCLC actively works with other Canadian jurisdictions to strengthen the industry's commitment to responsible gambling and to share best practices. In 2010, we received World Lottery Association level 4 certification (the highest ranking available) for our responsible gambling programs; we are preparing to seek recertification in 2013. We're among the first jurisdictions to adopt RG Check and over the next three years all gaming facilities will be certified by the Responsible Gambling Council. We have created a Social Responsibility Charter for employees which supports and aligns with government objectives and expectations.

In accordance with government goals and direction, BCLC is striving to reduce reportable greenhouse gas emissions from the 2007 baseline by 33 per cent by 2020.

Optimize the corporation's financial performance within the gaming framework established by government, responding to customer and marketplace demands for the distribution of products and services, and proposing new revenue opportunities as they arise;

We continue to respond to customer and marketplace demands through upgrading casino and community gaming locations, introducing new games in facilities and through the Internet, and developing new product delivery options to make it convenient for our player. In addition to revenue generating initiatives, we will continue to improve financial performance through an increased emphasis on optimizing the business and strategic cost management.

Optimize the performance, security, integrity and efficiency of the corporation through the modernization of infrastructure, process and technology;

We will invest in the processes, systems and technology necessary to deliver optimal performance with efficiency, integrity and security.

For 2011/12 through 2013/14, the primary focus is the replacement of the casino Gaming Management System; but additional investments in security, data management, and financial systems will also contribute to enhanced performance.

Enhance the corporation's compliance policies and programs specific to anti-money laundering measures and enforcing age restrictions at gaming facilities;

We are committed to meeting and exceeding federal and provincial anti-money laundering regulations and have increased training and monitoring to help bolster this commitment.

Enhance the corporation's compliance and enforcement programs specific to anti-money laundering including implementing the action plan in the province's anti-money laundering review;

We are in the process of implementing recommendations of the province's anti-money laundering review.

GOVERNMENT DIRECTION**BCLC ACTIONS**

Enhance programs, policies, procedures, training, and take any other measures deemed necessary and continued vigilance in ensuring all gaming workers are aware of, and acting on, their responsibilities under the law to prevent minors from accessing casinos or gambling products; and

In our facilities, we are working closely with our service providers on measures to prevent underage access including enhanced training of front-line staff, increased monitoring and education.

Operate within the province's legislative framework and regulations and comply with policies, directives, and standards that may be issued from time to time by the Minister of Energy and Mines or the regulatory agency, the Gaming Policy and Enforcement Branch.

We will operate our business within the legislative, regulatory, and policy framework established by the Province of British Columbia.

The corporation continues to comply with all policy directives issued by the Minister, including directives and standards issued by the Gaming Policy and Enforcement Branch (GPEB).

appendix 1: how we measure and benchmark our performance

how our performance metrics are measured

We have not changed any of our performance measures for this Service Plan. Details of what we use each measure for and the targets for the next three years are in the Our Performance section of this Service Plan.

Our external performance benchmarks are obtained from the audited financial results published by the benchmark organizations, and from Lafleurs World Lottery Almanac and the Canadian Gambling Digest. The organizations that BCLC currently benchmarks to are:

- Ontario Lottery and Gaming Corporation (OLG)
- Loto-Québec (LQ); and
- Svenska Spel, the Swedish lottery, which is widely regarded as one of the most innovative international lottery and Internet gambling jurisdictions

We review the performance results published by other gambling organizations annually for additional benchmarking opportunities.

The table below summarizes how we measure each metric, our benchmarks and what we do to check that the data is reliable.

	How We Measure and Benchmark	Data Reliability
Performance Measures	<p>Public Support for Gambling</p> <p>Research and Incite Consultants conduct a continuous tracking study on our behalf throughout the year. The survey is conducted online and is a random sample of B.C. adults aged 19 and older and is representative of gender and region. The sample size is 3,000.</p> <p>Participants are asked to rate their response to the statement "I fully support the existence of legalized gambling in British Columbia" on a 7-point scale, where 1 is strongly disagree and 7 is strongly agree. The result is based on an aggregate of those who rate the statement as 5, 6, or 7.</p> <p>Public support for gambling is internally benchmarked on a time series basis.</p> <p>We do not externally benchmark as we have not identified similar data that is published by other gambling jurisdictions.</p>	<p>The survey is independently conducted by Research and Incite Consultants, using industry standard techniques to randomize the sample, while retaining gender and regional balance that is consistent with BC Stats figures.</p>
	<p>Player Awareness of Responsible Gambling Activities</p> <p>Research and Incite Consultants conduct a continuous tracking study on our behalf throughout the year. The survey is conducted online and is a random sample of B.C. adults aged 19 and older and is representative of gender and region. The sample size is 3,000.</p> <p>Participants are asked to rate their awareness of five of our responsible gambling initiatives on a 7-point scale. The result is a net percentage of participants who were aware of at least one of the initiatives.</p> <p>Player awareness of responsible gambling activities is internally benchmarked on a time series basis.</p> <p>We do not externally benchmark, due to the BCLC specific nature of this performance measure. We have not identified similar data that is published by other gambling jurisdictions.</p>	<p>The survey is independently conducted by Research and Incite Consultants, using industry standard techniques to randomize the sample, while retaining gender and regional balance that is consistent with BC Stats figures.</p>

		How We Measure and Benchmark	Data Reliability										
Performance Measures	Level of Greenhouse Gas Emissions	<p>BCLC uses standard calculations provided by the Province to calculate and report greenhouse gas emissions in a standard format, as required by the Province.</p> <p>We obtain our data from the suppliers of electricity, natural gas, fleet vehicle fuel, paper suppliers and from internal financial and procurement reporting.</p> <p>GHG emissions are internally benchmarked on a time series basis. Our Carbon Neutral Action Report and those of other B.C. Crown corporations are published at LiveSmart BC—Carbon Neutral Action Reports—Crown Corporations.</p>	<p>Data for electricity and natural gas consumption is verifiable from billable consumption figures supplied by the respective utilities companies.</p> <p>Fleet vehicle fuel consumption is verified from fuel consumption reporting from our fleet vehicle management company.</p> <p>Paper consumption for all types of reportable paper is measured internally each month.</p>										
	Player Participation	<p>Research and Incite Consultants conduct a continuous tracking study on our behalf throughout the year. The survey is conducted online and is a random sample of B.C. adults aged 19 and older and is representative of gender and region. The sample size is 3,000.</p> <p>Players are asked to score how frequently they play each of our three major lottery games, visit a casino or Chances location and use our PlayNow.com site. The result is an aggregate score for those players who played or visited at least once in the past month.</p> <p>Player participation is internally benchmarked on a time series basis.</p> <p>We do not externally benchmark as we have not identified similar data that is published by other gambling jurisdictions.</p>	<p>The survey is independently conducted by Research and Incite Consultants, using industry standard techniques to randomize the sample, while retaining gender and regional balance that is consistent with BC Stats figures.</p>										
	Player Satisfaction	<p>Research and Incite Consultants conduct a continuous tracking study on our behalf throughout the year. The survey is conducted online and is a random sample of B.C. adults aged 19 and older and is representative of gender and region. The sample size is 3,000.</p> <p>Players who played at least once in the last 3–5 months are asked to rate on a 10–point scale how satisfied they were with their experience in our lottery retail network, hospitality network, casino, Chances, bingo halls and PlayNow.com channels. The player responses in the top five boxes for each of the six channels is divided by the number of channels the player plays in and added together to get an overall score per player. All of the player scores are added together and expressed as a percentage to get the aggregate satisfaction score.</p> <p>Player satisfaction is internally benchmarked on a time series basis.</p> <p>We do not externally benchmark as we have not identified similar data that is published by other gambling jurisdictions.</p>	<p>The survey is independently conducted by Research and Incite Consultants, using industry standard techniques to randomize the sample, while retaining gender and regional balance that is consistent with BC Stats figures.</p>										
	Net Win Per Capita	<p>Net win is the revenue after prizes have been paid to players. Casino game prizes are paid during play. For lottery and bingo games, net win is calculated by deducting prizes from total sales revenue.</p> <p>We use the population forecasts published by BC Stats in July of each year as the baseline for our calculations.</p> <p>VLT revenue is included in benchmarking results from Loto-Québec and the Canada Total comparators to give a complete picture of total spending on gambling. The Province of B.C. does not permit VLTs.</p> <p>2009/10 net win per capita (\$)</p> <table border="1"> <caption>2009/10 net win per capita (\$)</caption> <thead> <tr> <th>Organization</th> <th>Net Win Per Capita (\$)</th> </tr> </thead> <tbody> <tr> <td>Loto-Québec</td> <td>~350</td> </tr> <tr> <td>OLG</td> <td>~350</td> </tr> <tr> <td>Canada Average</td> <td>404</td> </tr> <tr> <td>BCLC</td> <td>~450</td> </tr> </tbody> </table>	Organization	Net Win Per Capita (\$)	Loto-Québec	~350	OLG	~350	Canada Average	404	BCLC	~450	<p>Net win figures are taken from our audited statement of accounts, as published in our Annual Report. Figures for forecasts and targets are calculated by BCLC and are reviewed with the Treasury Board prior to inclusion in the Service Plan.</p> <p>Population figures are taken from published BC Stats figures for each of the years included in the Service Plan.</p> <p>For our benchmark comparators, net win figures are taken from the audited statements of accounts, as published in the Annual Reports of the benchmark organizations. Canada average figures are drawn from L'Annuaire World Lottery Almanac and the Canadian Gambling Digest.</p>
	Organization	Net Win Per Capita (\$)											
	Loto-Québec	~350											
OLG	~350												
Canada Average	404												
BCLC	~450												
Net Income	<p>Net income is income after prizes, direct and operating expenses and taxes have been deducted, and determined in accordance with International Financial Reporting Standards (IFRS).</p> <p>Net income is internally benchmarked on a time series basis.</p> <p>Net income is not benchmarked with other jurisdictions due to differences in the types of gambling offered, the differing gambling models and population levels.</p>	<p>Net income figures are taken from our audited statement of accounts, as published in our Annual Report. Figures for forecasts and targets are calculated by BCLC and are reviewed with the Treasury Board prior to inclusion in the Service Plan.</p>											

		How We Measure and Benchmark	Data Reliability										
Performance Measures	General Operating Costs as % of Net Win	<p>Our general operating cost ratio is the sum of our direct expenses (except prizes and ticket printing), gaming support costs, general operating costs and amortization divided by our net win and expressed as a percentage. All figures are determined in accordance with International Financial Reporting Standards.</p> <p>BCLC's operating cost ratio remains below Canadian benchmark comparators. Svenska Spel offers a similar gambling mix to BCLC, but derives more of its net win from VLTs and Internet gambling, both of which have lower operating costs than more traditional casino gambling, from which BCLC derives the majority of its net win.</p> <p>2009/10 general operating cost ratio (%)</p> <table border="1"> <caption>2009/10 general operating cost ratio (%)</caption> <thead> <tr> <th>Organization</th> <th>Ratio (%)</th> </tr> </thead> <tbody> <tr> <td>OLG</td> <td>57.9</td> </tr> <tr> <td>BCLC</td> <td>41.7</td> </tr> <tr> <td>Loto-Québec</td> <td>42.6</td> </tr> <tr> <td>Svenska Spel</td> <td>32.1</td> </tr> </tbody> </table>	Organization	Ratio (%)	OLG	57.9	BCLC	41.7	Loto-Québec	42.6	Svenska Spel	32.1	<p>Direct expenses, gaming support costs and general operating costs are taken from our audited statement of accounts, as published in our Annual Report. Figures for forecasts and targets are calculated by BCLC and are reviewed with the Treasury Board prior to inclusion in the Service Plan.</p> <p>For our benchmark comparators net win and general operating costs figures are taken from the audited statements of accounts, as published in the Annual Reports of the benchmark organizations.</p>
	Organization	Ratio (%)											
	OLG	57.9											
BCLC	41.7												
Loto-Québec	42.6												
Svenska Spel	32.1												
Electronic Gaming Devices per 1,000 population	<p>The number of electronic gaming devices (EGD) is calculated by BCLC. It is the number of EGDs deployed in our casino and community gaming facilities at the end of each fiscal year.</p> <p>We use the population forecasts published by BC Stats in July of each year as the baseline for our calculations.</p> <p>Gambling policy varies across the Canadian provinces. In B.C., Provincial policy excludes VLTs, limiting participation in this category to slot machines located in casino and community gaming facilities, where accessibility is restricted to adults. OLG does not have VLTs and as other jurisdictions reduce or reallocate VLTs we expect the Canada average to decline.</p> <p>2009/10 EGDs/1,000 population</p> <table border="1"> <caption>2009/10 EGDs/1,000 population</caption> <thead> <tr> <th>Organization</th> <th>EGDs/1,000 population</th> </tr> </thead> <tbody> <tr> <td>Canada Average</td> <td>2.84</td> </tr> <tr> <td>BCLC</td> <td>2.47</td> </tr> <tr> <td>Loto-Québec</td> <td>2.30</td> </tr> <tr> <td>OLG</td> <td>1.81</td> </tr> </tbody> </table>	Organization	EGDs/1,000 population	Canada Average	2.84	BCLC	2.47	Loto-Québec	2.30	OLG	1.81	<p>The number of electronic gaming devices is verified as an asset count by our Corporate Finance team.</p> <p>Population figures are taken from published BC Stats figures for each of the years included in the Service Plan.</p> <p>Numbers of EGDs are drawn from L'affaires World Lottery Almanac and the Canadian Gambling Digest.</p>	
Organization	EGDs/1,000 population												
Canada Average	2.84												
BCLC	2.47												
Loto-Québec	2.30												
OLG	1.81												
Employee Engagement	<p>Employee engagement is measured by an annual anonymous online survey of all of our employees, conducted by Ipsos Reid on our behalf. The participation rate was 87% in 2011.</p> <p>The survey asks employees to rank on a 6 point scale their agreement with a broad range of statements that span all aspects of the workplace, work conditions, career and development opportunities, and BCLC's goals and programs.</p> <p>The overall engagement score is an aggregate of the proportion of employees that have ranked their agreement with the statements in the top two points of the scale.</p> <p>Employee engagement is internally benchmarked on a time series basis.</p> <p>We do not externally benchmark, owing to the BCLC specific nature of survey questions used for this performance measure.</p>	<p>The survey is independently conducted by Ipsos Reid, using industry standard techniques.</p>											
Employee Vacancy Rate	<p>The vacancy rate is the number of vacancies in the process of being filled expressed as a percentage of the total headcount. It is measured on a monthly basis. The annual result is the average of the monthly figures.</p> <p>Employee vacancy rate is internally benchmarked on a time series basis.</p> <p>We do not externally benchmark, as other gambling jurisdictions do not publish equivalent figures.</p>	<p>Vacancy rate is internally calculated by our Human Resources team. The total headcount is the total number of approved positions. The number of vacancies is the number of positions being actively recruited internally or externally.</p>											



Appendix M

BCLC Service Plan 2013/14-2015/16 (BCLC0003677).

BCLC service plan

2013/14–2015/16



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message from BCLC's

board chair and president & ceo

On behalf of our Board of Directors and employees, we are pleased to present BCLC's 2013/14–2015/16 Service Plan to the Honourable Rich Coleman, Minister of Energy, Mines and Natural Gas, and Minister responsible for gaming.

Our purpose is to offer British Columbians exceptional entertainment by operating and managing lottery, casino, commercial bingo, community gaming and online gambling in a socially responsible manner on behalf of the Province. While we're the only company legally permitted to operate gambling in B.C., we're in direct competition with Washington State casinos, unregulated online businesses and virtually every other entertainment business such as movies, sporting events and concerts.

We're extremely proud that over 27 years we've generated more than \$14.6 billion in net income to benefit British Columbians. In 2013/14, we plan to deliver \$1.2 billion that will benefit a number of local and provincial priorities including health care, education, support for families, charities and community projects. During challenging economic times where low consumer confidence affects discretionary spending, BCLC has performed well relative to the market.

In order to sustain the net income we've consistently delivered we are making strategic changes to the way we think, work and run our business. As the gambling marketplace in B.C. matures and the pace of change accelerates, BCLC must continue to adapt to meet players' needs and explore new ways of doing business.

Our Service Plan continues to be guided by our vision, which is "Gambling is widely embraced as exceptional entertainment through innovation in design, technology, social responsibility and customer understanding." Our goals of Player, People, Public and Profit for this Service Plan period support this vision and reflect our priorities to compete for that discretionary entertainment dollar, inspire innovation among our workforce, build trust and support for BCLC, and invest to responsibly grow our business while managing costs.

Our Player: Putting the player first

For BCLC, the player comes first. We will offer customizable, player-driven experiences and improve the entertainment value and distribution convenience of our core games. We will broaden and diversify our player base to strengthen our business. We will continue to encourage responsible play so that players can make informed choices about gambling through education programs such as GameSense and Appropriate Response Training for casino staff.

Our People: Thinking differently

Fostering innovation and future success for the years ahead begins with our people. Lotto Express, a new way of distributing our lottery products via grocery checkout lanes which launched this past year, was the brainchild of a group of very creative employees. Our goal is to think differently, work together and act fast to drive results. Creating an environment that inspires employees to do their best work is key. As our business evolves, we also need to ensure that we have the right people with the right skills in place to be able to quickly adapt and pursue new growth opportunities. With our eyes on the horizon, we'll be defining our future workforce needs and continuing to offer development opportunities to align ourselves for success.

Our Public: Building public trust

Our reputation is critically important to BCLC's long-term success. Our goal is to continue building public trust and support for BCLC by being a good corporate citizen and demonstrating integrity in what we deliver and how we deliver it so that the public has confidence our business is fair, safe and well-managed. While not everyone in B.C. gambles, we want to understand how all British Columbians perceive BCLC. Engaging our stakeholders in communities across B.C. will be a major focus for the coming years to help build understanding of our business. Hosting responsible gambling awareness events in five communities across B.C. in January 2013 was one example of how we continue to engage local residents about topics that are near and dear to both BCLC and the public.

Our Profit: Growing net income to the Province responsibly

Over the past two years, our net income has had very modest growth with our 2012/13 income projected to be about two per cent more than 2011/12. Looking ahead, net income is projected to increase about two per cent annually from \$1.1 billion in 2012/13 to \$1.2 billion in 2015/16, resulting in \$4.7 billion in net income to the Province of B.C. over the four years 2012/13 to 2015/16. We will continue to focus on revenue generating initiatives to generate growth while sustaining our mature products. We will also focus on operational effectiveness and cost management to sustain and grow net income to the Province of B.C.

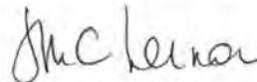
For the next three years, we'll assess our level of success in achieving our four corporate goals of Player, People, Public and Profit using established performance measures and by using publicly available benchmarks from other comparable gambling organizations. These four goals define where we want to be and provide the roadmap to help us realize our vision.

The focus of the 2013/14 year will be on continuing the replacement of the casino Gaming Management System, ensuring our lottery games are accessible, fun, and easy to play and continuing the development of our PlayNow.com platform, all initiatives keeping foremost our responsible gambling lens.

As with previous plans, the 2013/14–2015/16 BCLC Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the B.C. Reporting Principles. The plan is consistent with

Government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported.

All significant assumptions, policy decisions, events and identified risks, as of **January 24, 2013**, have been considered in preparing the plan. The performance measures presented are consistent with BCLC's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of BCLC's operating environment, forecast conditions, risk assessment and past performance.



John McLernon
Board Chair



Michael Graydon
President & CEO

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organizational overview

BCLC is the Crown agency mandated to conduct, manage and operate lottery, eGaming, casino and commercial bingo gambling in British Columbia.

who we are

Incorporated in October 1984 and pursuant to amendments to the *Criminal Code of Canada* (1969), British Columbia Lottery Corporation (BCLC) operates under the *Gaming Control Act* (2002) of British Columbia.

We operate our gambling business within the legislative, regulatory and policy framework established by the Province under the authority and direction of the Honourable Rich Coleman, Minister of Energy, Mines and Natural Gas, and Minister responsible for gaming.

mandate

Our mandate is to conduct and manage gambling in a socially responsible manner for the benefit of British Columbians. We offer exceptional gambling entertainment through:

- National and provincial lotteries
- Casino gambling
- Commercial bingo
- Online gambling

vision

Gambling is widely embraced as exceptional entertainment through innovation in design, technology, social responsibility and customer understanding.

values

Integrity: The games we offer and the ways we conduct business are fair, honest and trustworthy.

Social Responsibility: Everything we do is done with consideration of its impact on and for the people and communities of British Columbia.

Respect: We value and respect our players, service providers and each other.

our goals and objectives

1. **PLAYER:** We will put players first to create the entertainment experiences they enjoy
 - Delight our players so they will choose BCLC gambling over other entertainment options
 - Broaden and diversify the player base and spending to strengthen our business and reduce risk
 - Encourage responsible play so that players make informed choices about their gambling
2. **PEOPLE:** We will think differently, work together and act fast
 - Make BCLC a great place to work so that we feel inspired to do our best work and we are a sought-after employer
 - Define our future workforce needs so we have the right people with the right skills at the right time
3. **PUBLIC:** We will build public trust and support for BCLC
 - Be a good corporate citizen so that our business is welcomed across B.C.
 - Demonstrate integrity in what we deliver and how we deliver it so that the public has confidence our business is fair, safe and well-managed
4. **PROFIT:** We will grow net income and invest in the long-term health of our business
 - Grow net income from our core business
 - Invest in innovative products and services that respond to consumer trends and create opportunities for growth
 - invest in infrastructure and processes to improve operational effectiveness and enable the business to get to market faster

how we are regulated

Gambling is regulated by the Gaming Policy and Enforcement Branch (GPEB) of the Ministry of Energy, Mines and Natural Gas. GPEB directs policies, legislation, standards, responsible gambling strategies, licensed charitable events and horse racing, registers gambling service providers, certifies supplies and equipment, and conducts audits and compliance investigations.

what we do and where we are

We conduct and manage gambling on behalf of the Province. We integrate responsible gambling and player security into the design and development of new products and services, market and advertise our products, manage the underlying technology, and oversee contracted retailer and service provider operations to maintain gambling integrity, security, compliance and performance.

Most of our products are sold day-to-day by private sector service providers at more than 3,800 lottery retail locations, 17 casinos, 19 community gaming centres and 7 commercial bingo halls. Secure, regulated online play is offered on PlayNow.com.

Our headquarters in Kamloops oversees finance, administration and information technology, while our Vancouver corporate office manages sales, marketing and distribution. Field staff throughout the province also support our operations.

The consolidated financial statements of BCLC include a wholly owned subsidiary, B.C. Lottotech International Inc. (Lottotech). The primary business of Lottotech is the purchase and lease of capital assets for BCLC, with Lottotech's budget reviewed and approved by BCLC's Board of Directors through our annual business planning process. The financial operations, management and oversight of Lottotech are consolidated within BCLC operations. BCLC has no other active or inactive subsidiaries.

how we benefit B.C.

Provincial programs & services: Every dollar of BCLC gambling proceeds benefits British Columbians. In 2013/14, BCLC is planning to deliver \$1,172.0 million in net income to the Government of British Columbia for health care, education, charitable and municipal programs. A portion also goes to the Government of Canada. BCLC retains none of its earnings.

Gaming grants: Each year, more than 5,000 community and charitable organizations receive community gaming grants awarded by the Province for arts and culture, sport, public safety, environment and human and social services. For more information, visit <http://www.pssg.gov.bc.ca/gaming/grants/community-gaming>.

Jobs and contracts: We employ about 900 employees with more than 37,000 direct and indirect workers employed in gambling operations, government agencies, charities and support services.¹

¹ Source: HLT Advisory Inc. "2010 Economic Impact of the Canadian Gaming Industry: Key Findings Report."

core business areas (channels)

Channel	Casino & Community Gaming Centres	Lottery	eGaming
2012/13 Forecasted Net Income (Total \$1,125.0 million)	\$829.0 million	\$267.0 million	\$29.0 million
Distribution Network	15 Casinos 2 Racecourse Casinos 19 Community Gaming Centres 7 Commercial Bingo Halls	2,900 Retail locations 940 Hospitality locations	PlayNow.com
Products	Slot Machines Table Games Electronic Tables Poker Games Paper & Electronic Bingo Lotto Games	Lotto Games Sports Games Social Games Instant Games	Lotto Games eBingo eCasino ePoker Sports Betting
Structure	Private sector service providers earn a percentage of net win for providing gambling facilities and day-to-day operational services	Service providers earn an industry-standard commission, calculated as a percentage of revenue to service lottery games in their locations	Games are provided through PlayNow.com, where providers earn a licence fee and/or a percentage of net win for providing gambling software

corporate governance

BCLC'S BOARD OF DIRECTORS (BOARD) IS APPOINTED BY ORDER OF THE LIEUTENANT-GOVERNOR IN COUNCIL.

BCLC is compliant with the standards and guidelines and each of the disclosure requirements contained in the Best Practice Guidelines—B.C. Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations (2005).

Our Board framework includes the terms of reference for the Board, the Board Chair, President and Chief Executive Officer, Directors, Standing and Ad Hoc Board Committees and the Corporate Secretary, as well as processes for strategic planning, succession planning and Board performance evaluations.

The Directors are stewards of BCLC, chosen on the basis of their expertise and experience. Upon appointment, the Directors agree to act in accordance with the Board's Code of Conduct and Conflict of Interest Guidelines.

Our Board's purpose is:

- To foster BCLC's short-term and long-term success, consistent with its responsibility to the Government of British Columbia, giving consideration to the legitimate interests held by other stakeholders including players, employees, service providers, suppliers, communities and the public;
- To oversee the conduct of BCLC's business and to supervise management, which is responsible for the day-to-day operation of BCLC.

The Chair is the presiding Director, responsible for the effective leadership and performance of the Board and is the liaison between the Board and Minister responsible for gaming. The Chair works together with the President & CEO (the CEO) to ensure effective relations with stakeholders, including Government.

Reporting to the CEO, the Corporate Secretary facilitates communication between the Board and Senior Executive team, playing a key role in the administration of corporate and governance matters, working with the Board through the Chair.

BCLC's Senior Executive team attends Board meetings. To maintain autonomy, the Board may convene in camera sessions. [Click here to learn more about BCLC's Corporate Governance](#) and [more about our Board of Directors](#).

Learn more about the Province of British Columbia's [Board Resourcing and Development Office](#).

Minister Responsible for Gaming
The Honourable Rich Coleman
Minister of Energy, Mines and Natural Gas

Board of Directors
John McLernon (Chair)

Role:	To provide stewardship and ethical leadership to oversee the management of BCLC's affairs in the best interests of BCLC and the long-term interests of the Government of the Province of British Columbia.
Governance:	In carrying out the mandate of the Board, each director has specific statutory duties and obligations under employment, environmental and financial reporting and is required to act in accordance with fiduciary, duty of care and conflict of interest guidelines and do so: <ol style="list-style-type: none"> honestly and in good faith; with a view to the best interests of the Corporation; with the care, diligence, and skill of a reasonably prudent person; and consistent with the terms of reference that set out the standards of performance that the Board expects of each director.
Chair:	John McLernon
Members:	Arthur Willms (Vice-Chair), Trudi Brown, David Gillespie, Cindy Grauer, Moray Keith, D. Neil McDonnell, Michael Riley, Bud Smith

BCLC has three standing Board committees; other committees are established as needed. The committees are responsible for advising and formulating recommendations to the Board. Our standing Board committees are:

Audit Committee	Purpose: To assist the Board in fulfilling oversight responsibilities for BCLC's financial reporting provided to Government and the public, the effectiveness of internal control systems, audit processes, performance management and compliance with laws, regulations and policies. Chair: Michael Riley Members: David Gillespie, Moray Keith, Arthur Willms, D. Neil McDonnell
Governance and Corporate Social Responsibility Committee	Purpose: To provide focus on governance that enhances BCLC's performance, including for the Board of Directors, and to provide oversight responsibility for corporate social responsibility policy. Chair: David Gillespie Members: Trudi Brown, Moray Keith, Bud Smith
Human Resources and Compensation Committee	Purpose: To assist the Board in fulfilling obligations relating to human resources and compensation matters to enhance BCLC's performance against the strategic plan. Chair: D. Neil McDonnell Members: Cindy Grauer, John McLernon, Bud Smith
Ad Hoc Committees	Purpose: Established for a specific period of time to undertake a specific task, and then disbanded.
Ex-Officio Members	The Board Chair is an ex-officio member of all committees where not appointed as a full member. The President and CEO is also an ex-officio member of all committees.

our senior executive team

BCLC's President and Chief Executive Officer (the CEO) reports to our Board of Directors. [Click here](#) for the terms of reference for the CEO, which are included in our Board framework.

The CEO provides the leadership, management, and general supervision and controls BCLC operations on a day-to-day basis in accordance with the strategies, plans and policies approved by BCLC's Board.

The CEO is supported by a Senior Executive team comprising nine Vice-Presidents, all of whom report directly to the CEO.

A Vice-President is responsible for the leadership and operation of each of the three business channels: Lottery Gaming, eGaming and Casino and Community Gaming.

The business channels are supported by six divisions, responsible for managing the operations of BCLC's finance and corporate services; communications and public affairs; corporate security and compliance; business technology; corporate strategy, transformation and social responsibility; and human resources capabilities.

The Director, Audit Services reports administratively to the CEO and functionally to the Board Audit Committee. [Click here](#) to learn more about BCLC's Senior Executive team members.

Minister Responsible for Gaming
The Honourable Rich Coleman
Minister of Energy, Mines and Natural Gas

Board of Directors
John McLernon (Chair)

President & CEO
Michael Graydon
Responsible for BCLC's leadership and vision, directing and supporting the Senior Executive team in the development of the plans and actions required to realize the strategic goals of the organization.

Business Technology

Lynette Hughes, Chief Information Officer

Responsible for the technology and systems that support BCLC's operations, including information technology, enterprise architecture, program management, and the information technology that supports gambling and back office systems.

Casino and Community Gaming

Jim Lightbody, Vice-President

Responsible for the development and operation of casinos, community gaming centres and commercial bingo, including products, sales, distribution and contracted private sector service providers.

Communications and Public Affairs

Susan Dolinski, Vice-President

Responsible for the company's strategic communications to support BCLC's business goals, including public affairs, media relations, issues management, stakeholder engagement, internal communications and digital media.

Corporate Security and Compliance

Brad Desmarais, Vice-President

Responsible for corporate security and compliance, including customer service complaint investigations, legal services, corporate policy, privacy and freedom of information administration, information systems security and employee and service provider compliance.

eGaming

Rhonda Garvey, Vice-President

Responsible for the direction of the eGaming business unit, providing leadership in all aspects relating to operations, development and marketing of BCLC's secure and regulated gambling website, PlayNow.com.

Finance & Corporate Services

Jervis Rodrigues, Vice-President and Chief Financial Officer

Responsible for finance, including financial reporting and liaison with Government, and corporate services including enterprise risk management, facilities and procurement.

Human Resources

Peter Charlton, Vice-President

Responsible for human resources and talent management, including recruitment, compensation, rewards and recognition, leadership and other development and training programs.

Lottery Gaming

Kevin Gass, Vice-President

Responsible for the development and operation of lottery gambling, including products, marketing, sales and distribution, and contracted private sector service providers.

Strategy, Transformation and Social Responsibility

Marsha Walden, Vice-President

Responsible for BCLC's corporate strategy, including the business architecture, transformation of its infrastructure and processes, and its approach to the player experience and corporate social responsibility.

strategic context

These trends, opportunities and risks will shape our operations and potentially influence our performance during the three years of this plan. In preparing strategy, BCLC has assessed risks and opportunities, likelihood and potential impact.

economic and market trends and issues

We monitor the marketplace to proactively change direction to leverage or mitigate external influences.

economy & population growth

Recent Government economic assumptions forecast the B.C. economy will grow by 1.7 per cent in 2013 and an average of 2.4 per cent per year in the following three years. The forecast for relatively slow near-term growth is mainly due to continued weakness in Europe, the sluggish U.S. recovery and the potential for further slowing of global economic activity.² This uncertainty negatively affects financial business and consumer confidence, which in turn influences spending decisions.

B.C. personal disposable income faces a modest growth outlook in the medium term with growth in current dollars fluctuating between 3.0 and 4.0 per cent annually.³

B.C.'s population is estimated to grow by 0.7 per cent in 2012 and a further 1.2 per cent in 2013.⁴ Net negative interprovincial migration will be offset by positive migration from other countries. Overall population growth will remain modest by historical standards. Relatively low population growth has a direct impact on economic growth including consumer spending.

Over the past two years our net income has had very modest growth with our 2012/13 income projected to be about 2.0 per cent more than 2011/12. The 2013/14 year net income growth over 2012/13 projection is 4.2 per cent with moderate growth anticipated in lottery and casino and stronger growth in eGaming.

Actions: We will continue to focus on revenue-generating initiatives to generate growth while sustaining our core, mature products. We will also focus on operational effectiveness and sustaining and growing net income to the Province.

player centricity

Putting our players first is fundamental to our business. Consumer patterns and preferences are changing with technology in the form of social media and other interactive forms of entertainment. We know our players value and respond to change. Given the range of choices in today's entertainment field, the competition for customers has never been tighter.

With this in mind, we are constantly evaluating and looking for

ways to improve the products we offer by understanding emerging trends, attitudes and ideas within the framework of upholding social responsibility as an essential component.

Actions: We will continue to focus on our players so they choose BCLC gambling over other entertainment options. This means offering customizable, player-driven experiences and improving the entertainment value and distribution convenience of our games. Engaging our players to find out what they like and where we can make improvements will help us keep players first, keeping our emphasis on social responsibility.

public opinion

Public trust and support for BCLC is our licence to operate. We will continue to be a good corporate citizen so that our business is welcomed across B.C., and to demonstrate integrity in what we deliver and how we deliver it so that the public has confidence our business is fair, safe and well-managed. With each of our endeavours, strategies and innovations comes the duty to promote our gambling products in a socially responsible manner.

Actions: We are committed to ongoing improvement to our responsible gambling programs, security and compliance, stakeholder relations, transparency and financial and environmental stewardship. For example, RG Check is an important new tool that provides a comprehensive, independent review of B.C.'s responsible gambling programs and gives us greater insight into how we measure up against best practices in areas such as corporate policies, voluntary self-exclusion, advertising, problem gambling supports, venue and game features, and employee training. So far, nine B.C. gambling facilities have been reviewed and received RG Check accreditation, and the remaining facilities are planned to be reviewed over the next two years.

revenue sustainability

We deliver more than \$1 billion in income annually to the Province. Looking ahead, our build-out of gambling facilities is nearing completion, some of our products are reaching maturity in their life cycle and newer games are more expensive to

2 Source: Province of B.C. Ministry of Finance November 2012.

3 Source: Central 1 Credit Union "Central 1 Economic Analysis of British Columbia." September 2012.

4 Source: Province of B.C. "Economic Review and Outlook in 2012/13 First Quarterly Report." September 13, 2012.

develop and provide lower margins than our traditional games. This combined with an aging player demographic and economic conditions will make it challenging for BCLC to grow and sustain revenue flow to the Province. To address this environment, BCLC is pursuing revenue opportunities through product and service innovations, enhancements to our distribution channels and the further development of our PlayNow.com platform. Through strategic investments in innovation and modernization, we are projecting these initiatives will generate significant new revenue over the three-year planning period.

Gambling continues to be one of Canada's largest entertainment industries generating over \$15 billion in net win.⁵ However, growth over the last five years has been less than 1.0 per cent annually. At BCLC we are projecting a net win growth rate of about 2.2 per cent for 2012/13 and 2.5 per cent for 2013/14. The net income we provide to the Province is also projected to increase at a moderate pace over the period covered by this plan.

Actions: We have two primary strategies to sustain revenue: investing in new growth opportunities so that we respond to consumer trends and replenish lost income from declining products and shrinking margins, and exploring new ways of operating our business to improve profit and productivity from our existing lines of business.

operating costs

While BCLC has continued to grow net income, the cost to generate this net income has increased in what has become a competitive and mature market. Increased costs are due to new games that cost more to execute, an increased reliance on technology, additional regulatory requirements and accounting changes.

Actions: BCLC fully understands that cost management is critically important and a key strategic initiative to sustain and grow income to the Province. We will continue to scrutinize our business for cost management opportunities and engage in best practice strategic procurement initiatives.

infrastructure investment

Technology has become vital to our business. Today, innovation is key, and it's how we will keep pace with our customers. We know our customers are increasingly using devices to connect to us, so we're investing in developing products and developing a platform for future innovation.

Sustaining current operations and enabling future growth are key priorities. However, a significant number of our systems are considered legacy and need to be updated or replaced. Business transformation activities and maintaining new systems have added additional cost pressures. Looking ahead, renewed infrastructure and new technologies are key to sustained revenue growth.

Actions: We are making significant progress in modernizing and transforming our infrastructure and gaming systems.

⁵ Source: HLT Advisory Inc. "2010 Economic Impact of the Canadian Gaming Industry: Key Findings Report."

We are optimizing our websites for mobile devices. We are in year two of a multi-year project to replace our casino Gaming Management System that supports over 70 per cent of BCLC's net win every year. This multi-year project will modernize our land-based gambling business and help us be more responsive to players.

Our three-year plan is to build new levels of connectivity into our systems, to deliver improved customer service across all our business channels and establish a platform for sustainable revenue generation.

eGaming

We first ventured online in 2004, offering lottery products on PlayNow.com. The pace of change, not to mention the need for change, has soared since then. In 2010, we opened up a brand new field for BCLC—pioneering regulated, online casino games. Not long afterward, we broke new ground again with partners in Québec, developing the first-ever regulated, online peer-to-peer poker across jurisdictions. This past year, we launched a brand new sports betting platform to give our players the best possible experience including live betting, a better variety of sports and more betting options. We also partnered with Manitoba Lotteries to provide them with their own online gambling website. eGaming is still a relatively small part of our business, but it is definitely a growth area.

Actions: We will continue to focus on ongoing enhancements to our casino and sports offerings on PlayNow.com and optimize our website for devices like tablets. Players will be able to access winning numbers and responsible gambling information, and our security and protection features will apply whether players choose to access the website using mobile, tablet or personal computer. We are also exploring using the PlayNow.com platform in other areas of our business. Going forward, we'll continue to explore opportunities to provide PlayNow.com to other jurisdictions in Canada.

lottery

Lottery products have been sold in B.C. for over three decades. Although changing demographics and consumer preferences have affected this channel, three of our five core products are lottery products: Lotto 6/49, LOTTO MAX and Keno. These three products are forecast to generate more than \$275 million or 13 per cent of our total net win through both the retail and hospitality network.

Actions: We will place the player at the centre of our focus while at the same time recognizing the important role and contribution of our retailers. Future efforts will be on making lottery easy and accessible to play, ensuring our products remain fun and compelling through game enhancements, refreshing the "look and feel" of our retail presence, building strong retailer partnerships and making all players feel like winners. All initiatives will maintain player security and system integrity.

casino and community gaming centres

British Columbians currently enjoy gambling in 43 facilities throughout the Province. Revenue generated in our casino facilities account for over 70 per cent of our total net win. While building and upgrading existing casino and community gaming facilities to higher quality properties remains critically important, we are transforming into an organization and industry that competes more effectively for the consumer's discretionary entertainment dollar.

Actions: We will strive to develop gambling destination properties in B.C. that are a popular entertainment choice for adults. Together with our private sector service providers, we will leverage our insight and analytics to deliver innovative entertainment for our players. We will continue to demonstrate our commitment to excite and delight our players by providing them with the kinds of promotions that interest them through our Encore Rewards program.

We are excited about giving our players an improved gaming experience and added opportunities for entertainment through the introduction of the new casino Gaming Management System and the development of a new gaming platform that will leverage the PlayNow.com suite of games. In collaboration with our private sector service providers, we will realize additional revenue growth through the marketing capabilities of these new systems and multi-channel platforms.

For net win and net income trends of all our core business areas, refer to Our Financial Outlook later in this document.

risks and opportunities

BCLC has a formal enterprise risk management (ERM) program, with ongoing evaluation of risks and quarterly Board reporting of action plans for all significant risks identified. BCLC continues to develop the ERM program, expanding consideration of risk to include opportunity assessment and strengthening links with the compliance, business continuity, insurance and anti-fraud programs. BCLC's risk criteria are closely aligned to our strategic goals, with the major risks and opportunities ahead outlined below:

RISKS & OPPORTUNITIES	IMPACT	ACTIONS
PLAYER GOAL: Put players first to create the entertainment experiences they enjoy		
<p>Risk: BCLC may not understand or meet the needs and expectations of new and existing players for high-quality facilities, games, services and touch points.</p> <p>The responsible gambling and Voluntary Self-Exclusion programs may not fully meet player needs and public expectations.</p>	<p>Player satisfaction or participation levels may decline over time. Existing or potential customers may seek alternative entertainment.</p> <p>Players may not make informed choices about gambling. Problem gambling rates may increase.</p>	<p>Investments will be made in market research and analytics to obtain customer focused insights.</p> <p>BCLC will continue its long-term commitment to responsible gambling programs, working with GPEB to provide education, tools, resources and communications to support informed gambling decisions.</p> <p>Plan to increase investment in public education programming and develop responsible gambling programming for special populations.</p> <p>BCLC continues to develop and enhance the Voluntary Self-Exclusion program including ongoing security enhancements and continuing with the facial recognition pilot at casinos.</p>
<p>Opportunity: Attract new players and increase play through making BCLC games and facilities an accessible and appealing entertainment option.</p>	<p>BCLC needs to engage players across gambling channels in a highly competitive and rapidly changing market in order to sustain and grow the business.</p>	<p>Make budget and resource investments in innovation in order to remain relevant and deliver new products and services to meet customer expectations.</p> <p>New purchase options such as Lotto Express and PlayNow.com mobile play are being developed. Amenities and services are being improved in our casino properties that are under development in our major markets.</p>

RISKS & OPPORTUNITIES	IMPACT	ACTIONS
PEOPLE GOAL: Think differently, work together and act fast to drive results		
<p>Risk: BCLC may not be able to attract, recruit and retain sufficient skilled staff or develop the skill sets and competencies required in time to meet future growth targets.</p>	<p>BCLC's difficulty in recruiting and retaining employees with the key competencies may result in difficulties in maintaining operations and planning and undertaking new initiatives.</p>	<p>BCLC will develop a compensation framework that is market competitive and supports our ability to continue with current initiatives and future transformational activities.</p>
<p>Opportunity: To develop a skilled, engaged and flexible workforce to drive organizational transformation and success.</p>	<p>To transform the business, BCLC needs able and inspired employees with the right skills.</p>	<p>Enhance employee planning to identify BCLC's future capabilities, competencies and resource needs.</p> <p>Invest in employee development to meet skill and capability needs.</p> <p>Support a culture of collaboration that improves our focus on the player, our capacity for innovation and our speed-to-market.</p>
PUBLIC GOAL: Build public trust and support for BCLC		
<p>Risk: The public may not feel that BCLC is demonstrating our values of integrity, social responsibility and respect.</p> <p>BCLC systems and processes to support best practices and respond to internal and external challenges may not be optimized.</p> <p>Information security could be threatened by malicious attack or sabotage.</p>	<p>If the public or other stakeholders lose confidence in BCLC new initiatives may not be approved or player participation may fall with a consequent decline in revenue.</p> <p>BCLC requires consistent, reliable business processes, practices and models with robust governance.</p> <p>Compliance with current and future regulations is also very important to assure the public and our stakeholders.</p>	<p>BCLC is pursuing proactive communications strategies to enhance public knowledge of how BCLC conducts its business and contributes to local communities across B.C.</p> <p>BCLC is driving a number of initiatives to modernize processes, reduce reliance on manual processes, implement intelligent controls and strengthen operational integrity.</p> <p>Investments are being made to improve information governance and management across the enterprise to create enterprise solutions that better supports business decision-making, knowledge management and information security.</p> <p>BCLC is also improving the processes and application of technology solutions for oversight and management of monitoring and compliance activities.</p> <p>We continue to strengthen our risk, compliance and business continuity capabilities to further improve both risk mitigation and contingency response to potential integrity issues or disruptions.</p>
<p>Opportunity: Greater engagement with the public, municipalities and local communities.</p>	<p>BCLC needs public support to pursue new initiatives that generate income for the Province and all British Columbians.</p>	<p>BCLC continues to implement the Openness and Accountability Strategy, using the redesigned bclc.com website to proactively inform media and the public about our business.</p> <p>We also work closely with our local communities through initiatives such as Responsible Gambling Awareness Month.</p>

RISKS & OPPORTUNITIES	IMPACT	ACTIONS
PROFIT GOAL: Grow net income and invest in the long-term health of our business		
<p>Risk: BCLC may face challenges in growing and sustaining revenue as traditional games mature and new technology-based games become more expensive to develop and yield lower profit margins.</p> <p>Technology or capacity limitations may restrict the development of the new or optimized enterprise level capabilities required for transformation and future innovation.</p>	<p>Without continuing investment and innovation the net income contribution that BCLC makes to the Province may decline.</p> <p>BCLC's ability to meet the expectations of existing and new players and private sector service providers may be constrained, affecting future revenue.</p>	<p>Corporate transformational initiatives are underway that will include replacement of a number of legacy systems. The most significant of these is the rollout of the new Gaming Management System to all of our facilities.</p> <p>The transformation of our Business Technology and Finance divisions will provide better support for our business with improved enterprise working, swifter implementation and better decision support.</p>
<p>Opportunity: Optimizing, streamlining and automating business processes to improve efficiency and provide the foundations for new growth opportunities.</p>	<p>BCLC needs to be ready to respond to external constraints and opportunities resulting from changes to the business environment.</p>	<p>We are assessing our business models with a focus on increasing operational effectiveness, speed to market and exploring new ways to improve profit and productivity as we operate our business in the future.</p> <p>BCLC will also continue to focus on developing revenue generating initiatives to generate growth while sustaining our core, mature products.</p>

our capacity to achieve results

Current and future needs require sound, responsive and adaptive business processes and technology. Our workforce must have the skills and capabilities to work in this environment and leverage our business to satisfy our players.

We are investing in our workforce through continual refinements to our online learning management system, ongoing programs for leadership development, and employee development. Aligning workforce planning strategies with emerging business needs will ensure our human resources capacity is effectively utilized. We need a competitive compensation plan and workplace environment in order to attract and retain top talent and grow our business.

We are improving our business planning processes to ensure we are allocating our human, operating and capital resources to the highest value-added projects. Reinforcing a culture of business optimization, continuous improvement and operational efficiency will result in allocating resources where the business need is the greatest.

our plan for the next three years

goals, objectives and performance measures

BCLC's Board and Senior Executive manage the business through a cycle of strategic and business planning, reporting and then analyzing performance. Our planning includes reviewing economic and marketplace indicators as well as results from other gambling jurisdictions with similar operations.

BCLC's strategic plan is our roadmap, defining where we want to be and how we plan to get there. In planning for the next three years, we made changes to BCLC's strategic plan to more clearly articulate our direction, restating our goals and adding objectives to the framework.

Appendix 1 provides a comparison of our goals, objectives and performance measures from the 2012/13-2014/15 Service Plan and this 2013/14-2015/16 Service Plan.

Our new strategic plan is summarized in the table below.

Corporate Goals <i>where we want to be</i>	Corporate Objectives <i>what we need to achieve and why it is important</i>	Performance Measures <i>how we will measure corporate performance</i>
1. We will put players first to create the entertainment experiences they enjoy	Delight players so they will choose BCLC gambling over other entertainment options	Player Satisfaction
	Broaden and diversify the player base and spending to strengthen our business and reduce risk	Player Participation
	Encourage responsible play so that players make informed choices about their gambling	Player Awareness of Responsible Gambling Activities
2. We will think differently, work together and act fast	Make BCLC a great place to work so that we feel inspired to do our best work and we are a sought-after employer	Net Win per Capita
	Define our future workforce needs so we have the right people with the right skills at the right time	Employee Engagement
3. We will build public trust and support for BCLC	Be a good corporate citizen so that our business is welcomed across B.C.	Employee Vacancy Rate
	Demonstrate integrity in what we deliver and how we deliver it so that the public has confidence our business is fair, safe and well-managed	Public Support for BCLC
4. We will grow net income and invest in the long-term health of our business	Grow net income from our core business	Level of Greenhouse Gas Emissions
	Invest in innovative products and services that respond to consumer trends and create opportunities for growth	Net Income
	Invest in infrastructure and processes to improve operational effectiveness and enable the business to get to market faster	Operating Costs as % of Net Win

how we measure our performance

BCLC establishes performance measures to help us assess our level of success in achieving our objectives.

For non-financial measures, BCLC contracts with independent third-party professionals to conduct surveys, comparing our performance results against established targets. We assess these results on a quarterly basis, reviewing and analyzing the data, enabling us to see where our plans are achieving the desired results. Our performance results are published each year in our Annual Service Plan Report.

Financial information is obtained from BCLC's audited financial statements and from other internal reports. We source the population figures from BC Stats and Statistics Canada and use them in the calculation of some of our performance measures.

Our employee engagement is measured through a third-party research supplier who conducts an annual survey with BCLC's employees.

We benchmark our financial performance against the audited financial results published by comparator organizations and the Canadian Gambling Digest.

BCLC benchmarks to the Ontario Lottery and Gaming Corporation (OLG), Loto-Québec (LQ), the Swedish lottery Svenska Spel and the Canadian gambling average. These benchmarks provide insight into BCLC's financial performance against national averages and comparable gambling jurisdictions. A summary of our current Service Plan's performance measures are included in the table below:

	Performance Measures	2011/12 Actual	2012/13 Forecast	2013/14 Target	2014/15 Target	2015/16 Target
Player	Player Satisfaction	83%	83%	83%	83%	83%
	Player Participation	62%	62%	62%	63%	64%
	Player Awareness of Responsible Gambling Activities	80%	78%	80%	82%	83%
	Net Win Per Capita	\$447	\$455	\$467	\$479	\$492
People	Employee Engagement	81%	80%	80%	80%	80%
	Employee Vacancy Rate	1.9%	4.0%	4.0%	4.0%	4.0%
Public	Public Support for BCLC*		79%	80%	81%	83%
	Level of Greenhouse Gas Emissions (calendar year)	2011: 1,506	2012: 1,514	2013: 1,439	2014: 1,382	2015: 1,326
Profit	Net Income (millions)	\$1,107.4	\$1,125.0	\$1,172.0	\$1,202.0	\$1,237.0
	Operating Costs Ratio (% of Net Win)	42.0%	42.0%	42.5%	42.5%	42.5%

Our performance targets for the next three years are outlined in the following pages. A more detailed explanation of the methodology used for each measure and our benchmarking is contained in Appendix 2.

* In the past, we have tracked "Public Support for BCLC Gambling" and going forward will track this metric.

goal 1: player

we will put players first to create the entertainment experiences they enjoy

Objectives	Performance Measure	Strategies
Delight players so they will choose BCLC gambling over other entertainment options	Player Satisfaction Player Participation	<ul style="list-style-type: none"> • Offer customizable, player-driven experiences • Leverage the PlayNow.com platform across all channels and devices • Continuously improve the entertainment value and distribution convenience of our core games • Provide education and tools supporting informed gambling choices and responsible play behaviours
Broaden and diversify the player base and spending to strengthen our business and reduce risk	Player Awareness of Responsible Gambling Activities	
Encourage responsible play so that players make informed choices about their gambling	Net Win per Capita	

delight our players

We realize that our players have many options in spending their entertainment dollars. Understanding our player will help us on our journey in creating exciting entertainment experiences. We are strengthening our customer understanding through feedback and research and are taking positive steps in transforming to a player-driven organization. We will continue to work closely with our service providers to enhance our gambling facilities and to improve the look and feel at our lottery retail locations.

broaden & diversify player base

Increasing the number of players strengthens our business. BCLC is planning to leverage the PlayNow.com platform across all our channels and devices, so that we diversify and increase our player base and realize a higher return on our investment in technology. We want it to be easy for our players to do business with us, so that they are satisfied with their entertainment experience.

We know our players want customization and player-driven experiences, and these attributes will be built into future products and services. We are also taking steps to add convenience in how our players purchase our products.

encourage responsible play

The more players know, the better equipped they are to make healthy decisions about gambling. BCLC's responsible gambling programming provides education and tools to support informed gambling choices and responsible play behaviours.

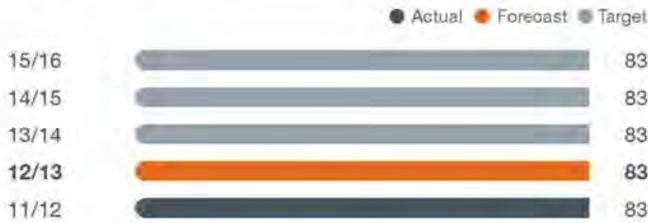
RG Check is a tool that will be gradually introduced into our facilities over the next two years. This program provides insight into how our private sector service providers operate casino and community gaming centres as measured by an independent agency to best practices in responsible gambling.

We are continuing with Responsible Gambling Awareness Month, working with communities across B.C. to raise awareness about responsible gambling practices to help reduce risk and connect people to community resources and services.

Our GameSense communication and education program is considered to be one of the best in the world and we will continue to evolve the program based on research that offers new insights into how to proactively reduce the potential for problem gambling to occur. We will continue to research how we can improve programs and technology to support the small number of vulnerable players for whom problem gambling is an issue.

We measure player awareness of our responsible gambling activities to determine the effectiveness of our responsible gambling programs.

player satisfaction (%)



DESCRIPTION OF PERFORMANCE MEASURE

Player satisfaction is a measure of satisfaction with the products, services and facilities BCLC offers in each of our gambling channels. This measure will indicate if we are successful in transforming to becoming more player-centric.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

There has been no change to this goal or its measurement. Target changes are based on historical and forecast information. Our level of player satisfaction is already very positive. Our plans to become player-centric are expected to maintain these results as well as positively impact the longer term strategy of broadening the level of player participation and ultimately achieving the revenue growth targets.

player participation (% at least monthly)



DESCRIPTION OF PERFORMANCE MEASURE

Player participation measures the percentage of B.C. adults who play our games or visit a gaming facility once every month. By measuring frequency, we have a gauge of players' purchase behaviour and can better understand how successful our promotions are in attracting them to our products and facilities.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

There has been no change to this goal or its measurement. Target changes are based on historical and forecast information.

player awareness of responsible gambling activities (%)



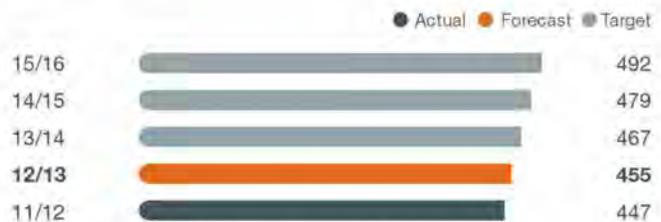
DESCRIPTION OF PERFORMANCE MEASURE

Player awareness of responsible gambling activity measures how many of our players are aware of one or more of our responsible gambling activities. The measure determines how effective we are at reaching out to our players about our responsible gambling programs. We do not benchmark this measure to other gambling jurisdictions due to a lack of comparable data.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

There has been no change to this goal or its measurement. Target changes are based on historical and forecast information and considering the enhancements that BCLC is planning to make to our responsible gambling education and support programming.

net win per capita (\$)



DESCRIPTION OF PERFORMANCE MEASURE

Net win is calculated for lottery and bingo games by deducting prizes from gross sales. Casino game prizes are paid during game play. Net win per capita tells us how successful we are in growing revenue per player. It is indexed to the total population to allow us to benchmark to other jurisdictions, as the age at which legal gambling is permitted varies between jurisdictions.

This measure is widely used in the gambling industry so consistent benchmarking is possible. The net win is divided by the total population based on publicly reported population figures to obtain per capita metrics. Benchmarking is to Loto-Québec (LQ), Ontario Lottery and Gaming Corporation (OLG), and the Canadian average. Benchmarking data is presented in Appendix 2. BCLC has consistently outperformed the benchmark organizations.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

Annual review of our financial performance occurs in September. Targets for the next three years have been set based on our forecast performance for 2012/13 and predicted growth in net win. Our forecast takes into account standard economic indicators used by the Province and the planned introduction of new products and services and facility developments.

goal 2: people

we will think differently, work together
and act fast

Objectives	Performance Measure	Strategies
Make BCLC a great place to work so that we feel inspired to do our best work and we are a sought-after employer	Employee Engagement Employee Vacancy Rate	<ul style="list-style-type: none"> • Foster innovation and simplify work processes in every area of the company to make BCLC more effective and increase job satisfaction • Offer personal development opportunities and a competitive compensation package to retain and attract strong talent in critical roles • Install a Human Resources Information System that creates a single, integrated view of our workforce
Define our future workforce needs so we have the right people with the right skills at the right time		

BCLC is a great place to work

BCLC is proud to have been selected as a top employer in British Columbia seven consecutive years in a row, most recently in 2013. In 2011, we were also selected as a Top Employer for Canadians Over 40 and as a Top Family-Friendly Employer. We continue to pursue excellence in the programs, services and experience that we offer to our workforce.

A passionate and engaged workforce is required to drive the success of our business. Our employees work on the programs that we have put in place to modernize our business; they research, develop and integrate the games that our players enjoy; and they work with our private sector service providers to deliver the great entertainment experience that our players expect.

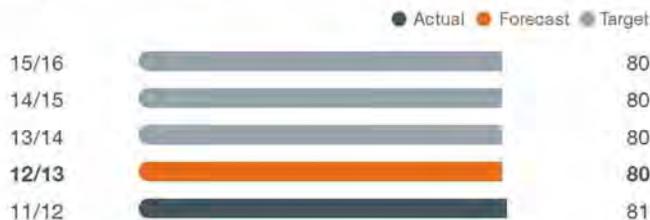
Maintaining our employee value proposition

Our human resources programs will continue to nurture a culture and environment that supports BCLC's business strategy. Through strategic workforce planning, performance management and managing our employment brand, we will remain as an employer of choice. We will continue to invest in leadership and employee development to provide the training and resources needed to sustain and grow the business and plan for the future leadership of the company.

Measuring performance

BCLC has two performance metrics to help us monitor our success in attracting and retaining an engaged workforce. Our employee engagement is already high and our employee vacancy rate is low. Our goal is to maintain both metrics at existing levels, with the vacancy rate increasing only slightly when the economy improves and competition for resources increases.

employee engagement (%)



DESCRIPTION OF PERFORMANCE MEASURE

This performance metric measures the level of engagement of BCLC employees. Employee engagement is defined as the intellectual and emotional commitment employees have in an organization.

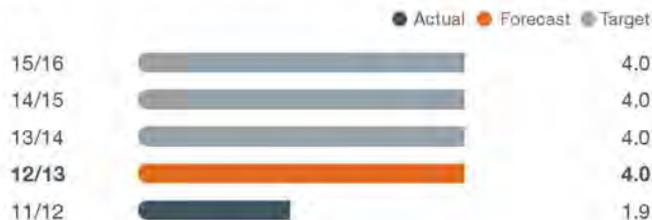
Employee engagement reflects the effort and dedication employees contribute to achieve success for the organization.

A third-party research company measures the level of employee engagement using an annual employee survey that reflects our unique culture, values and business objectives. A broad range of attributes are surveyed that are important to BCLC: player-focus, delivering an outstanding gambling experience, social responsibility and making BCLC a great place to work.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

Transforming to a player-centric company requires modernization of processes and technology. Our targets for the next three years reflect our commitment to maintain current high levels of engagement through these changes.

employee vacancy rate (%)



DESCRIPTION OF PERFORMANCE MEASURE

Employee vacancy rates measure BCLC's employee turnover, competitiveness, and the effectiveness of recruitment processes. It is a high-level metric subject to considerable variation based on organizational growth, internal personnel movement, employee demographics and external market conditions. The vacancy rate must therefore be interpreted within the context of the time frame that it is being measured.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

In 2011/12 the vacancy rate was low, reflecting limited organizational growth and low turnover of employees in a flat labour market. Our targets reflect our expectation that the number of full-time equivalent positions will be stable at approximately 900 and that employee turnover will remain low, but closer to the level experienced in 2008/09.

goal 3: public

we will build public trust and support for BCLC

Objectives	Performance Measure	Strategies
Be a good corporate citizen so that our business is welcomed across B.C.	Increase public support for BCLC	<ul style="list-style-type: none"> • Coordinate the many activities that contribute to our corporate reputation with a focus on key operating communities • Build employee understanding of their role in strengthening our public trust
Demonstrate integrity in what we deliver and how we deliver it so that the public has confidence our business is fair, safe and well-managed	Level of Greenhouse Gas Emissions	

More than \$1 billion in income is delivered each year to the Province of British Columbia for health care, education, community initiatives and other programs. Sustaining and growing this net income depends on BCLC maintaining the trust and support of the public.

be a good corporate citizen and demonstrate integrity

BCLC cannot achieve its mandate to generate income without public trust and support. Ultimately, public opinion determines our social licence to operate. We will continue to work hard every day to earn players' trust in the integrity of our products and the safety of our facilities, and to build public confidence that we strike a balance between a healthy bottom line and encouraging our players to make responsible gambling choices. BCLC is committed to ongoing improvement to our responsible gambling programs, security and compliance, stakeholder relations, transparency and environmental stewardship.

decrease our carbon footprint

Sustainability is a key component of our corporate social responsibility and an integral part of our business. We promote environmentally sustainable behaviours in our workplace, for example, by implementing a new sustainable procurement policy and complying with new regulations governing the tracking and disposal of electronic waste.

We are also working with the Ministry of Environment to prepare for the implementation of new paper waste regulations, and continuing efforts to encourage the participation of our staff, private sector service providers and vendors in environmentally friendly programs. By maximizing our re-use and recycling programs, BCLC has seen continued reduction in our greenhouse gas emissions. BCLC is required to meet the carbon neutrality requirements set out in the Government's *Greenhouse Gas Reduction Targets Act*.

BCLC uses two performance metrics to assess its success in achieving public trust and support: public support for BCLC and level of greenhouse gas emissions.

public support for BCLC (%)



DESCRIPTION OF PERFORMANCE MEASURE

Public support for BCLC is a measure of the percentage of adult British Columbians who support and have a favourable impression of BCLC. If BCLC demonstrates and communicates how we meet our corporate social responsibility mandate successfully, we should expect to see our results increase. It will be measured by a third-party consultant throughout the year using an online survey.

We do not benchmark this measure due to a lack of comparable data from other gambling jurisdictions.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

This is a new measure in the Service Plan.

level of greenhouse gas emissions (CO₂e tonnes by calendar year)



DESCRIPTION OF PERFORMANCE MEASURE

BCLC uses standard calculations provided by the Province to report our greenhouse gas (GHG) emissions in a standard format. This calculation is completed and reported in metric tonnes of carbon dioxide emissions (CO₂e) for the calendar year. Data is obtained on the following usage: electricity, natural gas, fleet fuel and paper.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

Our targets are based on achieving a three per cent year-over-year reduction in reportable emissions to achieve the mandated 33 per cent reduction by 2020.

goal 4: profit

we will grow net income and invest in the long-term health of our business

Objectives	Performance Measure	Strategies
Grow net income from our core business	Net Income	<ul style="list-style-type: none"> • Define and implement the business and technology architecture and roadmap that will help us grow • Build our business intelligence and analytics • Work with best-in-class partners to drive innovation in the games, amenities, social settings, services and access that players want • Complete the casino/community gaming centre property build-outs to capture unrealized market potential
Invest in innovative products and services that respond to consumer trends and create opportunities for growth	Operating Costs as % of Net Win	
Invest in infrastructure and processes to improve operational effectiveness and enable the business to get to market faster		

grow net income, invest in new growth opportunities & increase speed to market

Growing net income from our core business will continue to be a priority. BCLC does this by responding to consumer trends with investments in products and services that provide new growth.

We are beginning a multi-year journey in defining and implementing the business and technology architecture and roadmap that will lay the foundation for our growth. Modernizing our infrastructure through the replacement of legacy systems continues to be a focus. Optimization of our business, from how we manage our data across the organization to the evolution of business intelligence and analytics, are all initiatives that will help us understand the interests of our players.

We are also reviewing how we work with our private sector service providers and third-party vendors to deliver gambling, so that we continuously improve BCLC's business operations. The transformation of our technology, finance and procurement activities will continue as we improve processes, technology and skills to build the business.

Innovation and moving quickly to market with the games, amenities, social settings, services and access that players want will be supported by working with best-in-class partners. We are planning to relocate and develop gambling facilities where market potential exists to bring an exciting and varied experience for those communities.

BCLC uses two high-level metrics to assess our performance against this goal: net income and operating costs ratio.

net income
(\$ millions)



MEASURING OUR PERFORMANCE

Net income is the total amount of income generated from BCLC gambling after all expenses and is in accordance with International Financial Reporting Standards (IFRS). It is a direct indicator of our success in meeting our mandate to generate income for the benefit of all British Columbians.

DESCRIPTION OF PERFORMANCE MEASURE

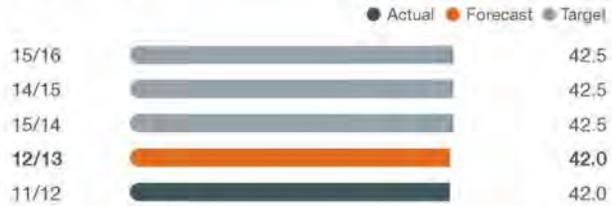
Net Income is income net of prizes, direct expenses, operating expenses and taxes.

BCLC’s net income is sent to the Province and used to benefit all British Columbians for funding of public health care, education and charitable and community programs. As a result of an agreement between the federal and provincial governments, the Government of Canada receives a portion of BCLC’s net income.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

Net income targets are updated annually based on past performance and future growth opportunities. The forecasts take into account standard economic indicators used by the Province.

operating costs ratio
(% of net win)



MEASURING OUR PERFORMANCE

Our operating costs ratio as a percentage of net win is a measure of our operational efficiency. It indicates how successful we are in balancing the generation of revenue with the cost of operating our business.

DESCRIPTION OF PERFORMANCE MEASURE

The operating costs ratio is the sum of direct expenses (except prizes), gaming support costs, general operating costs and amortization divided by our net win. We benchmark this metric to other gambling jurisdictions. BCLC’s costs are below both Ontario Lottery and Gaming Corporation and Svenska Spel and comparable to those of Loto-Québec. For more details, see Appendix 2.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

In this Service Plan, we adjusted BCLC’s operating costs ratio to include ticket printing. This change better benchmarks us against other gambling jurisdictions where ticket printing was not separated from operating costs in some jurisdictions’ Annual Reports.

For comparative purposes, the operating costs ratio, not including ticket printing, has been provided in Appendix 2.

BCLC is investing in modernizing our business, replacing legacy systems and, in particular, replacing the technology that supports casino and community gaming centre operations. This investment in modernization will continue with BCLC committed to maintaining its operating costs ratio at optimal levels.

our financial outlook

how much we'll sell, spend and provide in net income and our assumptions in preparing this plan

The Province of British Columbia uses BCLC net income from gambling to fund public, charitable and community programs that benefit all British Columbians.

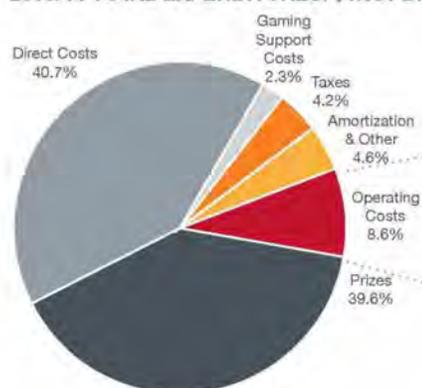
NOTE: The tables in this section factor in the change from HST to PST and GST in 2013/14.

consolidated corporate operations

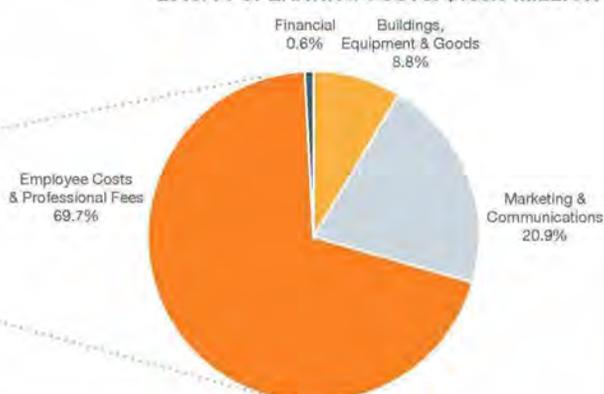
\$ millions	2011/12 ACTUAL	2012/13 BUDGET	2012/13 FORECAST	2013/14 BUDGET	2014/15 TARGET	2015/16 TARGET
Revenue	\$ 2,701.5	\$ 2,760.3	\$ 2,736.6	\$ 2,803.0	\$ 2,868.7	\$ 2,940.1
Prizes	642.0	624.4	632.1	645.2	656.5	665.0
Net Win	2,059.5	2,135.9	2,104.5	2,157.8	2,212.2	2,275.1
Direct Expenses	630.3	650.7	643.6	664.3	681.4	699.5
Gaming Support Costs	29.0	34.1	33.8	38.1	38.8	39.5
Operating Costs	132.9	135.9	134.2	139.9	142.4	144.7
Amortization and Other	73.0	90.2	72.0	75.5	78.5	84.1
Total Costs	865.2	910.9	883.6	917.8	941.1	967.8
Net Income Before Taxes	1,194.3	1,225.0	1,220.9	1,240.0	1,271.1	1,307.3
Taxes	86.9	100.0	95.9	68.0	69.1	70.3
Net Income*	\$1,107.4	\$ 1,125.0	\$ 1,125.0	\$ 1,172.0	\$ 1,202.0	\$ 1,237.0
Debt	90.0	128.0	133.0	173.0	202.0	225.0
Capital Expenditures	74.4	116.2	118.2	120.0	110.0	110.0

* BCLC retains none of its earnings

2013/14 TOTAL EXPENDITURES: \$1.631 BILLION



2013/14 OPERATING COSTS: \$139.9 MILLION



REVENUE

Revenue is projected to increase by \$203.5 million or 7.4 per cent over the three-year period. BCLC is projecting moderate growth in the lottery and casino channels and stronger growth in the emerging eGaming channel.

TOTAL EXPENDITURES

Total expenditures, including prizes, total costs and taxes, are expected to increase by \$91.5 million or 5.7 per cent over the three-year period. Total expenditures for Fiscal 2013/14 are projected at \$1.6 billion.

PRIZES

Prizes are estimated to increase by \$32.9 million or 5.2 per cent over the three-year period due to increased revenue.

Prizes as a percentage of revenue are decreasing from 23.1 per cent to 22.6 per cent over the three-year period due to a shift in consumer preferences to casino-style games which are recorded net of prizes.

NET WIN

Net win is projected to increase by \$170.6 million or 8.1 per cent over the three-year period as a result of the growth in revenue.

DIRECT EXPENSES

Direct expenses include service provider commissions, lottery ticket printing and bingo paper, supplies and leases.

Direct expenses are increasing by \$55.9 million or 8.7 per cent over the three-year period due to increased revenue.

GAMING SUPPORT COSTS

Gaming support are those costs which directly support revenue generation. They include equipment installation and maintenance, systems support, data transmission, product delivery and odds-setting.

Gaming support costs will increase by \$5.7 million or 16.9 per cent over the three-year period due to growth and a greater usage of third-party system providers in the eGaming channel, as well as increasing technology costs and the implementation of the Gaming Management System (GMS).

OPERATING COSTS

Operating costs include employee costs, professional fees, buildings, equipment and goods, marketing, communications and financial costs.

Operating costs are expected to remain stable as a percentage of net win over the three-year period.

AMORTIZATION AND OTHER

Amortization is increasing by \$12.0 million over the three-year period, primarily due to capital expenditures which include the replacement of the Gaming Management System, investments in business support and modernization programs, and capital to support revenue programs in the lottery, eGaming, casino and community gaming business channels.

The "Other" category consists of interest expense for short-term borrowing and accrued employee benefits.

CORPORATE ASSUMPTIONS

Real GDP growth for the B.C. economy is assumed at an average 2.2 per cent over the three-year period.

Inflation has been assumed at an average 1.9 per cent over the three-year period.

BCLC uses the three-month Canadian Treasury Bill all-in rates as forecast by the Ministry of Finance (rates as of January 3, 2013); interest rates have been assumed at 1.24 per cent for 2013/14, 1.90 per cent for 2014/15, and 2.73 per cent for 2015/16.

No major changes will be made to BCLC's mandate or the Province of B.C.'s gambling and social policy.

No major changes will be made to Gaming Policy and Enforcement Branch (GPEB) mandate, regulations or policy.

Net win and net income assumptions are based on BCLC obtaining the necessary provincial, host local government and regulatory approvals required under the *Gaming Control Act (2002)* to open new facilities and launch new products.

casino and community gaming centres

\$ millions	2011/12 ACTUAL	2012/13 BUDGET	2012/13 FORECAST	2013/14 BUDGET	2014/15 TARGET	2015/16 TARGET
Net Win	\$ 1,578.9	\$ 1,627.9	\$ 1,598.4	\$ 1,626.5	\$ 1,659.8	\$ 1,701.9
Total Costs	689.6	720.7	702.3	725.3	744.3	764.1
Net Income Before Taxes	889.3	907.2	896.1	901.2	915.5	937.8
Taxes	60.8	70.2	67.1	48.2	48.5	49.8
Net Income	\$ 828.5	\$ 837.0	\$ 829.0	\$ 853.0	\$ 867.0	\$ 888.0

Over the three-year planning period, net income before taxes is projected to increase by \$41.7 million, or 4.7 per cent. This growth will come from increased marketing efforts including campaign management and Player Card enhancements, the continuing development of existing casino properties including considering our options to relocate current facilities and developing new community gaming centres.

CASINO AND COMMUNITY GAMING CENTRE ASSUMPTIONS

British Columbia casino marketplace capacity studies are accurate.

The increase in table game play will continue.

Slot machine play increases as a result of more detailed analytics that provide new insights into game selection, design, and machine locations.

lottery

\$ millions	2011/12 ACTUAL	2012/13 BUDGET	2012/13 FORECAST	2013/14 BUDGET	2014/15 TARGET	2015/16 TARGET
Revenue	\$ 995.8	\$ 985.0	\$1,000.0	\$1,025.0	\$1,045.0	\$1,065.0
Prizes	564.0	555.5	560.3	577.5	588.5	599.1
Net Win	431.8	429.5	439.7	447.5	456.5	465.9
Total Costs	154.7	153.2	149.9	154.5	157.0	160.2
Net Income Before Taxes	277.1	276.3	289.8	293.0	299.5	305.7
Taxes	23.0	23.8	22.8	16.0	16.5	16.7
Net Income	\$ 254.1	\$ 252.5	\$ 267.0	\$ 277.0	\$ 283.0	\$ 289.0

Over the three-year planning period, lottery net income before taxes is expected to increase by \$15.9 million, or 5.5 per cent. Growth in this channel will come from the introduction of new products and product enhancements, upgrades to the "Look and Feel" of the lottery network, the build-out of Lotto Express and the revitalization of product offerings in the hospitality network.

LOTTERY ASSUMPTIONS

Effective marketing focus on big lotto jackpots will increase awareness and interest that results in purchases by infrequent players.

Planned releases of new lottery products will be on schedule.

BCLC market forecasts for new lottery products are accurate.

The estimated number and size of jackpot rolls on national lotto games will not vary significantly from historical averages.

eGaming

\$ millions	2011/12 ACTUAL	2012/13 BUDGET	2012/13 FORECAST	2013/14 BUDGET	2014/15 TARGET	2015/16 TARGET
Revenue	\$ 65.6	\$ 91.3	\$ 81.6	\$ 100.0	\$ 113.7	\$ 126.1
Prizes	16.8	12.8	15.2	16.2	17.8	18.8
Net Win	48.8	78.5	66.4	83.8	95.9	107.3
Total Costs	20.9	37.0	31.4	38.0	39.8	43.5
Net Income Before Taxes	27.9	41.5	35.0	45.8	56.1	63.8
Taxes	3.1	6.0	6.0	3.8	4.1	3.8
Net Income	\$ 24.8	\$ 35.5	\$ 29.0	\$ 42.0	\$ 52.0	\$ 60.0

Over the period covered by this Service Plan, net income before taxes will increase by \$28.8 million, or 82.3 per cent. Growth will come from the continuing operationalization of the casino/poker portfolios, the introduction of multi-jurisdictional bingo, new sports betting games and the development of mobile gaming. eGaming is also partnering with Manitoba Lotteries to provide them with an online gambling site.

eGAMING ASSUMPTIONS

Planned product releases will be on schedule.

BCLC market forecasts for new products are accurate.

The regulator approvals required under the *Gaming Control Act (2002)* to launch new products will be received.

our capital plan

spending on our infrastructure and technology

\$ thousands	2011/12 ACTUAL	2012/13 BUDGET	2012/13 FORECAST	2013/14 BUDGET	2014/15 TARGET	2015/16 TARGET
Gambling Systems						
Lottery	\$ 7,635	\$ 5,054	\$ 7,860	\$ 8,212	\$ 7,800	\$ 10,000
eGaming	6,781	8,191	10,930	11,968	12,850	20,000
eGaming licensing	–	–	3,924	750	–	–
Gaming Management System	9,402	44,175	44,027	33,890	16,870	–
Casino and Community Gaming	37,400	40,692	34,849	40,492	48,875	50,000
	61,218	98,112	101,590	95,312	86,395	80,000
Infrastructure & Corporate Systems						
Infrastructure & Corporate Systems	10,638	15,111	14,506	17,939	16,605	20,000
Corporate Facilities	2,593	3,009	2,061	6,749	7,000	10,000
	13,231	18,120	16,567	24,688	23,605	30,000
Total New Capital	\$ 74,449	\$ 116,232	\$ 118,157	\$ 120,000	\$ 110,000	\$ 110,000

BCLC's capital expenditures are driven by the need to maintain the corporation's revenue-generating infrastructure.

LOTTERY

In the lottery channel, major initiatives include the continued expansion of lottery distribution into major store chains through multilane technology, rebranding of the lottery network, enhanced sports betting, and the introduction of mobile play/purchase convenience in the hospitality network.

eGAMING

Investment in eGaming will be focused on continual enhancements to sports betting, poker and lotto as well as continuing to optimize the PlayNow.com experience for tablets and mobile.

GAMING MANAGEMENT SYSTEM

BCLC is in year two of a multi-year project to replace the corporation's casino Gaming Management System which supports the annual generation of \$1.6 billion in revenue and over \$800 million in net income. A broad group of partners both within and outside BCLC are creating a whole new technology architecture and platform for the casino business, configuring and testing the new software and creating integrations into our existing systems. The new technology will provide a foundation for modernization, sustainable, moderate growth and more flexible, responsive player relations.

Risks associated with the project include:

- Delays in rollout and implementation due to complexity of the new technology, impacting revenue growth expectations
- Additional costs due to unforeseen issues and challenges in system functionality, integration and implementation

The project is projected to require \$104 million in capital to complete. Costs incurred to December 29, 2012 amount to \$24.3 million.

CASINO & COMMUNITY GAMING

In addition to its significant investment in the new Gaming Management System, BCLC is considering its options to relocate current facilities and open new community gaming centres. This channel will also refresh its slot machines and table games at existing facilities, and introduce PlayNow.com into many of its gambling facilities.

CORPORATE

BCLC will continue to invest in the replacement of legacy systems and the modernization of core technology and business infrastructure. While the Gaming Management System remains the primary focus of our efforts, investment in other areas will slow.

For programs which started prior to 2012/13, but which will not be completed by year-end, the capital will be carried forward. These costs are reflected in the 2013/14 budget.

The cost of purchases made in U.S. dollars has been based on exchange rate parity.

net income that may be at risk

RISK FACTORS

The following factors contribute to uncertainty and risk and may individually, or in the aggregate, affect BCLC's operating results and the net income able to be delivered to the Province.

- Obtaining host local government approvals for the development or relocation of gambling facilities
- Frequency of major lottery jackpots
- New product launches and achieving market expectations
- Economic issues impacting adult consumers' disposable income and entertainment spending
- Shifts in consumer preferences impacting product mix and profitability
- Competition from unregulated gambling competitors
- Public acceptance of gambling
- Changes to gambling rules and regulations
- Revenue loss and market disruption resulting from the business failure of a private sector service provider
- Fluctuations in interest and foreign currency rates

QUANTIFIABLE RISKS

The main quantifiable risks are that new facilities will not open or be expanded on schedule, interest rates may rise unexpectedly⁶, and large fluctuations in the Canadian/U.S. exchange rate⁷ will affect the cost of equipment and supplies purchased from foreign vendors.

\$ thousands	2013/14	2014/15	2015/16
One-year delay in opening/relocating planned gambling facilities	\$ –	\$ 27,300	\$ 5,800
Interest rates may rise 1.0%	1,700	1,900	2,100
The Canadian/U.S. exchange rate may change	297	297	297

Taking into account business and general economic trends, the opportunities and challenges facing the business, the risk factors described above, and the mitigation strategies described in the previous sections, BCLC forecasts the following net income ranges:

NET INCOME FORECASTS

\$ millions	2013/14 TARGET	2014/15 TARGET	2015/16 TARGET
High	\$ 1,205	\$ 1,235	\$ 1,270
Target	1,172	1,202	1,237
Low	1,105	1,130	1,160

6 BCLC has a \$250 million short-term Fiscal Agency Loan credit facility. Interest rate sensitivity is based on a 1.0 per cent increase in rates on base borrowing of \$150 million (increasing \$20 million per year).

7 For the period covered by this Service Plan, Canadian/U.S. exchange rates are assumed to average parity. The exchange rate risk is based on a \$0.01 change in the rate, applied to \$30 million in spending.

Government's letter of expectations

Government's Letter of Expectations is an annual letter of direction to BCLC that reinforces the corporation's mandate, identifies strategic priorities, and sets forth performance measures that form the cornerstones of the corporation's governance framework. This letter is intended to establish the basis for a positive and collaborative working relationship through the clear articulation of the responsibilities and expectations of both parties. The full GLE can be found at: [Government's Letter of Expectations](#).

GOVERNMENT DIRECTION

Operate the gaming business within the social policy framework established by Government and in alignment with the corporation's social responsibility objectives, building public trust and support in a manner consistent with the Province's Responsible Gambling Strategy. Continue to support the joint responsibility between the corporation and the regulatory agency, the Gaming Policy and Enforcement Branch (GPEB), for delivery of the Strategy;

Operate within the Province's legislative and regulatory framework, and comply with policies, directives, and standards that may be issued from time to time by the Minister of Energy, Mines and Natural Gas or the Gaming Policy and Enforcement Branch;

Enhance the corporation's anti-money laundering compliance programs, including the continued implementation of measures to move the industry away from a cash basis, and other strategies in the Province's Anti-Money Laundering Action Plan;

BCLC ACTIONS

Social responsibility is integral to our business. Our efforts continue to be focused on enhancing responsible gambling programs through public education and responsible gambling awareness.

BCLC continues to work collaboratively with the Gaming Policy and Enforcement Branch, to ensure that BCLC is in compliance with all regulations and Government direction with respect to the regulated activities of the corporation.

We are also committed to continuous improvement in the Voluntary Self-Exclusion (VSE) program. We have recently contracted with the University of the Fraser Valley to conduct a comprehensive, four-year evaluation of the VSE program from the perspective of the participant. This is a follow-up of a previous study and will provide valuable, follow-up research into the effectiveness of the program and identify areas for further improvement. Final research results, findings and recommendations will be released in the fall of 2016.

In accordance with Government goals and direction, BCLC is striving to reduce reportable greenhouse gas emissions from the 2007 baseline by 33 per cent by 2020.

We will operate our business within the legislative, regulatory, and policy framework established by the Province of British Columbia.

The corporation continues to comply with all policy directives issued by the Minister, including directives and standards issued by GPEB.

In 2011, a provincial anti-money laundering review found that BCLC and its operators employ standard and appropriate anti-money laundering strategies. It also made four recommendations for BCLC to further strengthen anti-money laundering efforts at B.C. gambling facilities.

Since the review, BCLC and its casino service providers, along with GPEB, have worked together to develop cash-free buy-in options for players. By providing cash-free alternatives for larger transactions, we're further strengthening our program and aligning with best practices as well as providing improved security to our players.

We've also made a number of policy changes, such as enhancing electronic transfer options, providing more common electronic deposit options and allowing players to transfer verified wins or their original buy-in back to their bank account.

All the report recommendations are now complete.

GOVERNMENT DIRECTION**BCLC ACTIONS**

Optimize the corporation's financial performance within the gaming framework established by Government, by responding to customer and marketplace demands for the distribution of products and services and proposing new revenue opportunities as they arise; and

We continue to respond to customer and marketplace demands through upgrading casinos and community gaming centres, introducing new games in facilities and on the Internet, and by developing new product delivery options to make it convenient for our players.

In addition to revenue-generating initiatives, we will optimize financial performance through an increased emphasis on business optimization and cost management.

Optimize the performance, security, integrity and efficiency of the corporation through the modernization of infrastructure, process, and technology.

We will invest in the technology, systems and processes necessary to deliver optimal performance with efficiency, integrity and security.

For the next two years the primary focus will be the replacement of the Gaming Management System that supports more than \$1.6 billion in net win, but additional investments in security, data management, and financial systems will also contribute to enhanced performance.

appendix 1: service plan goals & performance measures comparison

what we plan to do differently, and why

BCLC's Board and Senior Executive review BCLC's mission, goals, objectives and performance measures on an annual basis.

This year BCLC has reworded as well as reordered its four goals to add more clarity on where we want to be, and reflect the move to transforming to a player-centric company.

Updated objectives will describe what we need to achieve and why it is important, and the performance measures will describe how we will measure our corporate performance.

The following chart compares the goals in our 2012/13–2014/15 Service Plan to the goals in this Service Plan. BCLC adjusted the wording of each of our four goals in order to more clearly describe where our business is heading.

	2012/13–2014/15 Service Plan Goals	2013/14–2015/16 Service Plan Goals	Comments
Player	Create a player-centric company	We will put players first to create the entertainment experiences they enjoy	BCLC is continuing to move towards becoming a player-centric organization. Wording adjusted to clarify what we are planning to provide for our players.
People	Have a workforce passionately driving the success of our business	We will think differently, work together and act fast	The wording has been adjusted to reflect the changes the business is undergoing as we focus on innovation and moving quickly to market for the continuing success of our business.
Public	Build public trust and support for BCLC gambling	We will build public trust and support for BCLC	We are focusing on building our corporate reputation.
Profit	Invest in infrastructure and technology to drive innovation that enables our growth	We will grow net income and invest in the long-term health of our business	BCLC's mandate is to deliver net income to the Province and the rewording of the goal reflects the continued focus on the long-term success of BCLC's business.

Data to evaluate progress in meeting our performance targets will continue to be obtained from internal and external sources as outlined in Appendix 2.

The following chart compares the performance measures in our 2012/13-2014/15 Service Plan to the performance measures in this Service Plan.

	2012/13–2014/15 Service Plan Performance	2013/14–2015/16 Service Plan Performance	Comments
Player	Player Satisfaction Player Participation Net Win per Capita	Player Satisfaction Player Participation Player Awareness of Responsible Gambling Activities Net Win per Capita	Player Awareness of Responsible Gambling Activities measure moved to Player from Public to better reflect the importance BCLC places on player education.
People	Employee Engagement Employee Vacancy Rate	Employee Engagement Employee Vacancy Rate	No change
Public	Public Support for Gambling Player Awareness of Responsible Gambling Activities Level of Greenhouse Gas Emissions	Public Support for BCLC Level of Greenhouse Gas Emissions	Player Awareness of Responsible Gambling Activities moved from Public to Player to better reflect the importance BCLC places on player education. Public Support for BCLC is a new measure. This measure will give us an understanding of how adult British Columbians perceive BCLC. We want to build trust among all British Columbians and demonstrate how we successfully and responsibly run the business in fulfilling our Government mandate.
Profit	Net Income Operating Costs as a % of Net Win Electronic Gaming Devices per 1,000 population	Net Income Operating Costs as a % of Net Win	Electronic Gaming Devices per 1,000 population has been discontinued as a performance measure. Targets were not set for this measure but BCLC did compare itself to Loto Québec, Ontario Lottery & Gaming Corporation and the Canada average. With the advent of online gambling, this metric no longer has value as a measure of accessibility of gambling to British Columbians.

appendix 2: how we measure and benchmark our performance

how our performance metrics are measured

As noted, we have changed some of our performance measures for this Service Plan.

Details of what we use each measure for and the targets for the next three years are in the Our Plan for the Next Three Years section of this Service Plan.

Our external performance benchmarks are obtained from the audited financial results published by the benchmark organizations, and from the Canadian Gambling Digest. The organizations that BCLC currently benchmarks to are:

- Ontario Lottery and Gaming Corporation (OLG)
- Loto-Québec (LQ); and
- Svenska Spel, the Swedish lottery, which is widely regarded as one of the most innovative international lottery and Internet gambling jurisdictions.

We review the performance results published by other gambling organizations annually for additional benchmarking opportunities.

The table below summarizes how we measure each metric, our benchmarks and what we do to check that the data is reliable.

		How We Measure and Benchmark	Data Reliability
Performance Measures	Player Satisfaction	<p>Third-party research suppliers conduct a continuous tracking study on our behalf. The survey is conducted online and is a random sample of B.C. adults aged 19 and older and is representative of gender and region. The sample size is 3,000.</p> <p>Players who played at least once in the last three to five months are asked to rate on a 10-point scale how satisfied they were with their experience across all BCLC channels. For each player, an average satisfaction score is calculated using their satisfaction scores in all channels they play in. Player responses in the top five box scores are then aggregated and expressed as a percentage to get the aggregate satisfaction.</p> <p>Player satisfaction is internally benchmarked on a time series basis.</p> <p>We do not externally benchmark as we have not identified similar data that is published by other gambling jurisdictions.</p>	<p>The survey was independently conducted by third-party research suppliers using industry standard techniques to randomize the sample, while retaining gender, age, and regional balance that is consistent with BC Stats figures.</p>
	Player Participation	<p>Third-party research suppliers conduct a continuous tracking study on our behalf. The survey is conducted online and is a random sample of B.C. adults aged 19 and older and is representative of gender and region. The sample size is 3,000.</p> <p>Players are asked to score how frequently they play our lottery games, visit a casino or community gaming centre location and use our PlayNow.com site. The result is an aggregate score for those players who played or visited at least once every month.</p> <p>Player participation is internally benchmarked on a time series basis.</p> <p>We do not externally benchmark as we have not identified similar data that is published by other gambling jurisdictions.</p>	<p>The survey was independently conducted by third-party research suppliers using industry standard techniques to randomize the sample, while retaining gender and regional balance that is consistent with BC Stats figures.</p>

		How We Measure and Benchmark	Data Reliability								
Performance Measures	Net Win per Capita	<p>Net win is the revenue after prizes have been paid to players. Casino game prizes are paid during play. For lottery and bingo games, net win is calculated by deducting prizes from total sales revenue.</p> <p>We use the population forecasts published by Statistics Canada in July each year as the baseline for our calculations.</p> <p>Video lottery terminal (VLT) revenue is included in benchmarking results from Loto-Québec and the Canada Total comparators to give a complete picture of total spending on gambling. The provinces of B.C. and Ontario do not permit VLTs.</p> <p>2010/11 net win per capita (\$)</p> <table border="1"> <tr> <td>BCLC</td> <td>447</td> </tr> <tr> <td>Canada Average</td> <td>409</td> </tr> <tr> <td>OLG</td> <td>367</td> </tr> <tr> <td>LQ</td> <td>347</td> </tr> </table>	BCLC	447	Canada Average	409	OLG	367	LQ	347	<p>Net win figures are taken from our audited statement of accounts, as published in our Annual Service Plan Report. Figures for forecasts and targets are calculated by BCLC and are reviewed with the Treasury Board prior to inclusion in the Service Plan.</p> <p>Population figures are taken from published Statistics Canada figures for each of the years included in the Service Plan.</p> <p>For our benchmark comparators, net win figures are taken from the audited statements of accounts, as published in the annual reports of the benchmark organizations. Canada average figures are drawn from the Canadian Gambling Digest.</p>
		BCLC	447								
		Canada Average	409								
		OLG	367								
		LQ	347								
Player Awareness of Responsible Gambling Activities	<p>Third-party research suppliers conduct a continuous tracking study on our behalf. The survey is conducted online and is a random sample of B.C. adults aged 19 and older and is representative of gender and region. The sample size is 3,000.</p> <p>Participants are asked their awareness of five of our responsible gambling initiatives. The result is a net percentage of participants who are aware of at least one of the initiatives.</p> <p>Player awareness of responsible gambling activities is internally benchmarked on a time series basis.</p> <p>We do not externally benchmark, due to the BCLC specific nature of this performance measure.</p> <p>We have not identified similar data that is published by other gambling jurisdictions.</p>	<p>The survey was independently conducted by third-party research suppliers. They utilize industry standard techniques to randomize the sample, while retaining gender, age, and regional balance that is consistent with BC Stats figures.</p>									
	Employee Engagement	<p>Employee engagement is measured by an annual anonymous online survey with all of our employees, conducted by a third-party research supplier on our behalf. The participation rate was 87 per cent in 2011.</p> <p>The survey asks employees to rank on a six-point scale their agreement with a broad range of statements that span all aspects of the workplace, work conditions, career and development opportunities, and BCLC's goals and programs.</p> <p>The overall engagement score is an aggregate of the proportion of employees that have ranked their agreement with the statements in the top two points of the scale.</p> <p>Employee engagement is internally benchmarked on a time series basis.</p> <p>We do not externally benchmark, owing to the BCLC specific nature of survey questions used for this performance measure.</p>	<p>The survey is independently conducted by a third-party research supplier, using industry standard techniques.</p>								
		Employee Vacancy Rate	<p>The vacancy rate is the number of vacancies in the process of being filled expressed as a percentage of the total headcount. It is measured on a monthly basis. The annual result is the average of the monthly figures.</p> <p>Employee vacancy rate is internally benchmarked on a time series basis.</p> <p>We do not externally benchmark, as other gambling jurisdictions do not publish equivalent figures.</p>	<p>Vacancy rate is internally calculated by our Human Resources team. The total headcount is the total number of approved positions. The number of vacancies is the number of positions being actively recruited internally or externally.</p>							
			Public Support for BCLC	<p>A third-party research supplier conducts an online survey with a random sample of B.C. adults aged 19 and older and is representative of gender and region. The sample size is 3,000. Participants are asked to rate their favourable/unfavourable impression of BCLC. The result is a net of the top two box scores for all participants.</p> <p>Public support for BCLC is internally benchmarked on a time series basis.</p> <p>We do not externally benchmark as we have not identified similar data that is published by other gambling jurisdictions.</p>	<p>The survey will be independently conducted by a third-party research supplier. They utilize industry standard techniques to randomize the sample, while retaining gender, age, and regional balance that is consistent with BC Stats figures.</p>						

		How We Measure and Benchmark	Data Reliability																							
Performance Measures	Level of Greenhouse Gas Emissions	<p>BCLC uses standard calculations provided by the Province to calculate and report greenhouse gas (GHG) emissions in a standard format, as required by the Province.</p> <p>We obtain our data from the suppliers of electricity, natural gas, fleet vehicle fuel, paper suppliers and from internal financial and procurement reporting. GHG emissions are internally benchmarked on a time series basis. Our Carbon Neutral Action Report and those of other B.C. Crown corporations are published by LiveSmart BC.</p>	<p>Data for electricity and natural gas consumption is verifiable from billable consumption figures supplied by the respective utilities companies. We calculate electricity usage for our offsite data facility from meter readings.</p> <p>Fleet vehicle fuel consumption is verified from fuel consumption reporting from our fleet vehicle management company.</p> <p>Paper consumption for all types of reportable paper is measured internally each month.</p>																							
	Net Income	<p>Net income is income after prizes, direct and operating expenses and taxes have been deducted, and determined in accordance with International Financial Reporting Standards.</p> <p>Net income is internally benchmarked on a time series basis.</p> <p>Net income is not benchmarked with other jurisdictions due to differences in the types of gambling offered, the differing gambling models and population levels.</p>	<p>Net income figures are taken from our audited statement of accounts, as published in our Annual Service Plan Report. Figures for forecasts and targets are calculated by BCLC and are reviewed with the Treasury Board prior to inclusion in the Service Plan.</p>																							
	Operating Costs as a % of Net Win	<p>Our operating costs ratio is the sum of our direct expenses (except prizes), gaming support costs, general operating costs and amortization divided by our net win and expressed as a percentage. All figures are determined in accordance with International Financial Reporting Standards.</p> <p>BCLC's operating costs ratio remains below benchmark comparators. Svenska Spel offers a similar gambling mix to BCLC, but derives more of its net win from video lottery terminals and Internet gambling, both of which have lower operating costs than more traditional casino gambling, from which BCLC derives the majority of its net win.</p> <p>2010/11 operating costs ratio not including ticket printing (%)</p> <table border="1"> <tr> <td>OLG*</td> <td></td> <td>53.8</td> </tr> <tr> <td>Svenska*</td> <td></td> <td>48.6</td> </tr> <tr> <td>LQ</td> <td></td> <td>43.2</td> </tr> <tr> <td>BCLC</td> <td></td> <td>40.8</td> </tr> </table> <p>* The comparator's 2010/11 Annual Report did not separate ticket printing from regular operating expenses.</p> <p>2010/11 operating costs ratio (%)</p> <table border="1"> <tr> <td>OLG</td> <td></td> <td>53.8</td> </tr> <tr> <td>Svenska</td> <td></td> <td>48.6</td> </tr> <tr> <td>LQ</td> <td></td> <td>44.5</td> </tr> <tr> <td>BCLC</td> <td></td> <td>41.5</td> </tr> </table>	OLG*		53.8	Svenska*		48.6	LQ		43.2	BCLC		40.8	OLG		53.8	Svenska		48.6	LQ		44.5	BCLC		41.5
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BCLC		41.5																								



Appendix N

BCLC Revised Service Plan 2013/14-2015/16 (BCLC0003676).

BCLC revised service plan

2013/14–2015/16



Appendix N

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www.bclc.com

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74 West Seymour Street
Kamloops, B.C. V2C 1E2
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message from BCLC's

board chair and president & ceo

On behalf of our Board of Directors and employees, we are pleased to present BCLC's Revised 2013/14–2015/16 Service Plan to the Honourable Mike de Jong, Minister of Finance. There are no significant changes in this revised Service Plan. We have updated our 2012/13 forecasts with 2012/13 year-end actual numbers.

Our purpose is to offer British Columbians exceptional entertainment by operating and managing lottery, casino, commercial bingo, community gaming and online gambling in a socially responsible manner on behalf of the Province. While we're the only company legally permitted to operate gambling in B.C., we're in direct competition with Washington State casinos, unregulated online businesses and virtually every other entertainment business such as movies, sporting events and concerts.

We're extremely proud that over 28 years we've generated more than \$15.7 billion in net income to benefit British Columbians. In 2013/14, we plan to deliver \$1.2 billion that will benefit a number of local and provincial priorities including health care, education, support for families, charities and community projects. During challenging economic times where low consumer confidence affects discretionary spending, BCLC has performed well relative to the market.

In order to sustain the net income we've consistently delivered we are making strategic changes to the way we think, work and run our business. As the gambling marketplace in B.C. matures and the pace of change accelerates, BCLC must continue to adapt to meet players' needs and explore new ways of doing business.

Our Service Plan continues to be guided by our vision, which is "Gambling is widely embraced as exceptional entertainment through innovation in design, technology, social responsibility and customer understanding." Our goals of Player, People, Public and Profit for this Service Plan period support this vision and reflect our priorities to compete for that discretionary entertainment dollar, inspire innovation among our workforce, build trust and support for BCLC, and invest to responsibly grow our business while managing costs.

Our Player: Putting the player first

For BCLC, the player comes first. We will offer customizable, player-driven experiences and improve the entertainment value and distribution convenience of our core games. We will broaden and diversify our player base to strengthen our business. We will continue to encourage responsible play so that players can make informed choices about gambling through education programs such as GameSense and Appropriate Response Training for casino staff.

Our People: Thinking differently

Fostering innovation and future success for the years ahead begins with our people. Lotto Express, a new way of distributing our lottery products via grocery checkout lanes which launched this past year, was the brainchild of a group of very creative employees. Our goal is to think differently, work together and act fast to drive results. Creating an environment that inspires employees to do their best work is key. As our business evolves, we also need to ensure that we have the right people with the right skills in place to be able to quickly adapt and pursue new growth opportunities. With our eyes on the horizon, we'll be defining our future workforce needs and continuing to offer development opportunities to align ourselves for success.

Our Public: Building public trust

Our reputation is critically important to BCLC's long-term success. Our goal is to continue building public trust and support for BCLC by being a good corporate citizen and demonstrating integrity in what we deliver and how we deliver it so that the public has confidence our business is fair, safe and well-managed. While not everyone in B.C. gambles, we want to understand how all British Columbians perceive BCLC. Engaging our stakeholders in communities across B.C. will be a major focus for the coming years to help build understanding of our business. Hosting responsible gambling awareness events in five communities across B.C. in January 2013 was one example of how we continue to engage local residents about topics that are near and dear to both BCLC and the public.

Our Profit: Growing net income to the Province responsibly

Over the past two years, our net income has had very modest growth with our 2012/13 income about two per cent more than 2011/12. Looking ahead, net income is projected to increase about two per cent annually from \$1.1 billion in 2012/13 to \$1.2 billion in 2015/16, resulting in \$4.7 billion in net income to the Province of B.C. over the four years 2012/13 to 2015/16. We will continue to focus on revenue generating initiatives to generate growth while sustaining our mature products. We will also focus on operational effectiveness and cost management to sustain and grow net income to the Province of B.C.

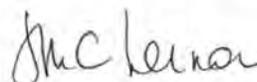
For the next three years, we'll assess our level of success in achieving our four corporate goals of Player, People, Public and Profit using established performance measures and by using publicly available benchmarks from other comparable gambling organizations. These four goals define where we want to be and provide the roadmap to help us realize our vision.

The focus of the 2013/14 year will be on continuing the replacement of the casino Gaming Management System, ensuring our lottery games are accessible, fun, and easy to play and continuing the development of our PlayNow.com platform, all initiatives keeping foremost our responsible gambling lens.

As with previous plans, the 2013/14–2015/16 BCLC Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the B.C. Reporting Principles. The plan is consistent with

Government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported.

To the best of our knowledge the significant assumptions, policy decisions, events and identified risks are current and have been considered in preparing the plan. The performance measures presented are consistent with BCLC's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of BCLC's operating environment, forecast conditions, risk assessment and past performance.



John McLernon
Board Chair



Michael Graydon
President & CEO

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organizational overview

BCLC is the Crown agency mandated to conduct, manage and operate lottery, eGaming, casino and commercial bingo gambling in British Columbia.

who we are

Incorporated in October 1984 and pursuant to amendments to the *Criminal Code of Canada* (1969), British Columbia Lottery Corporation (BCLC) operates under the *Gaming Control Act* (2002) of British Columbia.

We operate our gambling business within the legislative, regulatory and policy framework established by the Province under the authority and direction of the Honourable Mike de Jong, Minister of Finance.

mandate

Our mandate is to conduct and manage gambling in a socially responsible manner for the benefit of British Columbians. We offer exceptional gambling entertainment through:

- National and provincial lotteries
- Casino gambling
- Commercial bingo
- Online gambling

vision

Gambling is widely embraced as exceptional entertainment through innovation in design, technology, social responsibility and customer understanding.

values

Integrity: The games we offer and the ways we conduct business are fair, honest and trustworthy.

Social Responsibility: Everything we do is done with consideration of its impact on and for the people and communities of British Columbia.

Respect: We value and respect our players, service providers and each other.

our goals and objectives

1. **PLAYER:** We will put players first to create the entertainment experiences they enjoy
 - Delight our players so they will choose BCLC gambling over other entertainment options
 - Broaden and diversify the player base and spending to strengthen our business and reduce risk
 - Encourage responsible play so that players make informed choices about their gambling
2. **PEOPLE:** We will think differently, work together and act fast
 - Make BCLC a great place to work so that we feel inspired to do our best work and we are a sought-after employer
 - Define our future workforce needs so we have the right people with the right skills at the right time
3. **PUBLIC:** We will build public trust and support for BCLC
 - Be a good corporate citizen so that our business is welcomed across B.C.
 - Demonstrate integrity in what we deliver and how we deliver it so that the public has confidence our business is fair, safe and well-managed
4. **PROFIT:** We will grow net income and invest in the long-term health of our business
 - Grow net income from our core business
 - Invest in innovative products and services that respond to consumer trends and create opportunities for growth
 - invest in infrastructure and processes to improve operational effectiveness and enable the business to get to market faster

how we are regulated

Gambling is regulated by the Gaming Policy and Enforcement Branch (GPEB) of the Ministry of Finance. GPEB directs policies, legislation, standards, responsible gambling strategies, licensed charitable events and horse racing, registers gambling service providers, certifies supplies and equipment, and conducts audits and compliance investigations.

what we do and where we are

We conduct and manage gambling on behalf of the Province. We integrate responsible gambling and player security into the design and development of new products and services, market and advertise our products, manage the underlying technology, and oversee contracted retailer and service provider operations to maintain gambling integrity, security, compliance and performance.

Most of our products are sold day-to-day by private sector service providers at more than 3,800 lottery retail locations, 17 casinos, 19 community gaming centres and 7 commercial bingo halls. Secure, regulated online play is offered on PlayNow.com.

Our headquarters in Kamloops oversees finance, administration and information technology, while our Vancouver corporate office manages sales, marketing and distribution. Field staff throughout the province also support our operations.

The consolidated financial statements of BCLC include a wholly owned subsidiary, B.C. Lottotech International Inc. (Lottotech). The primary business of Lottotech is the purchase and lease of capital assets for BCLC, with Lottotech's budget reviewed and approved by BCLC's Board of Directors through our annual business planning process. The financial operations, management and oversight of Lottotech are consolidated within BCLC operations. BCLC has no other active or inactive subsidiaries.

how we benefit B.C.

Provincial programs & services: Every dollar of BCLC gambling proceeds benefits British Columbians. In 2013/14, BCLC is planning to deliver \$1,172.0 million in net income to the Government of British Columbia for health care, education, charitable and municipal programs. A portion also goes to the Government of Canada. BCLC retains none of its earnings.

Gaming grants: Each year, more than 5,000 community and charitable organizations receive community gaming grants awarded by the Province for arts and culture, sport, public safety, environment and human and social services. For more information, visit <http://www.gaming.gov.bc.ca/revenue/index.htm#four>.

Jobs and contracts: We employ about 900 employees with more than 37,000 direct and indirect workers employed in gambling operations, government agencies, charities and support services.¹

¹ Source: HLT Advisory Inc. "2010 Economic Impact of the Canadian Gaming Industry: Key Findings Report."

core business areas (channels)

Channel	Casino & Community Gaming Centres	Lottery	eGaming
2012/13 Net Income (Total \$1,127.6 million)	\$829.4 million	\$280.4 million	\$17.8 million
Distribution Network	15 Casinos 2 Racecourse Casinos 19 Community Gaming Centres 7 Commercial Bingo Halls	2,890 Retail locations 910 Hospitality locations	PlayNow.com
Products	Slot Machines Table Games Electronic Tables Poker Games Paper & Electronic Bingo Lotto Games	Lotto Games Sports Games Social Games Instant Games	Lotto Games eBingo eCasino ePoker Sports Betting
Structure	Private sector service providers earn a percentage of net win for providing gambling facilities and day-to-day operational services	Service providers earn an industry-standard commission, calculated as a percentage of revenue to service lottery games in their locations	Games are provided through PlayNow.com, where providers earn a licence fee and/or a percentage of net win for providing gambling software

corporate governance

BCLC'S BOARD OF DIRECTORS (BOARD) IS APPOINTED BY ORDER OF THE LIEUTENANT-GOVERNOR IN COUNCIL.

BCLC is compliant with the standards and guidelines and each of the disclosure requirements contained in the Best Practice Guidelines—B.C. Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations (2005).

Our Board framework includes the terms of reference for the Board, the Board Chair, President and Chief Executive Officer, Directors, Standing and Ad Hoc Board Committees and the Corporate Secretary, as well as processes for strategic planning, succession planning and Board performance evaluations.

The Directors are stewards of BCLC, chosen on the basis of their expertise and experience. Upon appointment, the Directors agree to act in accordance with the Board's Code of Conduct and Conflict of Interest Guidelines.

Our Board's purpose is:

- To foster BCLC's short-term and long-term success, consistent with its responsibility to the Government of British Columbia, giving consideration to the legitimate interests held by other stakeholders including players, employees, service providers, suppliers, communities and the public;
- To oversee the conduct of BCLC's business and to supervise management, which is responsible for the day-to-day operation of BCLC.

The Chair is the presiding Director, responsible for the effective leadership and performance of the Board and is the liaison between the Board and Minister. The Chair works together with the President & CEO (the CEO) to ensure effective relations with stakeholders, including Government.

Reporting to the CEO, the Corporate Secretary facilitates communication between the Board and Senior Executive team, playing a key role in the administration of corporate and governance matters, working with the Board through the Chair.

BCLC's Senior Executive team attends Board meetings. To maintain autonomy, the Board may convene in camera sessions. Click here to learn more about [BCLC's Corporate Governance](#) and more about our Board of Directors.

Learn more about the Province of British Columbia's [Board Resourcing and Development Office](#).

The Honourable Mike de Jong
Minister of Finance

Board of Directors
John McLernon (Chair)

Role:	To provide stewardship and ethical leadership to oversee the management of BCLC's affairs in the best interests of BCLC and the long-term interests of the Government of the Province of British Columbia.
Governance:	In carrying out the mandate of the Board, each director has specific statutory duties and obligations under employment, environmental and financial reporting and is required to act in accordance with fiduciary, duty of care and conflict of interest guidelines and do so: <ol style="list-style-type: none"> honestly and in good faith; with a view to the best interests of the Corporation; with the care, diligence, and skill of a reasonably prudent person; and consistent with the terms of reference that set out the standards of performance that the Board expects of each director.
Chair:	John McLernon
Members:	Arthur Willms (Vice-Chair), Trudi Brown, David Gillespie, Cindy Grauer, Moray Keith, D. Neil McDonnell, Michael Riley, Bud Smith

BCLC has three standing Board committees; other committees are established as needed. The committees are responsible for advising and formulating recommendations to the Board. Our standing Board committees are:

Audit Committee	Purpose: To assist the Board in fulfilling oversight responsibilities for BCLC's financial reporting provided to Government and the public, the effectiveness of internal control systems, audit processes, performance management and compliance with laws, regulations and policies. Chair: Michael Riley Members: David Gillespie, Moray Keith, Arthur Willms, D. Neil McDonnell
Governance and Corporate Social Responsibility Committee	Purpose: To provide focus on governance that enhances BCLC's performance, including for the Board of Directors, and to provide oversight responsibility for corporate social responsibility policy. Chair: David Gillespie Members: Trudi Brown, Moray Keith, Bud Smith
Human Resources and Compensation Committee	Purpose: To assist the Board in fulfilling obligations relating to human resources and compensation matters to enhance BCLC's performance against the strategic plan. Chair: D. Neil McDonnell Members: Cindy Grauer, John McLernon, Bud Smith
Ad Hoc Committees	Purpose: Established for a specific period of time to undertake a specific task, and then disbanded.
Ex-Officio Members	The Board Chair is an ex-officio member of all committees where not appointed as a full member. The President and CEO is also an ex-officio member of all committees.

our senior executive team

BCLC's President and Chief Executive Officer (the CEO) reports to our Board of Directors. [Click here](#) for the terms of reference for the CEO, which are included in our Board framework.

The CEO provides the leadership, management, and general supervision and controls BCLC operations on a day-to-day basis in accordance with the strategies, plans and policies approved by BCLC's Board.

The CEO is supported by a Senior Executive team comprising nine Vice-Presidents, all of whom report directly to the CEO.

A Vice-President is responsible for the leadership and operation of each of the three business channels: Lottery Gaming, eGaming and Casino and Community Gaming.

The business channels are supported by six divisions, responsible for managing the operations of BCLC's finance and corporate services; communications and public affairs; corporate security and compliance; business technology; corporate strategy, transformation and social responsibility; and human resources capabilities.

The Director, Audit Services reports administratively to the CEO and functionally to the Board Audit Committee. [Click here](#) to learn more about BCLC's Senior Executive team members.

The Honourable Mike de Jong
Minister of Finance

Board of Directors
John McLernon (Chair)

President & CEO
Michael Graydon

Responsible for BCLC's leadership and vision, directing and supporting the Senior Executive team in the development of the plans and actions required to realize the strategic goals of the organization.

Business Technology

Lynette Hughes, Chief Information Officer

Responsible for the technology and systems that support BCLC's operations, including information technology, enterprise architecture, program management, and the information technology that supports gambling and back office systems.

Casino and Community Gaming

Jim Lightbody, Vice-President

Responsible for the development and operation of casinos, community gaming centres and commercial bingo, including products, sales, distribution and contracted private sector service providers.

Communications and Public Affairs

Susan Dolinski, Vice-President

Responsible for the company's strategic communications to support BCLC's business goals, including public affairs, media relations, issues management, stakeholder engagement, internal communications and digital media.

Corporate Security and Compliance

Brad Desmarais, Vice-President

Responsible for corporate security and compliance, including customer service complaint investigations, legal services, corporate policy, privacy and freedom of information administration, information systems security and employee and service provider compliance.

eGaming

Rhonda Garvey, Vice-President

Responsible for the direction of the eGaming business unit, providing leadership in all aspects relating to operations, development and marketing of BCLC's secure and regulated gambling website, PlayNow.com.

Finance & Corporate Services

Jervis Rodrigues, Vice-President and Chief Financial Officer

Responsible for finance, including financial reporting and liaison with Government, and corporate services including enterprise risk management, facilities and procurement.

Human Resources

Peter Charlton, Vice-President

Responsible for human resources and talent management, including recruitment, compensation, rewards and recognition, leadership and other development and training programs.

Lottery Gaming

Kevin Gass, Vice-President

Responsible for the development and operation of lottery gambling, including products, marketing, sales and distribution, and contracted private sector service providers.

Strategy, Transformation and Social Responsibility

Marsha Walden, Vice-President

Responsible for BCLC's corporate strategy, including the business architecture, transformation of its infrastructure and processes, and its approach to the player experience and corporate social responsibility.

strategic context

These trends, opportunities and risks will shape our operations and potentially influence our performance during the three years of this plan. In preparing strategy, BCLC has assessed risks and opportunities, likelihood and potential impact.

economic and market trends and issues

We monitor the marketplace to proactively change direction to leverage or mitigate external influences.

economy & population growth

Recent Government economic assumptions forecast the B.C. economy will grow by 1.7 per cent in 2013 and an average of 2.4 per cent per year in the following three years. The forecast for relatively slow near-term growth is mainly due to continued weakness in Europe, the sluggish U.S. recovery and the potential for further slowing of global economic activity.² This uncertainty negatively affects financial business and consumer confidence, which in turn influences spending decisions.

B.C. personal disposable income faces a modest growth outlook in the medium term with growth in current dollars fluctuating between 3.0 and 4.0 per cent annually.³

B.C.'s population was estimated to grow by 0.7 per cent in 2012 and a further 1.2 per cent in 2013.⁴ Net negative interprovincial migration will be offset by positive migration from other countries. Overall population growth will remain modest by historical standards. Relatively low population growth has a direct impact on economic growth including consumer spending.

Over the past two years our net income has had very modest growth with our 2012/13 income of 1.8 per cent more than 2011/12. The 2013/14 year net income growth over 2012/13 results is 3.9 per cent with moderate growth anticipated in lottery and casino and stronger growth in eGaming.

Actions: We will continue to focus on revenue-generating initiatives to generate growth while sustaining our core, mature products. We will also focus on operational effectiveness and sustaining and growing net income to the Province.

player centricity

Putting our players first is fundamental to our business. Consumer patterns and preferences are changing with technology in the form of social media and other interactive forms of entertainment. We know our players value and respond to change. Given the range of choices in today's entertainment field, the competition for customers has never been tighter.

With this in mind, we are constantly evaluating and looking for ways to improve the products we offer by understanding

emerging trends, attitudes and ideas within the framework of upholding social responsibility as an essential component.

Actions: We will continue to focus on our players so they choose BCLC gambling over other entertainment options. This means offering customizable, player-driven experiences and improving the entertainment value and distribution convenience of our games. Engaging our players to find out what they like and where we can make improvements will help us keep players first, keeping our emphasis on social responsibility.

public opinion

Public trust and support for BCLC is our licence to operate. We will continue to be a good corporate citizen so that our business is welcomed across B.C., and to demonstrate integrity in what we deliver and how we deliver it so that the public has confidence our business is fair, safe and well-managed. With each of our endeavours, strategies and innovations comes the duty to promote our gambling products in a socially responsible manner.

Actions: We are committed to ongoing improvement to our responsible gambling programs, security and compliance, stakeholder relations, transparency and financial and environmental stewardship. For example, RG Check is an important new tool that provides a comprehensive, independent review of B.C.'s responsible gambling programs and gives us greater insight into how we measure up against best practices in areas such as corporate policies, voluntary self-exclusion, advertising, problem gambling supports, venue and game features, and employee training. So far, 13 B.C. gambling facilities have been reviewed and received RG Check accreditation, and the remaining facilities are planned to be reviewed over the next two years.

revenue sustainability

We deliver more than \$1 billion in income annually to the Province. Looking ahead, our build-out of gambling facilities is nearing completion, some of our products are reaching maturity in their life cycle and newer games are more expensive to develop and provide lower margins than our traditional games.

² Source: Province of B.C. Ministry of Finance November 2012.

³ Source: Central 1 Credit Union "Central 1 Economic Analysis of British Columbia." September 2012.

⁴ Source: Province of B.C. "Economic Review and Outlook in 2012/13 First Quarterly Report." September 13, 2012.

This combined with an aging player demographic and economic conditions will make it challenging for BCLC to grow and sustain revenue flow to the Province. To address this environment, BCLC is pursuing revenue opportunities through product and service innovations, enhancements to our distribution channels and the further development of our PlayNow.com platform. Through strategic investments in innovation and modernization, we are projecting these initiatives will generate significant new revenue over the three-year planning period.

Gambling continues to be one of Canada's largest entertainment industries generating over \$15 billion in net win.⁵ However, growth over the last five years has been less than 1.0 per cent annually. At BCLC we had a net win growth rate of 1.1 per cent for 2012/13 and are projecting 3.6 per cent for 2013/14. The net income we provide to the Province is also projected to increase at a moderate pace over the period covered by this plan.

Actions: We have two primary strategies to sustain revenue: investing in new growth opportunities so that we respond to consumer trends and replenish lost income from declining products and shrinking margins, and exploring new ways of operating our business to improve profit and productivity from our existing lines of business.

operating costs

While BCLC has continued to grow net income, the cost to generate this net income has increased in what has become a competitive and mature market. Increased costs are due to new games that cost more to execute, an increased reliance on technology, additional regulatory requirements and accounting changes.

Actions: BCLC fully understands that cost management is critically important and a key strategic initiative to sustain and grow income to the Province. We will continue to scrutinize our business for cost management opportunities and engage in best practice strategic procurement initiatives.

infrastructure investment

Technology has become vital to our business. Today, innovation is key, and it's how we will keep pace with our customers. We know our customers are increasingly using devices to connect to us, so we're investing in developing products and developing a platform for future innovation.

Sustaining current operations and enabling future growth are key priorities. However, a significant number of our systems are considered legacy and need to be updated or replaced. Business transformation activities and maintaining new systems have added additional cost pressures. Looking ahead, renewed infrastructure and new technologies are key to sustained revenue growth.

Actions: We are making significant progress in modernizing and transforming our infrastructure and gaming systems. We are optimizing our websites for mobile devices. We are in

year two of a multi-year project to replace our casino Gaming Management System that supports over 70 per cent of BCLC's net win every year. This multi-year project will modernize our land-based gambling business and help us be more responsive to players.

Our three-year plan is to build new levels of connectivity into our systems, to deliver improved customer service across all our business channels and establish a platform for sustainable revenue generation.

eGaming

We first ventured online in 2004, offering lottery products on PlayNow.com. The pace of change, not to mention the need for change, has soared since then. In 2010, we opened up a brand new field for BCLC—pioneering regulated, online casino games. Not long afterward, we broke new ground again with partners in Québec, developing the first-ever regulated, online peer-to-peer poker across jurisdictions. This past year, we launched a brand new sports betting platform to give our players the best possible experience including live betting, a better variety of sports and more betting options. We also partnered with Manitoba Lotteries Corporation to provide them with their own online gambling website. eGaming is still a relatively small part of our business, but it is definitely a growth area.

Actions: We will continue to focus on ongoing enhancements to our casino and sports offerings on PlayNow.com and optimize our website for devices like tablets. Players will be able to access winning numbers and responsible gambling information, and our security and protection features will apply whether players choose to access the website using mobile, tablet or personal computer. We are also exploring using the PlayNow.com platform in other areas of our business. Going forward, we'll continue to explore opportunities to provide PlayNow.com to other jurisdictions in Canada.

lottery

Lottery products have been sold in B.C. for over three decades. Although changing demographics and consumer preferences have affected this channel, three of our five core products are lottery products: Lotto 6/49, LOTTO MAX and Keno. These three products are forecast to generate more than \$275 million or 13 per cent of our total net win through both the retail and hospitality network.

Actions: We will place the player at the centre of our focus while at the same time recognizing the important role and contribution of our retailers. Future efforts will be on making lottery easy and accessible to play, ensuring our products remain fun and compelling through game enhancements, refreshing the "look and feel" of our retail presence, building strong retailer partnerships and making all players feel like winners. All initiatives will maintain player security and system integrity.

⁵ Source: HLT Advisory Inc. "2010 Economic Impact of the Canadian Gaming Industry: Key Findings Report."

casino and community gaming centres

British Columbians currently enjoy gambling in 43 facilities throughout the Province. Revenue generated in our casino facilities account for over 70 per cent of our total net win. While building and upgrading existing casino and community gaming facilities to higher quality properties remains critically important, we are transforming into an organization and industry that competes more effectively for the consumer's discretionary entertainment dollar.

Actions: We will strive to develop gambling destination properties in B.C. that are a popular entertainment choice for adults. Together with our private sector service providers, we will leverage our insight and analytics to deliver innovative entertainment for our players. We will continue to demonstrate our commitment to excite and delight our players by providing them with the kinds of promotions that interest them through our Encore Rewards program.

We are excited about giving our players an improved gaming experience and added opportunities for entertainment through the introduction of the new casino Gaming Management System and the development of a new gaming platform that will leverage the PlayNow.com suite of games. In collaboration with our private sector service providers, we will realize additional revenue growth through the marketing capabilities of these new systems and multi-channel platforms.

For net win and net income trends of all our core business areas, refer to Our Financial Outlook later in this document.

risks and opportunities

BCLC has a formal enterprise risk management (ERM) program, with ongoing evaluation of risks and quarterly Board reporting of action plans for all significant risks identified. BCLC continues to develop the ERM program, expanding consideration of risk to include opportunity assessment and strengthening links with the compliance, business continuity, insurance and anti-fraud programs. BCLC's risk criteria are closely aligned to our strategic goals, with the major risks and opportunities ahead outlined below:

RISKS & OPPORTUNITIES	IMPACT	ACTIONS
PLAYER GOAL: Put players first to create the entertainment experiences they enjoy		
<p>Risk: BCLC may not understand or meet the needs and expectations of new and existing players for high-quality facilities, games, services and touch points.</p> <p>The responsible gambling and Voluntary Self-Exclusion programs may not fully meet player needs and public expectations.</p>	<p>Player satisfaction or participation levels may decline over time. Existing or potential customers may seek alternative entertainment.</p> <p>Players may not make informed choices about gambling. Problem gambling rates may increase.</p>	<p>Investments will be made in market research and analytics to obtain customer focused insights.</p> <p>BCLC will continue its long-term commitment to responsible gambling programs, working with GPEB to provide education, tools, resources and communications to support informed gambling decisions.</p> <p>Plan to increase investment in public education programming and develop responsible gambling programming for special populations.</p> <p>BCLC continues to develop and enhance the Voluntary Self-Exclusion program including ongoing security enhancements and continuing with the facial recognition pilot at casinos.</p>
<p>Opportunity: Attract new players and increase play through making BCLC games and facilities an accessible and appealing entertainment option.</p>	<p>BCLC needs to engage players across gambling channels in a highly competitive and rapidly changing market in order to sustain and grow the business.</p>	<p>Make budget and resource investments in innovation in order to remain relevant and deliver new products and services to meet customer expectations.</p> <p>New purchase options such as Lotto Express and PlayNow.com mobile play are being developed. Amenities and services are being improved in our casino properties that are under development in our major markets.</p>

RISKS & OPPORTUNITIES	IMPACT	ACTIONS
PEOPLE GOAL: Think differently, work together and act fast to drive results		
<p>Risk: BCLC may not be able to attract, recruit and retain sufficient skilled staff or develop the skill sets and competencies required in time to meet future growth targets.</p>	<p>BCLC's difficulty in recruiting and retaining employees with the key competencies may result in difficulties in maintaining operations and planning and undertaking new initiatives.</p>	<p>BCLC will develop a compensation framework that is market competitive and supports our ability to continue with current initiatives and future transformational activities.</p>
<p>Opportunity: To develop a skilled, engaged and flexible workforce to drive organizational transformation and success.</p>	<p>To transform the business, BCLC needs able and inspired employees with the right skills.</p>	<p>Enhance employee planning to identify BCLC's future capabilities, competencies and resource needs.</p> <p>Invest in employee development to meet skill and capability needs.</p> <p>Support a culture of collaboration that improves our focus on the player, our capacity for innovation and our speed-to-market.</p>
PUBLIC GOAL: Build public trust and support for BCLC		
<p>Risk: The public may not feel that BCLC is demonstrating our values of integrity, social responsibility and respect.</p> <p>BCLC systems and processes to support best practices and respond to internal and external challenges may not be optimized.</p> <p>Information security could be threatened by malicious attack or sabotage.</p>	<p>If the public or other stakeholders lose confidence in BCLC new initiatives may not be approved or player participation may fall with a consequent decline in revenue.</p> <p>BCLC requires consistent, reliable business processes, practices and models with robust governance.</p> <p>Compliance with current and future regulations is also very important to assure the public and our stakeholders.</p>	<p>BCLC is pursuing proactive communications strategies to enhance public knowledge of how BCLC conducts its business and contributes to local communities across B.C.</p> <p>BCLC is driving a number of initiatives to modernize processes, reduce reliance on manual processes, implement intelligent controls and strengthen operational integrity.</p> <p>Investments are being made to improve information governance and management across the enterprise to create enterprise solutions that better supports business decision-making, knowledge management and information security.</p> <p>BCLC is also improving the processes and application of technology solutions for oversight and management of monitoring and compliance activities.</p> <p>We continue to strengthen our risk, compliance and business continuity capabilities to further improve both risk mitigation and contingency response to potential integrity issues or disruptions.</p>
<p>Opportunity: Greater engagement with the public, municipalities and local communities.</p>	<p>BCLC needs public support to pursue new initiatives that generate income for the Province and all British Columbians.</p>	<p>BCLC continues to implement the Openness and Accountability Strategy, using the redesigned bclc.com website to proactively inform media and the public about our business.</p> <p>We also work closely with our local communities through initiatives such as Responsible Gambling Awareness Month.</p>

RISKS & OPPORTUNITIES	IMPACT	ACTIONS
PROFIT GOAL: Grow net income and invest in the long-term health of our business		
<p>Risk: BCLC may face challenges in growing and sustaining revenue as traditional games mature and new technology-based games become more expensive to develop and yield lower profit margins.</p> <p>Technology or capacity limitations may restrict the development of the new or optimized enterprise level capabilities required for transformation and future innovation.</p>	<p>Without continuing investment and innovation the net income contribution that BCLC makes to the Province may decline.</p> <p>BCLC's ability to meet the expectations of existing and new players and private sector service providers may be constrained, affecting future revenue.</p>	<p>Corporate transformational initiatives are underway that will include replacement of a number of legacy systems. The most significant of these is the rollout of the new Gaming Management System to all of our facilities.</p> <p>The transformation of our Business Technology and Finance divisions will provide better support for our business with improved enterprise working, swifter implementation and better decision support.</p>
<p>Opportunity: Optimizing, streamlining and automating business processes to improve efficiency and provide the foundations for new growth opportunities.</p>	<p>BCLC needs to be ready to respond to external constraints and opportunities resulting from changes to the business environment.</p>	<p>We are assessing our business models with a focus on increasing operational effectiveness, speed to market and exploring new ways to improve profit and productivity as we operate our business in the future.</p> <p>BCLC will also continue to focus on developing revenue generating initiatives to generate growth while sustaining our core, mature products.</p>

our capacity to achieve results

Current and future needs require sound, responsive and adaptive business processes and technology. Our workforce must have the skills and capabilities to work in this environment and leverage our business to satisfy our players.

We are investing in our workforce through continual refinements to our online learning management system, ongoing programs for leadership development, and employee development. Aligning workforce planning strategies with emerging business needs will ensure our human resources capacity is effectively utilized. We need a competitive compensation plan and workplace environment in order to attract and retain top talent and grow our business.

We are improving our business planning processes to ensure we are allocating our human, operating and capital resources to the highest value-added projects. Reinforcing a culture of business optimization, continuous improvement and operational efficiency will result in allocating resources where the business need is the greatest.

our plan for the next three years

goals, objectives and performance measures

BCLC's Board and Senior Executive manage the business through a cycle of strategic and business planning, reporting and then analyzing performance. Our planning includes reviewing economic and marketplace indicators as well as results from other gambling jurisdictions with similar operations.

BCLC's strategic plan is our roadmap, defining where we want to be and how we plan to get there. In planning for the next three years, we made changes to BCLC's strategic plan to more clearly articulate our direction, restating our goals and adding objectives to the framework.

Appendix 1 provides a comparison of our goals, objectives and performance measures from the 2012/13-2014/15 Service Plan and this 2013/14-2015/16 Service Plan.

Our new strategic plan is summarized in the table below.

Corporate Goals <i>where we want to be</i>	Corporate Objectives <i>what we need to achieve and why it is important</i>	Performance Measures <i>how we will measure corporate performance</i>
1. We will put players first to create the entertainment experiences they enjoy	Delight players so they will choose BCLC gambling over other entertainment options	Player Satisfaction
	Broaden and diversify the player base and spending to strengthen our business and reduce risk	Player Participation
	Encourage responsible play so that players make informed choices about their gambling	Player Awareness of Responsible Gambling Activities
2. We will think differently, work together and act fast	Make BCLC a great place to work so that we feel inspired to do our best work and we are a sought-after employer	Net Win per Capita
	Define our future workforce needs so we have the right people with the right skills at the right time	Employee Engagement
3. We will build public trust and support for BCLC	Be a good corporate citizen so that our business is welcomed across B.C.	Employee Vacancy Rate
	Demonstrate integrity in what we deliver and how we deliver it so that the public has confidence our business is fair, safe and well-managed	Public Support for BCLC
4. We will grow net income and invest in the long-term health of our business	Grow net income from our core business	Level of Greenhouse Gas Emissions
	Invest in innovative products and services that respond to consumer trends and create opportunities for growth	Net Income
	Invest in infrastructure and processes to improve operational effectiveness and enable the business to get to market faster	Operating Costs as % of Net Win

how we measure our performance

BCLC establishes performance measures to help us assess our level of success in achieving our objectives.

For non-financial measures, BCLC contracts with independent third-party professionals to conduct surveys, comparing our performance results against established targets. We assess these results on a quarterly basis, reviewing and analyzing the data, enabling us to see where our plans are achieving the desired results. Our performance results are published each year in our Annual Service Plan Report.

Financial information is obtained from BCLC's audited financial statements and from other internal reports. We source the population figures from BC Stats and Statistics Canada and use them in the calculation of some of our performance measures.

Our employee engagement is measured through a third-party research supplier who conducts an annual survey with BCLC's employees.

We benchmark our financial performance against the audited financial results published by comparator organizations and the Canadian Gambling Digest.

BCLC benchmarks to the Ontario Lottery and Gaming Corporation (OLG), Loto-Québec (LQ), the Swedish lottery Svenska Spel and the Canadian gambling average. These benchmarks provide insight into BCLC's financial performance against national averages and comparable gambling jurisdictions. A summary of our current Service Plan's performance measures are included in the table below:

	Performance Measures	2011/12 Actual	2012/13 Actual	2013/14 Target	2014/15 Target	2015/16 Target
Player	Player Satisfaction	83%	85%	83%	83%	83%
	Player Participation	62%	69%	62%	63%	64%
	Player Awareness of Responsible Gambling Activities	80%	78%	80%	82%	83%
	Net Win Per Capita	\$447	\$450	\$467	\$479	\$492
People	Employee Engagement	81%	82%	80%	80%	80%
	Employee Vacancy Rate	1.9%	4.4%	4.0%	4.0%	4.0%
Public	Public Support for BCLC*			80%	81%	83%
	Level of Greenhouse Gas Emissions (calendar year)	2011: 1,506	2012: 1,403	2013: 1,439	2014: 1,382	2015: 1,326
Profit	Net Income (millions)	\$1,107.4	\$1,127.6	\$1,172.0	\$1,202.0	\$1,237.0
	Operating Costs Ratio (% of Net Win)	42.0%	41.2%	42.5%	42.5%	42.5%

Our performance targets for the next three years are outlined in the following pages. A more detailed explanation of the methodology used for each measure and our benchmarking is contained in Appendix 2.

* In the past, we have tracked "Public Support for BCLC Gambling" and going forward will track this metric.

goal 1: player

we will put players first to create the entertainment experiences they enjoy

Objectives	Performance Measure	Strategies
Delight players so they will choose BCLC gambling over other entertainment options	Player Satisfaction Player Participation	<ul style="list-style-type: none"> • Offer customizable, player-driven experiences
Broaden and diversify the player base and spending to strengthen our business and reduce risk	Player Awareness of Responsible Gambling Activities	<ul style="list-style-type: none"> • Leverage the PlayNow.com platform across all channels and devices
Encourage responsible play so that players make informed choices about their gambling	Net Win per Capita	<ul style="list-style-type: none"> • Continuously improve the entertainment value and distribution convenience of our core games • Provide education and tools supporting informed gambling choices and responsible play behaviours

delight our players

We realize that our players have many options in spending their entertainment dollars. Understanding our player will help us on our journey in creating exciting entertainment experiences. We are strengthening our customer understanding through feedback and research and are taking positive steps in transforming to a player-driven organization. We will continue to work closely with our service providers to enhance our gambling facilities and to improve the look and feel at our lottery retail locations.

broaden & diversify player base

Increasing the number of players strengthens our business. BCLC is planning to leverage the PlayNow.com platform across all our channels and devices, so that we diversify and increase our player base and realize a higher return on our investment in technology. We want it to be easy for our players to do business with us, so that they are satisfied with their entertainment experience.

We know our players want customization and player-driven experiences, and these attributes will be built into future products and services. We are also taking steps to add convenience in how our players purchase our products.

encourage responsible play

The more players know, the better equipped they are to make healthy decisions about gambling. BCLC's responsible gambling programming provides education and tools to support informed gambling choices and responsible play behaviours.

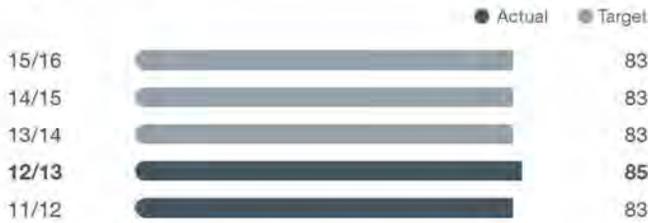
RG Check is a tool that will be gradually introduced into our facilities over the next two years. This program provides insight into how our private sector service providers operate casino and community gaming centres as measured by an independent agency to best practices in responsible gambling.

We are continuing with Responsible Gambling Awareness Month, working with communities across B.C. to raise awareness about responsible gambling practices to help reduce risk and connect people to community resources and services.

Our GameSense communication and education program is considered to be one of the best in the world and we will continue to evolve the program based on research that offers new insights into how to proactively reduce the potential for problem gambling to occur. We will continue to research how we can improve programs and technology to support the small number of vulnerable players for whom problem gambling is an issue.

We measure player awareness of our responsible gambling activities to determine the effectiveness of our responsible gambling programs.

player satisfaction
(%)



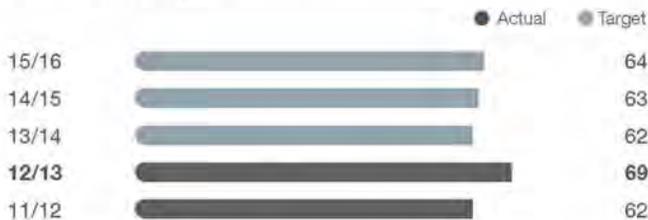
DESCRIPTION OF PERFORMANCE MEASURE

Player satisfaction is a measure of satisfaction with the products, services and facilities BCLC offers in each of our gambling channels. This measure will indicate if we are successful in transforming to becoming more player-centric.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

There has been no change to this goal or its measurement. Target changes are based on historical and forecast information. Our level of player satisfaction is already very positive. Our plans to become player-centric are expected to maintain these results as well as positively impact the longer term strategy of broadening the level of player participation and ultimately achieving the revenue growth targets.

player participation
(% at least monthly)



DESCRIPTION OF PERFORMANCE MEASURE

Player participation measures the percentage of B.C. adults who play our games or visit a gaming facility once every month. By measuring frequency, we have a gauge of players' purchase behaviour and can better understand how successful our promotions are in attracting them to our products and facilities.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

There has been no change to this goal or its measurement. Target changes are based on historical and forecast information.

player awareness of responsible gambling activities
(%)



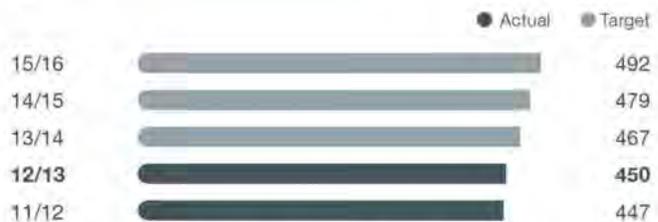
DESCRIPTION OF PERFORMANCE MEASURE

Player awareness of responsible gambling activity measures how many of our players are aware of one or more of our responsible gambling activities. The measure determines how effective we are at reaching out to our players about our responsible gambling programs. We do not benchmark this measure to other gambling jurisdictions due to a lack of comparable data.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

There has been no change to this goal or its measurement. Target changes are based on historical and forecast information and considering the enhancements that BCLC is planning to make to our responsible gambling education and support programming.

net win per capita
(\$)



DESCRIPTION OF PERFORMANCE MEASURE

Net win is calculated for lottery and bingo games by deducting prizes from gross sales. Casino game prizes are paid during game play. Net win per capita tells us how successful we are in growing revenue per player. It is indexed to the total population to allow us to benchmark to other jurisdictions, as the age at which legal gambling is permitted varies between jurisdictions.

This measure is widely used in the gambling industry so consistent benchmarking is possible. The net win is divided by the total population based on publicly reported population figures to obtain per capita metrics. Benchmarking is to Loto-Québec (LQ), Ontario Lottery and Gaming Corporation (OLG), and the Canadian average. Benchmarking data is presented in Appendix 2. BCLC has consistently outperformed the benchmark organizations.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

Annual review of our financial performance occurs in September. Targets for the next three years have been set based on our actual performance for 2012/13 and predicted growth in net win. Our forecast takes into account standard economic indicators used by the Province and the planned introduction of new products and services and facility developments.

goal 2: people

we will think differently, work together
and act fast

Objectives	Performance Measure	Strategies
Make BCLC a great place to work so that we feel inspired to do our best work and we are a sought-after employer	Employee Engagement Employee Vacancy Rate	<ul style="list-style-type: none"> • Foster innovation and simplify work processes in every area of the company to make BCLC more effective and increase job satisfaction • Offer personal development opportunities and a competitive compensation package to retain and attract strong talent in critical roles • Install a Human Resources Information System that creates a single, integrated view of our workforce
Define our future workforce needs so we have the right people with the right skills at the right time		

BCLC is a great place to work

BCLC is proud to have been selected as a top employer in British Columbia seven consecutive years in a row, most recently in 2013. In 2011, we were also selected as a Top Employer for Canadians Over 40 and as a Top Family-Friendly Employer. We continue to pursue excellence in the programs, services and experience that we offer to our workforce.

A passionate and engaged workforce is required to drive the success of our business. Our employees work on the programs that we have put in place to modernize our business; they research, develop and integrate the games that our players enjoy; and they work with our private sector service providers to deliver the great entertainment experience that our players expect.

Maintaining our employee value proposition

Our human resources programs will continue to nurture a culture and environment that supports BCLC's business strategy. Through strategic workforce planning, performance management and managing our employment brand, we will remain as an employer of choice. We will continue to invest in leadership and employee development to provide the training and resources needed to sustain and grow the business and plan for the future leadership of the company.

Measuring performance

BCLC has two performance metrics to help us monitor our success in attracting and retaining an engaged workforce. Our employee engagement is already high and our employee vacancy rate is low. Our goal is to maintain both metrics at existing levels, with the vacancy rate increasing only slightly when the economy improves and competition for resources increases.

employee engagement (%)



DESCRIPTION OF PERFORMANCE MEASURE

This performance metric measures the level of engagement of BCLC employees. Employee engagement is defined as the intellectual and emotional commitment employees have in an organization.

Employee engagement reflects the effort and dedication employees contribute to achieve success for the organization.

A third-party research company measures the level of employee engagement using an annual employee survey that reflects our unique culture, values and business objectives. A broad range of attributes are surveyed that are important to BCLC: player-focus, delivering an outstanding gambling experience, social responsibility and making BCLC a great place to work.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

Transforming to a player-centric company requires modernization of processes and technology. Our targets for the next three years reflect our commitment to maintain current high levels of engagement through these changes.

employee vacancy rate (%)



DESCRIPTION OF PERFORMANCE MEASURE

Employee vacancy rates measure BCLC's employee turnover, competitiveness, and the effectiveness of recruitment processes. It is a high-level metric subject to considerable variation based on organizational growth, internal personnel movement, employee demographics and external market conditions. The vacancy rate must therefore be interpreted within the context of the time frame that it is being measured.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

In 2011/12 the vacancy rate was low, reflecting limited organizational growth and low turnover of employees in a flat labour market. Our targets reflect our expectation that the number of full-time equivalent positions will be stable at approximately 900 and that employee turnover will remain low, but closer to the level experienced in 2008/09.

goal 3: public

we will build public trust and support for BCLC

Objectives	Performance Measure	Strategies
Be a good corporate citizen so that our business is welcomed across B.C.	Increase public support for BCLC	<ul style="list-style-type: none"> • Coordinate the many activities that contribute to our corporate reputation with a focus on key operating communities • Build employee understanding of their role in strengthening our public trust
Demonstrate integrity in what we deliver and how we deliver it so that the public has confidence our business is fair, safe and well-managed	Level of Greenhouse Gas Emissions	

More than \$1 billion in income is delivered each year to the Province of British Columbia for health care, education, community initiatives and other programs. Sustaining and growing this net income depends on BCLC maintaining the trust and support of the public.

be a good corporate citizen and demonstrate integrity

BCLC cannot achieve its mandate to generate income without public trust and support. Ultimately, public opinion determines our social licence to operate. We will continue to work hard every day to earn players' trust in the integrity of our products and the safety of our facilities, and to build public confidence that we strike a balance between a healthy bottom line and encouraging our players to make responsible gambling choices. BCLC is committed to ongoing improvement to our responsible gambling programs, security and compliance, stakeholder relations, transparency and environmental stewardship.

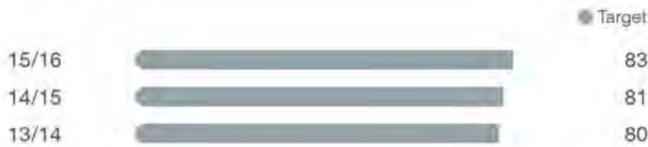
decrease our carbon footprint

Sustainability is a key component of our corporate social responsibility and an integral part of our business. We promote environmentally sustainable behaviours in our workplace, for example, by implementing a new sustainable procurement policy and complying with new regulations governing the tracking and disposal of electronic waste.

We are also working with the Ministry of Environment to prepare for the implementation of new paper waste regulations, and continuing efforts to encourage the participation of our staff, private sector service providers and vendors in environmentally friendly programs. By maximizing our re-use and recycling programs, BCLC has seen continued reduction in our greenhouse gas emissions. BCLC is required to meet the carbon neutrality requirements set out in the Government's *Greenhouse Gas Reduction Targets Act*.

BCLC uses two performance metrics to assess its success in achieving public trust and support: public support for BCLC and level of greenhouse gas emissions.

public support for BCLC (%)



DESCRIPTION OF PERFORMANCE MEASURE

Public support for BCLC is a measure of the percentage of adult British Columbians who support and have a favourable impression of BCLC. If BCLC demonstrates and communicates how we meet our corporate social responsibility mandate successfully, we should expect to see our results increase. It will be measured by a third-party consultant throughout the year using an online survey.

We do not benchmark this measure due to a lack of comparable data from other gambling jurisdictions.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

This is a new measure in the Service Plan.

level of greenhouse gas emissions (CO₂e tonnes by calendar year)



DESCRIPTION OF PERFORMANCE MEASURE

BCLC uses standard calculations provided by the Province to report our greenhouse gas (GHG) emissions in a standard format. This calculation is completed and reported in metric tonnes of carbon dioxide emissions (CO₂e) for the calendar year. Data is obtained on the following usage: electricity, natural gas, fleet fuel and paper.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

Our targets are based on achieving a three per cent year-over-year reduction in reportable emissions to achieve the mandated 33 per cent reduction by 2020.

goal 4: profit

we will grow net income and invest in the long-term health of our business

Objectives	Performance Measure	Strategies
Grow net income from our core business	Net Income	<ul style="list-style-type: none"> • Define and implement the business and technology architecture and roadmap that will help us grow • Build our business intelligence and analytics • Work with best-in-class partners to drive innovation in the games, amenities, social settings, services and access that players want • Complete the casino/community gaming centre property build-outs to capture unrealized market potential
Invest in innovative products and services that respond to consumer trends and create opportunities for growth	Operating Costs as % of Net Win	
Invest in infrastructure and processes to improve operational effectiveness and enable the business to get to market faster		

grow net income, invest in new growth opportunities & increase speed to market

Growing net income from our core business will continue to be a priority. BCLC does this by responding to consumer trends with investments in products and services that provide new growth.

We are beginning a multi-year journey in defining and implementing the business and technology architecture and roadmap that will lay the foundation for our growth. Modernizing our infrastructure through the replacement of legacy systems continues to be a focus. Optimization of our business, from how we manage our data across the organization to the evolution of business intelligence and analytics, are all initiatives that will help us understand the interests of our players.

We are also reviewing how we work with our private sector service providers and third-party vendors to deliver gambling, so that we continuously improve BCLC's business operations. The transformation of our technology, finance and procurement activities will continue as we improve processes, technology and skills to build the business.

Innovation and moving quickly to market with the games, amenities, social settings, services and access that players want will be supported by working with best-in-class partners. We are planning to relocate and develop gambling facilities where market potential exists to bring an exciting and varied experience for those communities.

BCLC uses two high-level metrics to assess our performance against this goal: net income and operating costs ratio.

net income (\$ millions)



MEASURING OUR PERFORMANCE

Net income is the total amount of income generated from BCLC gambling after all expenses and is in accordance with International Financial Reporting Standards (IFRS). It is a direct indicator of our success in meeting our mandate to generate income for the benefit of all British Columbians.

DESCRIPTION OF PERFORMANCE MEASURE

Net Income is income net of prizes, direct expenses, operating expenses and taxes.

BCLC's net income is sent to the Province and used to benefit all British Columbians for funding of public health care, education and charitable and community programs. As a result of an agreement between the federal and provincial governments, the Government of Canada receives a portion of BCLC's net income.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

Net income targets are updated annually based on past performance and future growth opportunities. The forecasts take into account standard economic indicators used by the Province.

operating costs ratio (% of net win)



MEASURING OUR PERFORMANCE

Our operating costs ratio as a percentage of net win is a measure of our operational efficiency. It indicates how successful we are in balancing the generation of revenue with the cost of operating our business.

DESCRIPTION OF PERFORMANCE MEASURE

The operating costs ratio is the sum of direct expenses (except prizes), gaming support costs, general operating costs and amortization divided by our net win. We benchmark this metric to other gambling jurisdictions. BCLC's costs are below both Ontario Lottery and Gaming Corporation and Svenska Spel and comparable to those of Loto-Québec. For more details, see Appendix 2.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

In this Service Plan, we adjusted BCLC's operating costs ratio to include ticket printing. This change better benchmarks us against other gambling jurisdictions where ticket printing was not separated from operating costs in some jurisdictions' Annual Reports.

BCLC is investing in modernizing our business, replacing legacy systems and, in particular, replacing the technology that supports casino and community gaming centre operations. This investment in modernization will continue with BCLC committed to maintaining its operating costs ratio at optimal levels.

our financial outlook

how much we'll sell, spend and provide in net income and our assumptions in preparing this plan

The Province of British Columbia uses BCLC net income from gambling to fund public, charitable and community programs that benefit all British Columbians.

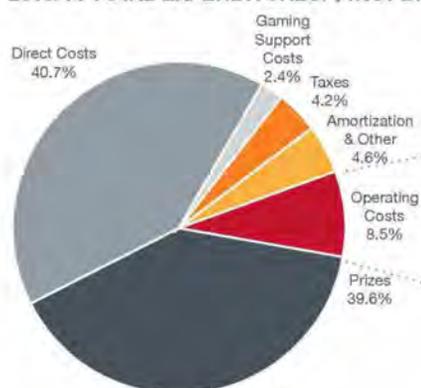
NOTE: The tables in this section factor in the change from HST to PST and GST in 2013/14.

consolidated corporate operations

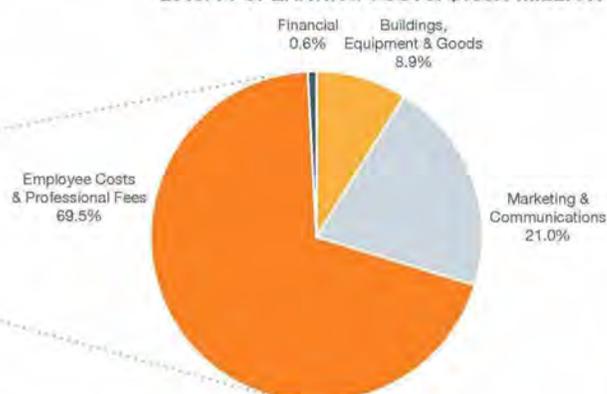
\$ millions	2011/12 ACTUAL	2012/13 BUDGET	2012/13 PRELIMINARY ACTUAL	2013/14 BUDGET	2014/15 TARGET	2015/16 TARGET
Revenue	\$ 2,701.4	\$ 2,760.3	\$ 2,731.9	\$ 2,803.0	\$ 2,868.7	\$ 2,940.1
Prizes	641.9	624.4	649.6	645.2	656.5	665.0
Net Win	2,059.5	2,135.9	2,082.3	2,157.8	2,212.2	2,275.1
Direct Expenses	630.3	650.7	637.2	664.3	681.4	699.5
Gaming Support Costs	29.0	34.1	29.4	38.6	39.3	40.0
Operating Costs	132.9	135.9	133.7	139.4	141.9	144.2
Amortization and Other	73.0	90.2	57.6	75.5	78.5	84.1
Total Costs	865.2	910.9	857.9	917.8	941.1	967.8
Net Income Before Taxes	1,194.3	1,225.0	1,224.4	1,240.0	1,271.1	1,307.3
Taxes	86.9	100.0	96.8	68.0	69.1	70.3
Net Income*	\$ 1,107.4	\$ 1,125.0	\$ 1,127.6	\$ 1,172.0	\$ 1,202.0	\$ 1,237.0
Debt	90.1	128.0	131.7	173.1	202.1	225.1
Capital Expenditures	74.4	116.2	96.6	120.0	110.0	110.0

* BCLC retains none of its earnings

2013/14 TOTAL EXPENDITURES: \$1.631 BILLION



2013/14 OPERATING COSTS: \$139.4 MILLION



REVENUE

Revenue is projected to increase by \$208.2 million or 7.6 per cent over the three-year period. BCLC is projecting moderate growth in the lottery and casino channels and stronger growth in the emerging eGaming channel.

TOTAL EXPENDITURES

Total expenditures, including prizes, total costs and taxes, are expected to increase by \$98.8 million or 6.2 per cent over the three-year period. Total expenditures for Fiscal 2013/14 are projected at \$1.6 billion.

PRIZES

Prizes are estimated to increase by \$15.4 million or 2.4 per cent over the three-year period due to increased revenue.

Prizes as a percentage of revenue are decreasing from 23.8 per cent to 22.6 per cent over the three-year period due to a shift in consumer preferences to casino-style games which are recorded net of prizes.

NET WIN

Net win is projected to increase by \$192.8 million or 9.3 per cent over the three-year period as a result of the growth in revenue.

DIRECT EXPENSES

Direct expenses include service provider commissions, lottery ticket printing and bingo paper, supplies and leases.

Direct expenses are increasing by \$62.3 million or 9.8 per cent over the three-year period due to increased revenue.

GAMING SUPPORT COSTS

Gaming support are those costs which directly support revenue generation. They include equipment installation and maintenance, systems support, data transmission, product delivery and odds-setting.

Gaming support costs will increase by \$10.6 million or 36.1 per cent over the three-year period due to growth and a greater usage of third-party system providers in the eGaming channel, as well as increasing technology costs and the implementation of the Gaming Management System (GMS).

OPERATING COSTS

Operating costs include employee costs, professional fees, buildings, equipment and goods, marketing, communications and financial costs.

Operating costs are expected to remain stable as a percentage of net win over the three-year period.

AMORTIZATION AND OTHER

Amortization is increasing by \$26.5 million over the three-year period, primarily due to capital expenditures which include the replacement of the Gaming Management System, investments in business support and modernization programs, and capital to support revenue programs in the lottery, eGaming, casino and community gaming business channels.

The "Other" category consists of interest expense for short-term borrowing and accrued employee benefits.

CORPORATE ASSUMPTIONS

Real GDP growth for the B.C. economy is assumed at an average 2.2 per cent over the three-year period.

Inflation has been assumed at an average 1.9 per cent over the three-year period.

BCLC uses the three-month Canadian Treasury Bill all-in rates as forecast by the Ministry of Finance (rates as of January 3, 2013); interest rates have been assumed at 1.24 per cent for 2013/14, 1.90 per cent for 2014/15, and 2.73 per cent for 2015/16.

No major changes will be made to BCLC's mandate or the Province of B.C.'s gambling and social policy.

No major changes will be made to Gaming Policy and Enforcement Branch (GPEB) mandate, regulations or policy.

Net win and net income assumptions are based on BCLC obtaining the necessary provincial, host local government and regulatory approvals required under the *Gaming Control Act (2002)* to open new facilities and launch new products.

casino and community gaming centres

\$ millions	2011/12 ACTUAL	2012/13 BUDGET	2012/13 PRELIMINARY ACTUAL	2013/14 BUDGET	2014/15 TARGET	2015/16 TARGET
Net Win	\$ 1,578.9	\$ 1,627.9	\$ 1,582.7	\$ 1,626.5	\$ 1,659.8	\$ 1,701.9
Total Costs	689.6	720.7	681.1	716.2	735.1	756.8
Net Income Before Taxes	889.3	907.2	901.6	910.3	924.7	945.1
Taxes	60.8	70.2	72.2	47.3	47.7	49.1
Net Income	\$ 828.5	\$ 837.0	\$ 829.4	\$ 863.0	\$ 877.0	\$ 896.0

Over the three-year planning period, net income before taxes is projected to increase by \$43.5 million, or 4.8 per cent. This growth will come from increased marketing efforts including campaign management and Player Card enhancements, the continuing development of existing casino properties including considering our options to relocate current facilities and developing new community gaming centres.

CASINO AND COMMUNITY GAMING CENTRE ASSUMPTIONS

British Columbia casino marketplace capacity studies are accurate.

The increase in table game play will continue.

Slot machine play increases as a result of more detailed analytics that provide new insights into game selection, design, and machine locations.

lottery

\$ millions	2011/12 ACTUAL	2012/13 BUDGET	2012/13 PRELIMINARY ACTUAL	2013/14 BUDGET	2014/15 TARGET	2015/16 TARGET
Revenue	\$ 995.8	\$ 985.0	\$ 1,020.5	\$ 1,025.0	\$ 1,045.0	\$ 1,065.0
Prizes	564.0	555.5	571.4	577.5	588.5	599.1
Net Win	431.8	429.5	449.1	447.5	456.5	465.9
Total Costs	154.7	153.2	148.3	158.2	161.8	162.9
Net Income Before Taxes	277.1	276.3	300.8	289.3	294.7	303.0
Taxes	23.0	23.8	20.4	17.3	17.7	18.0
Net Income	\$ 254.1	\$ 252.5	\$ 280.4	\$ 272.0	\$ 277.0	\$ 285.0

Over the three-year planning period, lottery net income before taxes is expected to increase by \$2.2 million, or 0.7 per cent. Growth in this channel will come from the introduction of new products and product enhancements, upgrades to the "Look and Feel" of the lottery network, the build-out of Lotto Express and the revitalization of product offerings in the hospitality network.

LOTTERY ASSUMPTIONS

Effective marketing focus on big lotto jackpots will increase awareness and interest that results in purchases by infrequent players.

Planned releases of new lottery products will be on schedule.

BCLC market forecasts for new lottery products are accurate.

The estimated number and size of jackpot rolls on national lotto games will not vary significantly from historical averages.

eGaming

\$ millions	2011/12 ACTUAL	2012/13 BUDGET	2012/13 PRELIMINARY ACTUAL	2013/14 BUDGET	2014/15 TARGET	2015/16 TARGET
Revenue	\$ 65.6	\$ 91.3	\$ 73.3	\$ 100.0	\$ 113.7	\$ 126.1
Prizes	16.8	12.8	22.8	16.2	17.8	18.8
Net Win	48.8	78.5	50.5	83.8	95.9	107.3
Total Costs	20.9	37.0	28.5	43.4	44.2	48.1
Net Income Before Taxes	27.9	41.5	22.0	40.4	51.7	59.2
Taxes	3.1	6.0	4.2	3.4	3.7	3.2
Net Income	\$ 24.8	\$ 35.5	\$ 17.8	\$ 37.0	\$ 48.0	\$ 56.0

Over the period covered by this Service Plan, net income before taxes will increase by \$37.2 million, or 169.1 per cent. Growth will come from the continuing operationalization of the casino/poker portfolios, the introduction of multi-jurisdictional bingo, new sports betting games and the development of mobile gaming. eGaming is also partnering with Manitoba Lotteries Corporation to provide them with an online gambling site.

eGAMING ASSUMPTIONS

Planned product releases will be on schedule.

BCLC market forecasts for new products are accurate.

The regulator approvals required under the *Gaming Control Act (2002)* to launch new products will be received.

our capital plan

spending on our infrastructure and technology

\$ thousands	2011/12	2012/13	2012/13	2013/14	2014/15	2015/16
	ACTUAL	BUDGET	PRELIMINARY ACTUAL	BUDGET	TARGET	TARGET
Gambling Systems						
Lottery	\$ 7,635	\$ 5,054	\$ 6,364	\$ 8,212	\$ 7,800	\$ 10,000
eGaming	6,781	8,191	7,403	11,968	12,850	20,000
eGaming licensing	–	–	2,566	750	–	–
Gaming Management System	9,402	44,175	34,146	33,890	16,870	–
Casino and Community Gaming	37,400	40,692	29,351	40,492	48,875	50,000
	61,218	98,112	79,830	95,312	86,395	80,000
Infrastructure & Corporate						
Systems	10,638	15,111	15,249	17,939	16,605	20,000
Corporate Facilities	2,593	3,009	1,553	6,749	7,000	10,000
	13,231	18,120	16,802	24,688	23,605	30,000
Total New Capital	\$ 74,449	\$ 116,232	\$ 96,632	\$ 120,000	\$ 110,000	\$ 110,000

BCLC's capital expenditures are driven by the need to maintain the corporation's revenue-generating infrastructure.

LOTTERY

In the lottery channel, major initiatives include the continued expansion of lottery distribution into major store chains through multiline technology, rebranding of the lottery network, enhanced sports betting, and the introduction of mobile play/purchase convenience in the hospitality network.

eGAMING

Investment in eGaming will be focused on continual enhancements to sports betting, poker and lotto as well as continuing to optimize the PlayNow.com experience for tablets and mobile.

GAMING MANAGEMENT SYSTEM

BCLC is in year two of a multi-year project to replace the corporation's casino Gaming Management System which supports the annual generation of \$1.6 billion in revenue and over \$800 million in net income. A broad group of partners both within and outside BCLC are creating a whole new technology architecture and platform for the casino business, configuring and testing the new software and creating integrations into our existing systems. The new technology will provide a foundation for modernization, sustainable, moderate growth and more flexible, responsive player relations.

Risks associated with the project include:

- Delays in rollout and implementation due to complexity of the new technology, impacting revenue growth expectations
- Additional costs due to unforeseen issues and challenges in system functionality, integration and implementation

The project is projected to require \$104 million in capital to complete. Costs incurred to March 31, 2013 amount to \$43.5 million.

CASINO & COMMUNITY GAMING

In addition to its significant investment in the new Gaming Management System, BCLC is considering its options to relocate current facilities and open new community gaming centres. This channel will also refresh its slot machines and table games at existing facilities, and introduce PlayNow.com into many of its gambling facilities.

CORPORATE

BCLC will continue to invest in the replacement of legacy systems and the modernization of core technology and business infrastructure. While the Gaming Management System remains the primary focus of our efforts, investment in other areas will slow.

For programs which started prior to 2012/13, but which will not be completed by year-end, the capital will be carried forward. These costs are reflected in the 2013/14 budget.

The cost of purchases made in U.S. dollars has been based on exchange rate parity.

net income that may be at risk

RISK FACTORS

The following factors contribute to uncertainty and risk and may individually, or in the aggregate, affect BCLC's operating results and the net income able to be delivered to the Province.

- Obtaining host local government approvals for the development or relocation of gambling facilities
- Frequency of major lottery jackpots
- New product launches and achieving market expectations
- Economic issues impacting adult consumers' disposable income and entertainment spending
- Shifts in consumer preferences impacting product mix and profitability
- Competition from unregulated gambling competitors
- Public acceptance of gambling
- Changes to gambling rules and regulations
- Revenue loss and market disruption resulting from the business failure of a private sector service provider
- Fluctuations in interest and foreign currency rates

QUANTIFIABLE RISKS

The main quantifiable risks are that new facilities will not open or be expanded on schedule, interest rates may rise unexpectedly⁶, and large fluctuations in the Canadian/U.S. exchange rate⁷ will affect the cost of equipment and supplies purchased from foreign vendors.

\$ thousands	2013/14	2014/15	2015/16
One-year delay in opening/relocating planned gambling facilities	\$ –	\$ 27,300	\$ 5,800
Interest rates may rise 1.0%	1,700	1,900	2,100
The Canadian/U.S. exchange rate may change	297	297	297

Taking into account business and general economic trends, the opportunities and challenges facing the business, the risk factors described above, and the mitigation strategies described in the previous sections, BCLC forecasts the following net income ranges:

NET INCOME FORECASTS

\$ millions	2013/14 TARGET	2014/15 TARGET	2015/16 TARGET
High	\$ 1,205	\$ 1,235	\$ 1,270
Target	1,172	1,202	1,237
Low	1,105	1,130	1,160

6 BCLC has a \$250 million short-term Fiscal Agency Loan credit facility. Interest rate sensitivity is based on a 1.0 per cent increase in rates on base borrowing of \$150 million (increasing \$20 million per year).

7 For the period covered by this Service Plan, Canadian/U.S. exchange rates are assumed to average parity. The exchange rate risk is based on a \$0.01 change in the rate, applied to \$30 million in spending.

Government's letter of expectations

Government's Letter of Expectations is an annual letter of direction to BCLC that reinforces the corporation's mandate, identifies strategic priorities, and sets forth performance measures that form the cornerstones of the corporation's governance framework. This letter is intended to establish the basis for a positive and collaborative working relationship through the clear articulation of the responsibilities and expectations of both parties. The full GLE can be found at: [Government's Letter of Expectations](#).

GOVERNMENT DIRECTION

Operate the gaming business within the social policy framework established by Government and in alignment with the corporation's social responsibility objectives, building public trust and support in a manner consistent with the Province's Responsible Gambling Strategy. Continue to support the joint responsibility between the corporation and the regulatory agency, the Gaming Policy and Enforcement Branch (GPEB), for delivery of the Strategy;

Operate within the Province's legislative and regulatory framework, and comply with policies, directives, and standards that may be issued from time to time by the Minister of Finance or the Gaming Policy and Enforcement Branch;

Enhance the corporation's anti-money laundering compliance programs, including the continued implementation of measures to move the industry away from a cash basis, and other strategies in the Province's Anti-Money Laundering Action Plan;

BCLC ACTIONS

Social responsibility is integral to our business. Our efforts continue to be focused on enhancing responsible gambling programs through public education and responsible gambling awareness.

BCLC continues to work collaboratively with the Gaming Policy and Enforcement Branch, to ensure that BCLC is in compliance with all regulations and Government direction with respect to the regulated activities of the corporation.

We are also committed to continuous improvement in the Voluntary Self-Exclusion (VSE) program. We have recently contracted with the University of the Fraser Valley to conduct a comprehensive, four-year evaluation of the VSE program from the perspective of the participant. This is a follow-up of a previous study and will provide valuable, follow-up research into the effectiveness of the program and identify areas for further improvement. Final research results, findings and recommendations will be released in the fall of 2016.

In accordance with Government goals and direction, BCLC is striving to reduce reportable greenhouse gas emissions from the 2007 baseline by 33 per cent by 2020.

We will operate our business within the legislative, regulatory, and policy framework established by the Province of British Columbia.

The corporation continues to comply with all policy directives issued by the Minister, including directives and standards issued by GPEB.

In 2011, a provincial anti-money laundering review found that BCLC and its operators employ standard and appropriate anti-money laundering strategies. It also made four recommendations for BCLC to further strengthen anti-money laundering efforts at B.C. gambling facilities.

Since the review, BCLC and its casino service providers, along with GPEB, have worked together to develop cash-free buy-in options for players. By providing cash-free alternatives for larger transactions, we're further strengthening our program and aligning with best practices as well as providing improved security to our players.

We've also made a number of policy changes, such as enhancing electronic transfer options, providing more common electronic deposit options and allowing players to transfer verified wins or their original buy-in back to their bank account.

All the report recommendations are now complete.

GOVERNMENT DIRECTION**BCLC ACTIONS**

Optimize the corporation's financial performance within the gaming framework established by Government, by responding to customer and marketplace demands for the distribution of products and services and proposing new revenue opportunities as they arise; and

We continue to respond to customer and marketplace demands through upgrading casinos and community gaming centres, introducing new games in facilities and on the Internet, and by developing new product delivery options to make it convenient for our players.

In addition to revenue-generating initiatives, we will optimize financial performance through an increased emphasis on business optimization and cost management.

Optimize the performance, security, integrity and efficiency of the corporation through the modernization of infrastructure, process, and technology.

We will invest in the technology, systems and processes necessary to deliver optimal performance with efficiency, integrity and security.

For the next two years the primary focus will be the replacement of the Gaming Management System that supports more than \$1.6 billion in net win, but additional investments in security, data management, and financial systems will also contribute to enhanced performance.

appendix 1: service plan goals & performance measures comparison

what we plan to do differently, and why

BCLC's Board and Senior Executive review BCLC's mission, goals, objectives and performance measures on an annual basis.

This year BCLC has reworded as well as reordered its four goals to add more clarity on where we want to be, and reflect the move to transforming to a player-centric company.

Updated objectives will describe what we need to achieve and why it is important, and the performance measures will describe how we will measure our corporate performance.

The following chart compares the goals in our 2012/13–2014/15 Service Plan to the goals in this Service Plan. BCLC adjusted the wording of each of our four goals in order to more clearly describe where our business is heading.

	2012/13–2014/15 Service Plan Goals	2013/14–2015/16 Service Plan Goals	Comments
Player	Create a player-centric company	We will put players first to create the entertainment experiences they enjoy	BCLC is continuing to move towards becoming a player-centric organization. Wording adjusted to clarify what we are planning to provide for our players.
People	Have a workforce passionately driving the success of our business	We will think differently, work together and act fast	The wording has been adjusted to reflect the changes the business is undergoing as we focus on innovation and moving quickly to market for the continuing success of our business.
Public	Build public trust and support for BCLC gambling	We will build public trust and support for BCLC	We are focusing on building our corporate reputation.
Profit	Invest in infrastructure and technology to drive innovation that enables our growth	We will grow net income and invest in the long-term health of our business	BCLC's mandate is to deliver net income to the Province and the rewording of the goal reflects the continued focus on the long-term success of BCLC's business.

Data to evaluate progress in meeting our performance targets will continue to be obtained from internal and external sources as outlined in Appendix 2.

The following chart compares the performance measures in our 2012/13-2014/15 Service Plan to the performance measures in this Service Plan.

	2012/13–2014/15 Service Plan Performance	2013/14–2015/16 Service Plan Performance	Comments
Player	Player Satisfaction Player Participation Net Win per Capita	Player Satisfaction Player Participation Player Awareness of Responsible Gambling Activities Net Win per Capita	Player Awareness of Responsible Gambling Activities measure moved to Player from Public to better reflect the importance BCLC places on player education.
People	Employee Engagement Employee Vacancy Rate	Employee Engagement Employee Vacancy Rate	No change
Public	Public Support for Gambling Player Awareness of Responsible Gambling Activities Level of Greenhouse Gas Emissions	Public Support for BCLC Level of Greenhouse Gas Emissions	Player Awareness of Responsible Gambling Activities moved from Public to Player to better reflect the importance BCLC places on player education. Public Support for BCLC is a new measure. This measure will give us an understanding of how adult British Columbians perceive BCLC. We want to build trust among all British Columbians and demonstrate how we successfully and responsibly run the business in fulfilling our Government mandate.
Profit	Net Income Operating Costs as a % of Net Win Electronic Gaming Devices per 1,000 population	Net Income Operating Costs as a % of Net Win	Electronic Gaming Devices per 1,000 population has been discontinued as a performance measure. Targets were not set for this measure but BCLC did compare itself to Loto Québec, Ontario Lottery & Gaming Corporation and the Canada average. With the advent of online gambling, this metric no longer has value as a measure of accessibility of gambling to British Columbians.

appendix 2: how we measure and benchmark our performance

how our performance metrics are measured

As noted, we have changed some of our performance measures for this Service Plan.

Details of what we use each measure for and the targets for the next three years are in the Our Plan for the Next Three Years section of this Service Plan.

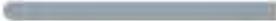
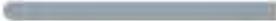
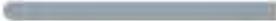
Our external performance benchmarks are obtained from the audited financial results published by the benchmark organizations, and from the Canadian Gambling Digest. The organizations that BCLC currently benchmarks to are:

- Ontario Lottery and Gaming Corporation (OLG)
- Loto-Québec (LQ); and
- Svenska Spel, the Swedish lottery, which is widely regarded as one of the most innovative international lottery and Internet gambling jurisdictions.

We review the performance results published by other gambling organizations annually for additional benchmarking opportunities.

The table below summarizes how we measure each metric, our benchmarks and what we do to check that the data is reliable.

		How We Measure and Benchmark	Data Reliability
Performance Measures	Player Satisfaction	<p>Third-party research suppliers conduct a continuous tracking study on our behalf. The survey is conducted online and is a random sample of B.C. adults aged 19 and older and is representative of gender and region. The sample size is 3,000.</p> <p>Players who played at least once in the last three to five months are asked to rate on a 10-point scale how satisfied they were with their experience across all BCLC channels. For each player, an average satisfaction score is calculated using their satisfaction scores in all channels they play in. Player responses in the top five box scores are then aggregated and expressed as a percentage to get the aggregate satisfaction.</p> <p>Player satisfaction is internally benchmarked on a time series basis.</p> <p>We do not externally benchmark as we have not identified similar data that is published by other gambling jurisdictions.</p>	<p>The survey was independently conducted by third-party research suppliers using industry standard techniques to randomize the sample, while retaining gender, age, and regional balance that is consistent with BC Stats figures.</p>
	Player Participation	<p>Third-party research suppliers conduct a continuous tracking study on our behalf. The survey is conducted online and is a random sample of B.C. adults aged 19 and older and is representative of gender and region. The sample size is 3,000.</p> <p>Players are asked to score how frequently they play our lottery games, visit a casino or community gaming centre location and use our PlayNow.com site. The result is an aggregate score for those players who played or visited at least once every month.</p> <p>Player participation is internally benchmarked on a time series basis.</p> <p>We do not externally benchmark as we have not identified similar data that is published by other gambling jurisdictions.</p>	<p>The survey was independently conducted by third-party research suppliers using industry standard techniques to randomize the sample, while retaining gender and regional balance that is consistent with BC Stats figures.</p>

		How We Measure and Benchmark	Data Reliability												
Performance Measures	Net Win per Capita	<p>Net win is the revenue after prizes have been paid to players. Casino game prizes are paid during play. For lottery and bingo games, net win is calculated by deducting prizes from total sales revenue.</p> <p>We use the population forecasts published by Statistics Canada in July each year as the baseline for our calculations.</p> <p>For our benchmark comparators, net win figures are taken from the most recent set of audited statements of accounts, as published in the annual reports of the benchmark organizations. In some instances restatement of financial information for benchmark organizations has caused changes to prior reported figures. Canada average figures are drawn from the Canadian Gambling Digest, from which BCLC is removed.</p> <p>Video lottery terminal (VLT) revenue is included in benchmarking results from Loto-Québec and the Canada Total comparators to give a complete picture of total spending on gambling. The provinces of B.C. and Ontario do not permit VLTs.</p> <p>2010/11 net win per capita (\$)</p> <table border="1"> <tr> <td>BCLC</td> <td></td> <td>447</td> </tr> <tr> <td>Canada Average</td> <td></td> <td>399</td> </tr> <tr> <td>OLG</td> <td></td> <td>363</td> </tr> <tr> <td>LQ</td> <td></td> <td>339</td> </tr> </table>	BCLC		447	Canada Average		399	OLG		363	LQ		339	<p>Net win figures are taken from our audited statement of accounts, as published in our Annual Service Plan Report. Figures for forecasts and targets are calculated by BCLC and are reviewed with the Treasury Board prior to inclusion in the Service Plan.</p> <p>Population figures are taken from published Statistics Canada figures for each of the years included in the Service Plan.</p> <p>For our benchmark comparators, net win figures are taken from the audited statements of accounts, as published in the annual reports of the benchmark organizations. Canada average figures are drawn from the Canadian Gambling Digest.</p>
		BCLC		447											
		Canada Average		399											
		OLG		363											
		LQ		339											
Player Awareness of Responsible Gambling Activities	<p>Third-party research suppliers conduct a continuous tracking study on our behalf. The survey is conducted online and is a random sample of B.C. adults aged 19 and older and is representative of gender and region. The sample size is 3,000.</p> <p>Participants are asked their awareness of five of our responsible gambling initiatives. The result is a net percentage of participants who are aware of at least one of the initiatives.</p> <p>Player awareness of responsible gambling activities is internally benchmarked on a time series basis.</p> <p>We do not externally benchmark, due to the BCLC specific nature of this performance measure.</p> <p>We have not identified similar data that is published by other gambling jurisdictions.</p>	<p>The survey was independently conducted by third-party research suppliers. They utilize industry standard techniques to randomize the sample, while retaining gender, age, and regional balance that is consistent with BC Stats figures.</p>													
	<p>Employee engagement is measured by an annual anonymous online survey with all of our employees, conducted by a third-party research supplier on our behalf. The participation rate was 88 per cent in 2012.</p> <p>The survey asks employees to rank on a six-point scale their agreement with a broad range of statements that span all aspects of the workplace, work conditions, career and development opportunities, and BCLC's goals and programs.</p> <p>The overall engagement score is an aggregate of the proportion of employees that have ranked their agreement with the statements in the top two points of the scale.</p> <p>Employee engagement is internally benchmarked on a time series basis.</p> <p>We do not externally benchmark, owing to the BCLC specific nature of survey questions used for this performance measure.</p>	<p>The survey is independently conducted by a third-party research supplier, using industry standard techniques.</p>													
Employee Vacancy Rate	<p>The vacancy rate is the number of vacancies in the process of being filled expressed as a percentage of the total headcount. It is measured on a monthly basis. The annual result is the average of the monthly figures.</p> <p>Employee vacancy rate is internally benchmarked on a time series basis.</p> <p>We do not externally benchmark, as other gambling jurisdictions do not publish equivalent figures.</p>	<p>Vacancy rate is internally calculated by our Human Resources team. The total headcount is the total number of approved positions. The number of vacancies is the number of positions being actively recruited internally or externally.</p>													
	<p>A third-party research supplier conducts an online survey with a random sample of B.C. adults aged 19 and older and is representative of gender and region. The sample size is 3,000. Participants are asked to rate their favourable/unfavourable impression of BCLC. The result is a net of the top two box scores for all participants.</p> <p>Public support for BCLC is internally benchmarked on a time series basis.</p> <p>We do not externally benchmark as we have not identified similar data that is published by other gambling jurisdictions.</p>	<p>The survey will be independently conducted by a third-party research supplier. They utilize industry standard techniques to randomize the sample, while retaining gender, age, and regional balance that is consistent with BC Stats figures.</p>													
Public Support for BCLC															

		How We Measure and Benchmark	Data Reliability											
Performance Measures	Level of Greenhouse Gas Emissions	<p>BCLC uses standard calculations provided by the Province to calculate and report greenhouse gas (GHG) emissions in a standard format, as required by the Province.</p> <p>We obtain our data from the suppliers of electricity, natural gas, fleet vehicle fuel, paper suppliers and from internal financial and procurement reporting. GHG emissions are internally benchmarked on a time series basis. Our Carbon Neutral Action Report and those of other B.C. Crown corporations are published by LiveSmart BC.</p>	<p>Data for electricity and natural gas consumption is verifiable from billable consumption figures supplied by the respective utilities companies. We calculate electricity usage for our offsite data facility from meter readings.</p> <p>Fleet vehicle fuel consumption is verified from fuel consumption reporting from our fleet vehicle management company.</p> <p>Paper consumption for all types of reportable paper is measured internally each month.</p>											
	Net Income	<p>Net income is income after prizes, direct and operating expenses and taxes have been deducted, and determined in accordance with International Financial Reporting Standards.</p> <p>Net income is internally benchmarked on a time series basis.</p> <p>Net income is not benchmarked with other jurisdictions due to differences in the types of gambling offered, the differing gambling models and population levels.</p>	<p>Net income figures are taken from our audited statement of accounts, as published in our Annual Service Plan Report. Figures for forecasts and targets are calculated by BCLC and are reviewed with the Treasury Board prior to inclusion in the Service Plan.</p>											
	Operating Costs as a % of Net Win	<p>Our operating costs ratio is the sum of our direct expenses (except prizes), gaming support costs, general operating costs and amortization divided by our net win and expressed as a percentage. All figures are determined in accordance with International Financial Reporting Standards.</p> <p>For our benchmark comparators, net win figures are taken from the most recent set of audited statements of accounts, as published in the annual reports of the benchmark organizations. In some instances restatement of financial information for benchmark organizations has caused changes to prior reported figures.</p> <p>BCLC's operating costs ratio remains below benchmark comparators. Svenska Spel offers a similar gambling mix to BCLC, but derives more of its net win from video lottery terminals and Internet gambling, both of which have lower operating costs than more traditional casino gambling, from which BCLC derives the majority of its net win.</p> <p>2010/11 operating costs ratio (%)</p> <table border="0"> <tr> <td>OLG</td> <td></td> <td>64.4</td> </tr> <tr> <td>Svenska</td> <td></td> <td>48.3</td> </tr> <tr> <td>LQ</td> <td></td> <td>45.1</td> </tr> <tr> <td>BCLC</td> <td></td> <td>41.5</td> </tr> </table>	OLG		64.4	Svenska		48.3	LQ		45.1	BCLC		41.5
OLG		64.4												
Svenska		48.3												
LQ		45.1												
BCLC		41.5												



Appendix O

BCLC Service Plan 2014/15-2016/17 (BCLC0016645).



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message from BCLC's

board chair and president & ceo

On behalf of our Board of Directors and employees, we are pleased to present BCLC's 2014/15–2016/17 Service Plan to the Honourable Mike de Jong, Minister of Finance.

Since the day our first lottery draw took place in 1985, BCLC has been making it fun to be a grown-up by offering British Columbians the chance to dream. Today, we are still the only company legally permitted to operate gambling in B.C. and in addition to lottery, we are responsible for casino, community gaming, bingo and online gambling. The gaming industry in British Columbia, particularly how it is conducted and managed, has evolved over the years to become one that is recognized as an industry leader. We are proud of the recognition we've received and know that we need to continue to challenge ourselves to think differently and explore new ways to entertain our players, to continue to be an industry leader, so that British Columbia can continue to prosper.

In 2014/15, we plan to deliver \$1.19 billion to the Province of British Columbia that will provide a multitude of benefits for the people of our great province. While the gaming industry has recovered from the 2008 recession, the economy is still mixed as consumers are taking a conservative approach to their discretionary spending. The gaming marketplace in B.C. is maturing and we are also witnessing a significant shift in demographics. It is imperative that we pay attention to these changing external forces and become more innovative in all aspects of our business in order to deliver what the consumer wants and provide sustainable and growing revenues to B.C.

Our Service Plan reflects our desire to grow the benefits our business creates for British Columbia. Over the past two years, our net income has grown by about two per cent. Looking ahead, net income is projected to increase 2.7 per cent annually from \$1.13 billion in 2012/13 to \$1.26 billion in 2016/17, resulting in \$4.84 billion in net income to the Province of B.C. over the four years 2013/14 to 2016/17. To deliver this, we will continue to aspire to our vision to have "gambling widely embraced as exceptional entertainment" and our goals to support this vision and reflect our priorities over the next three years. Our focus is firmly set in two areas: maximizing the return on the investments we have already made and transforming our business to reduce costs and identify future opportunities for growth.

While being innovative is critical to our future success, it also increases our dependence on technology. While we have always been a technology-driven company, these changes are occurring more rapidly and the inter-connectedness is increasing the complexity of our business. Our challenge will be to continue to evolve from being developers of technology and systems to become stronger integrators which will help us manage the operating costs of replacing our legacy systems and delivering best-in-class services.

A great example of this is the implementation of the new Gaming Management System (GMS), the largest capital investment the company has ever made. The GMS is the technology that underpins over \$1.6 billion in revenue in all B.C. gaming facilities each year. With the system now live in one quarter of our facilities, we are only just beginning to realize its benefits. GMS will provide many new capabilities so that we can better meet our players' expectations whether it is by providing the games they want to play or through offering new responsible gambling features to assist them in making informed choices about their gambling.

The second area where we are demonstrating innovation and working to maximize the benefits of our investment is in Lotto Express. Launched last year in conjunction with the Overwaitea Food Group and most recently with the Liquor Distribution Branch on a pilot basis, Lotto Express increases our points of distribution so that consumers can conveniently purchase a LOTTO MAX or Lotto 6/49 lottery ticket through pin-pad technology at the checkout lane. The ripple effect for our traditional lottery retailers has been positive with full-service retailers reporting a lift in lottery sales made possible by the validation, and in some cases, reinvestment of winnings by players with a Lotto Express ticket. What's more, this new method of distribution is helping to drive down our technology operating costs—it truly is a win-win.

The third area of opportunity exists in the business-to-business services BCLC offers with PlayNow.com. We achieved a significant milestone in 2013 when we launched PlayNow.com Manitoba and since then, we have been contacted by new potential clients in Canada and around the world as provinces and states look for new ways to repatriate the money their residents are spending on offshore gambling websites. PlayNow.com offers a number of distinct competitive advantages: we are proven, legal, and most importantly, we have implemented the best-in-class games in

all categories of products including responsible gambling features to provide players with an unparalleled experience.

The other critical component of our future success is the transformation strategy we are embarking on. Over the last two years BCLC's net income has had modest growth and the near term expectation is for a continuation of this trend. These increases lead to an average of 2.7 per cent in annual net income growth over the next four years. At the same time, our business support costs are increasing which over time, will erode our bottom line. This is the burning platform for our transformation and we are focused on optimizing our business in the areas of greatest opportunity first: casino and lottery. Both divisions are in the process of undertaking comprehensive reviews of their business units and developing strategies to drive cost out of the business model and increase growth opportunities.

Finally, we know that the foundation of our business is the trust and support of the people of British Columbia. Doing right by our players and our public is critical to our existence and our ability to be successful. Continued excellence in the delivery of responsible gambling education to our players and engaging stakeholders in communities across B.C. will continue to be the cornerstones of this social license to operate.

For the next three years, we'll assess our level of success in achieving our four corporate goals of Player, People, Public and Profit using established performance measures and by using publicly available benchmarks from other comparable gambling organizations. These four goals define where we want to be and provide the roadmap to help us realize our vision.

As with previous plans, the 2014/15–2016/17 BCLC Service Plan was prepared under the Board's direction in accordance with the Budget Transparency and Accountability Act and the B.C. Reporting Principles. The plan is consistent with Government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported.

To the best of our knowledge the significant assumptions, policy decisions, events and identified risks are current and have been considered in preparing the plan. The performance measures presented are consistent with BCLC's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of BCLC's operating environment, forecast conditions, risk assessment and past performance.



Bud Smith
Board Chair



Jim Lightbody
Interim President & CEO

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organizational overview

BCLC is the Crown agency mandated to conduct, manage and operate lottery, eGaming, casino, commercial bingo and internet gambling in British Columbia.

who we are

Incorporated in October 1984 and pursuant to amendments to the *Criminal Code of Canada* (1969), British Columbia Lottery Corporation (BCLC) operates under the *Gaming Control Act* (2002) of British Columbia.

We operate our gambling business within the legislative, regulatory and policy framework established by the Province under the authority and direction of the Honourable Mike de Jong, Minister of Finance.

mission

We conduct and manage gambling in a socially responsible manner for the benefit of British Columbians.

vision

Gambling is widely embraced as exceptional entertainment.

values

Integrity: The games we offer and the ways we conduct business are fair, honest and trustworthy.

Social Responsibility: Everything we do is done with consideration of its impact on and for the people and communities of British Columbia.

Respect: We value and respect our players, service providers and each other.

our goals and objectives

- 1. Player:** We are creating an integrated player-focused entertainment company.
 - Create fun, relevant player experiences within and across games channels and touch points.
 - Grow and diversify the player base to strengthen our business.
 - Encourage healthy gambling choices.
- 2. People:** We will think differently, work together and act fast.
 - Make BCLC a great place to work so that we are inspired to do our best work and BCLC is a sought-after employer.
 - Define our future workforce needs so we have the right people with the right skills at the right time.
- 3. Public:** Our business and the benefits it creates are understood and supported by British Columbians.
 - Our contributions to economic growth and communities are recognized by the public as a good thing.
 - The gambling entertainment choices we offer are delivered with integrity and transparency.
- 4. Profit:** We will grow net income through investing to sustain the long-term health of our business.
 - Define and integrate the innovative experiences our players want, delivered by our strategic partners.
 - Get to market faster with innovations so our games and services are more relevant.

how we are regulated

Gambling is regulated by the Gaming Policy and Enforcement Branch (GPEB) of the Ministry of Finance. GPEB directs policies, legislation, standards, responsible gambling strategies, licensed charitable events and horse racing, registers gambling service providers, certifies supplies and equipment, distributes gaming grants, and conducts audits and compliance investigations.

what we do and where we are

We conduct and manage gambling on behalf of the Province. We integrate responsible gambling and player security into the design and development of new products and services. We market and advertise our products, manage the underlying technology, and oversee contracted retailer and service provider operations to maintain gambling integrity, security, compliance and performance.

Most products are sold day-to-day by private-sector service providers at approximately 3,800 lottery retailers, 17 casinos, 19 community gaming centres and six commercial bingo halls. Secure, regulated online play is offered on PlayNow.com.

Our headquarters in Kamloops includes finance, administration, and information technology, while our Vancouver corporate office manages sales, marketing and distribution. Field staff throughout the province also support our operations.

The consolidated financial statements of BCLC include a wholly owned subsidiary, B.C. Lottotech International Inc. (Lottotech). The primary business of Lottotech is the purchase and lease of capital assets for BCLC, with Lottotech's budget reviewed and approved by BCLC's Board of Directors through our annual business planning process. The financial operations, management and oversight of Lottotech are consolidated within BCLC operations.

In early January 2013, the Province granted initial approval to BCLC for a second wholly owned subsidiary. This subsidiary will allow BCLC to undertake business-to-business (B2B) initiatives such as providing our PlayNow.com platform to other lottery jurisdictions. The subsidiary is currently inactive pending final government approval and remains unnamed. Once BCLC receives final approval, the subsidiary will have the same governance and oversight as Lottotech.

how we benefit B.C.

Provincial programs and services: BCLC benefits citizens and communities every day. In 2013/14, BCLC is forecasting to deliver \$1.17 billion in net income to the Government of British Columbia for health care, education, charitable and municipal programs. A portion also goes to the Government of Canada. BCLC retains none of its earnings.

Gaming grants: Each year more than 5,000 community and charitable organizations receive community gaming grants awarded by the Province for arts and culture, sport, public safety, environment and human and social services. For more information, visit <http://www.gaming.gov.bc.ca/grants/community-gaming.htm>.

Jobs & contracts: We employ approximately 900 corporate employees with more than 37,000 direct and indirect workers employed in gambling operations, government agencies, charities and support services.¹

¹ HLT Advisory Inc. "2010 Economic Impact of the Canadian Gaming Industry: Key Findings Report."

core business areas (channels)

Channel	Casinos & Community Gaming Centres	Lottery	eGaming
Distribution Network	15 Casinos 2 Racecourse Casinos 19 Community Gaming Centres 6 Commercial Bingo Halls	3,800 Retail locations	PlayNow.com
Products	Slot Machines Table Games Electronic Tables Poker Games Paper & Electronic Bingo Lotto Games Sports Games Regional Games Instant Games	Lotto Games Sports Games Regional Games Instant Games	Lotto Games eBingo Games eCasino Games ePoker Games eSports Games
Structure	Private sector service providers earn a percentage of revenue for providing gambling facilities and day-to-day operational services	Service providers earn an industry-standard commission, calculated as a percentage of revenue to deliver lottery games in their locations	Games are provided through PlayNow.com to BCLC and through a licensing agreement to Manitoba Lotteries Corporation. Game providers earn a licence fee and/or a percentage of net win for providing gambling software

corporate governance

BCLC's Board of Directors (Board) is appointed by order of the Lieutenant-Governor in Council.

BCLC is compliant with the standards and guidelines and each of the disclosure requirements contained in the Best Practice Guidelines–B.C. Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations (2005).

Our Board governance framework includes the terms of reference for the Board, the Board Chair, President and Chief Executive Officer, Directors, Standing and Ad Hoc Board Committees and the Corporate Secretary, as well as processes for strategic planning, succession planning and Board performance evaluations.

The Directors are stewards of BCLC, chosen on the basis of their expertise and experience.

Upon appointment, the Directors agree to act in accordance with the Board's Code of Conduct and Conflict of Interest Guidelines.

Our Board's purpose is:

- To foster BCLC's short-term and long-term success, consistent with its responsibility to the Government of British Columbia, giving consideration to the legitimate interests held by other stakeholders including players, employees, service providers, suppliers, communities and the public;
- To oversee the conduct of BCLC's business and to supervise management, which is responsible for the day-to-day operation of BCLC.

The Chair is the presiding Director of the Board, responsible for the effective leadership and performance of the Board and is the liaison between the Board and Minister. The Chair works together with the President and CEO (the CEO) to ensure effective relations with stakeholders, including Government.

BCLC's Senior Executive team attends Board meetings. To maintain autonomy, the Board may convene in camera sessions. Click here to learn more about [BCLC's Corporate Governance](#) and our Board of Directors.

Reporting to the CEO, the Corporate Secretary facilitates communication between the Board and Senior Executive. Playing a key role in the administration of corporate and governance matters, the Corporate Secretary works with the Board through the Chair.

Learn more about the Province of British Columbia's [Board Resourcing and Development Office](#).

The Honourable Mike de Jong
Minister of Finance

Board of Directors Bud Smith (Chair)

Role:	To provide stewardship and ethical leadership to oversee the management of BCLC's affairs in the best interests of BCLC and the long-term interests of the Government of the Province of British Columbia.
Governance:	In carrying out the mandate of the Board, each director has specific statutory duties and obligations under employment, environmental and financial reporting and is required to act in accordance with fiduciary, duty of care and conflict of interest guidelines and do so: <ol style="list-style-type: none"> honestly and in good faith; with a view to the best interests of the Corporation; with the care, diligence, and skill of a reasonably prudent person; and consistent with the terms of reference that set out the standards of performance that the Board expects of each director.
Chair:	Bud Smith
Members:	Arthur Willms (Vice-Chair), Trudi Brown, Wendy Lisogar Cocchia, David Gillespie, Robert Holden, Moray Keith, Michael Riley.

BCLC has four standing Board committees; other committees are established as needed. The committees are responsible for advising and formulating recommendations to the Board. Our standing Board committees are:

Audit Committee	Purpose: To assist the Board in fulfilling oversight responsibilities for BCLC's financial reporting provided to Government and the public, the effectiveness of internal control systems, audit processes, performance management and compliance with laws, regulations and policies. Chair: Michael Riley Members: David Gillespie, Moray Keith, Arthur Willms
Governance and Corporate Social Responsibility Committee	Purpose: To provide focus on governance that enhances BCLC's performance, including for the Board of Directors, and to provide oversight responsibility for corporate social responsibility policy. Chair: David Gillespie Members: Trudi Brown, Moray Keith, Bud Smith
Human Resources and Compensation Committee	Purpose: To assist the Board in fulfilling obligations relating to human resources and compensation matters to enhance BCLC's performance against the strategic plan. Chair: Vacant Members: Bud Smith
Risk Committee	Purpose: A newly formed committee to assist the Board in fulfilling its oversight responsibilities with regard to management of BCLC's risks. Chair: Moray Keith Members: David Gillespie, Wendy Lisogar Cocchia, Arthur Willms
Ad Hoc Committees	Purpose: Established for a specific period of time to undertake a specific task, and then disbanded. At the time of this report, there are no ad hoc committees.
Ex-Officio Members	The Board Chair is an ex-officio member of all committees where not appointed as a full member. The President and CEO is also an ex-officio member of all committees.

our senior executive team

BCLC's President and Chief Executive Officer (the CEO) reports to our Board of Directors. [Click here](#) for the terms of reference for the CEO, which are included in our Board framework.

The CEO provides the leadership, management, and general supervision and controls BCLC operations on a day-to-day basis in accordance with the strategies, plans and policies approved by BCLC's Board.

The CEO is supported by a Senior Executive team comprising eight Vice-Presidents, all of whom report directly to the CEO.

A Vice-President is responsible for the leadership and operation of each of the three business channels: Lottery Gaming, eGaming and Casino and Community Gaming. The business channels are supported by five divisions, responsible for managing the operations of BCLC's finance and corporate services; communications and social responsibility; corporate security and compliance; business technology; and human resources capabilities.

The Director, Audit Services reports administratively to the CEO and functionally to the Board Audit Committee. [Click here](#) to learn more about BCLC's Senior Executive team members.



Business Technology

Lynette DuJohn, Vice-President and Chief Information Officer

Responsible for the technology and systems that support BCLC's operations, including information technology, enterprise architecture, program management, and the information technology that supports gambling and back office systems.

Casino and Community Gaming

Vacant

Responsible for the development and operation of casinos, community gaming centres and commercial bingo, including products, sales, distribution and contracted private sector service providers as well as player experience.

Communications and Social Responsibility

Susan Dolinski, Vice-President

Responsible for the company's strategic communications and social responsibility that support BCLC's business goals, including responsible gambling, public affairs, media relations, issues management, stakeholder engagement and internal communications.

Corporate Security and Compliance

Brad Desmarais, Vice-President

Responsible for corporate security and compliance, including customer service complaint investigations, legal services, corporate policy, privacy and freedom of information administration, information systems security and employee and service provider compliance.

eGaming

Rhonda Garvey, Vice-President

Responsible for the direction of the eGaming business unit, providing leadership in all aspects relating to operations, development and marketing of BCLC's secure and regulated gambling website, PlayNow.com.

Finance and Corporate Services

Jervis Rodrigues, Vice-President and Chief Financial Officer

Responsible for finance, including financial reporting and liaison with Government, and corporate services including enterprise risk management, facilities and procurement, as well as corporate strategy including the business architecture and transformation.

Human Resources

Peter Charlton, Vice-President

Responsible for human resources and talent management, including recruitment, compensation, rewards and recognition, leadership and other development and training programs.

Lottery Gaming

Kevin Gass, Vice-President

Responsible for the development and operation of lottery gambling, including products, marketing, sales and distribution, and contracted private sector service providers.

strategic context

These trends, opportunities and risks will shape our operations and potentially influence our performance during the three years of this plan. In preparing strategy, BCLC has assessed risks and opportunities, likelihood and potential impact.

economic and market trends and issues

We monitor the marketplace to proactively change direction to leverage or mitigate external influences.

change drivers

Our mandate is to grow net income responsibly and for the benefit of British Columbians. BCLC will accomplish this by being relevant to our players through innovation and by providing our games where and when they want, consistent with the rapidly evolving omni-channel worlds of retail and entertainment. We will create technology infrastructure that supports new capabilities for the enterprise and become highly skilled at integration in order to be more agile, reduce costs and improve speed to market. Maintaining an engaged, skilled workforce capable of driving business growth in a highly competitive market for consumers' discretionary spending is key to our success. We will benefit the communities in which we operate and generate a high level of public and stakeholder support through engagement and transparency.

As we look ahead and build strategies for growth, we must be mindful of market and industry changes that will impact our business and to which we must adapt. We have identified key change drivers, as follows:

1. Mature market, cautious consumer spending
2. Changing demographics
3. Threat from indirect competition
4. Channel and technology convergence
5. Rising technology dependence and costs
6. Big data driving consumer expectations
7. Competition for talent

mature market, cautious spending

The Canadian gaming industry contributed over \$15.4 billion to the economy in 2011, a number that has remained fairly stable since 2008.² Net win growth in B.C. outpaced the Canadian industry at just under five per cent in 2011.³ The Canadian gaming industry as a whole has matured. While the industry has recovered from the recession that impacted various regions of the country from 2008 to 2010, future growth is not certain.

During the last two years we have had very modest net income growth, totaling two per cent.

The current economic climate in B.C. can best be described as cautious with consumers taking on a "let's wait and see" attitude resulting in tepid levels of consumer confidence and lower discretionary spending. The global economy remains unsettled with weak growth in the U.S., much of Europe in a recession and China's economy slowing. To date in 2013, B.C.'s economy has been held back by weak retail sales, a subdued job market and declining housing market activity.

For 2013 GDP is predicted to expand by 1.4 per cent, down from 1.9 per cent last year. For 2014, there is a stronger growth forecast in the range of 2.4 per cent.⁴

actions:

We are committed to continue to grow our net income to the Province. This will be accomplished by continuing to focus on revenue-generating initiatives, growing our core, mature products through broadening our player base, increasing the entertainment appeal of our products as well as investing in emerging opportunities.

changing demographics

British Columbia, in common with Canada and much of the western world, has an aging population. B.C.'s total population now stands at 4.6 million and is expected to grow to 5.1 million by 2020. One fifth of the population will be 65+ and the Boomer generation (currently 44 to 64 years) will comprise almost 1.4 million individuals or 28 per cent of the population by 2020.⁵

² HLT Advisory, 2012, Chart 9

³ HLT Advisory, 2012, Chart 11

⁴ Central 1 Credit Union "Central 1 Economic Analysis of British Columbia" September 2013

⁵ BC Stats, 2012

As B.C.'s population is not growing naturally, net international immigration continues to account for most of the province's population growth.

Our future success depends on how we respond to the changing demographics of our province.

actions:

We are responding to changing demographics through innovation in products and services, and how we offer them. We are adapting to an aging and increasingly diverse population in how we market our products and engage with our players, both from a gambling and responsible play perspective. Our games, properties and services must remain relevant and appealing to key consumer segments as entertainment preferences and play behaviour shift with the changing demographics of B.C.'s consumers.

threat from indirect competition

BCLC is operating in an increasingly competitive market. We encounter direct competition from over 40 cross-border casinos in neighbouring provinces and states, popular gambling entertainment destinations in Las Vegas and Macau, as well as over 2,000 online gambling websites and major social media platforms that have ventured into the gambling space. Social gaming is thriving with the global social gaming market expected to generate \$14.6 billion in revenue in 2015.⁶

In addition, we compete with indirect competitors for market share of discretionary spending. These competitors include: restaurants, bars and pubs, movies, concerts, sporting events and in-home entertainment. With regulatory trends now changing in support of online gambling in Canada and the U.S., legal Internet gambling is becoming a more widely available channel in North America. Large casino operators with powerful brands are partnering with existing online gambling companies to get a foothold in markets where Internet gambling may soon be legalized. The resulting crossover between traditional and online gambling operators will shape the industry and the key players in it.

actions:

Competing for the consumer's discretionary dollar means creating outstanding entertainment experiences. By its very definition, entertainment needs to remain fresh and relevant in order to compete successfully in the market. We are committed to investing in innovation to deliver entertainment experiences consumers want.

channel and technology convergence

Convergence is transforming the way businesses operate and consumers live. The combined impacts of advances in technology, the use of big data, and the growing dominance of mobile devices in everyday life have created new consumer expectations that require businesses to deliver experiences that are seamless, omni-channel (across all of our core business channels) and more relevant. This revolution is already underway in the retail, travel and entertainment sectors. Organizations that can adapt to leverage this convergence will be in a better position to take advantage of new and rapidly shifting business opportunities to improve their competitiveness and business results.

actions:

We are embracing convergence as we explore opportunities to develop a omni-channel relationship with our players. This capability has long-term business value and will grow revenue to the Province, as one quarter of our customers already participate in more than one of our gambling channels. Omni-channel will allow customization of games, prizes, prices, promotions, services and experiences. It will create personalized communication tailored to preferences and greater convenience with seamless play across channels and services. It will enable better, more personalized responsible gambling tools and preferences. This is what today's customers expect and this will help us cultivate sustainable long-term player relationships.

rising technology dependence and costs

In common with other organizations in this digital age, we have a rising level of technology dependence and complexity. Technology represents a growing element of our operating cost structure. Technology underpins how we run our business and how we deliver and sell our products. Increasingly, we are relying on technology and information management systems to sustain and grow our business as well as to deliver integrity and security. Significant investments in replacing legacy infrastructure and building new capabilities need to be made to support future innovations in product and service delivery that will grow net income.

actions:

Our goal is to work towards integrated shared enterprise technology solutions that will result in improved agility, speed and reduced costs. We apply best-practice technology planning methods to ensure technology investments are tightly aligned to business drivers as well as maximize cross organizational usage. We are moving from being developers to integrators. Our work on replacing legacy systems will continue, the largest currently being the multi-year project to replace our casino gaming management system that supports over 70 per cent of our net win.

⁶ Gambling Data, Oct. 2012

big data driving expectations

In today's world, consumers are expecting businesses and government organizations to understand their needs and preferences and deliver more personalized services. Technology is allowing organizations to gather an increasing amount of data about consumer behaviour from a wide variety of sources and touch points. As consumer expectations continue to rise, the amount of data used to deliver relevant experiences and drive our business will continue to increase. Better data insights will result directly in better business decisions.

actions:

Understanding customer expectations, analyzing customer information and responding appropriately will continue to evolve and be a key focus of our business. We will strive to deliver remarkable, relevant customer experiences. From the current state of data silos we will shift to coordinated big data systems.

The growing volume of data and its sensitivity also requires being vigilant in the security and privacy of this data and being transparent about how sensitive consumer information is being used, stored and protected.

competition for talent

Today's workforce comprises a multitude of cultural backgrounds, ethnicities and age groups, with individual needs, expectations and working styles. As we are continuously transforming to meet changes in the marketplace, there will be an increased demand for talent that has the ability and skills to meet our innovation needs.

actions:

As an organization of professional and technical personnel, BCLC must be able to attract strong, highly-skilled talent in order to grow its business in an aggressively competitive business environment. Creating a workplace with the right skills, culture, rewards and recognition will be paramount as Boomers exit the workforce and competition for talent increases in the labour market.

Through workforce planning strategies we will continue to champion organizational training and development to adapt to the rapidly changing environment.

We have also developed a consistent, enterprise-wide change management framework to provide guidance, tools and templates to address and manage the people-related issues arising from business change. This framework will support our leaders and those who provide change management support to analyze, plan and implement activities necessary to lead change and fully capture the benefits of transformation initiatives across the enterprise.

financial challenges and opportunities

revenue sustainability

Through the conduct and management of gambling in British Columbia, we generate over \$1.12 billion in income annually for the Province. Sustaining our revenue will be challenging for the following reasons: the gaming market is maturing and current supply is close to meeting the market demand; there are rapidly changing consumer preferences and expectations for entertainment products; the player demographic is aging; economic times are challenging as far as discretionary spending; and new products have lower margins.

actions:

We are committed to establishing a strong gambling entertainment entity that is set up for success for the long-term. We will support and enhance our core products while continuing the development of new products and channels.

We will also continue a strong focus on improving organizational performance and re-invigorating revenue growth through exploring new ways of operating our business. Investigating new ways of looking at our business will help ensure our future relevance and competitiveness as an entertainment choice, and thereby sustain and grow income for the Province.

balancing investment with cost management

We are committed to grow our net income to the Province. The net profits from gaming are a vital portion of the provincial budget, helping to fund health care, education and other important services and programs. Our six core games (Slots, Tables, LOTTO MAX, Lotto 6/49, Keno and Scratch & Win) make up over 90 per cent of our total contribution margin (revenue less direct costs). However, we must also look at new ways to operate our business to sustain and grow revenue. These opportunities take time and investment before we realize net income growth.

actions:

Investments we make to grow our business must be balanced with cost management in order to deliver our net income obligations to the Province. Investment choices must be assessed carefully against timelines to obtain return, the magnitude of the investment required, and our commitments for net income. We are committed to continually managing and reducing costs and looking for new opportunities to operate our business more efficiently and effectively.

our gaming channels

eGaming

PlayNow.com helps keep some of the money British Columbians spend on Internet gambling within the province in a regulated and secure environment. From its beginnings in offering lottery products online in 2004, to online casino games in 2010, peer-to-peer poker on a shared network with Loto-Quebec in 2011, new live sports betting in 2012, and the ability for lottery players to purchase their favourite games on their smartphone or tablet in 2013, there has been a continual evolution of this online platform. In 2012, BCLC began a partnership with Manitoba Lotteries Corporation to provide them with their own online gambling website that has helped achieve economies of scale and a new revenue stream for BCLC.

actions:

The continuing evolution of eGaming and the PlayNow platform remains a priority in both the business-to-consumer and business-to-business environment. Continuing to offer more games on PlayNow.com, enabling access to other areas of the business, and optimizing interaction on all devices are exciting opportunities in a regulated environment with responsible gambling tools. As well, we will continue to look at partnering with other jurisdictions and beyond to further leverage economies of scale and provide a safe and secure world-class entertainment option.

lottery

Lottery is our flagship suite of products, with this distribution channel enjoying over three decades of success. Indeed, four of our six core products are lottery: LOTTO MAX, Lotto 6/49, Keno and Scratch & Win. In 2013/14 these four products are projected to generate more than \$359 million or 17 per cent of our total net win through both the retail and hospitality network. However, this channel does have challenges: 90 per cent of legacy systems are in lottery and nearing end of life; there is an aging player base; retail and digital shopping are converging; and consumer preferences are changing.

actions:

Our lottery strategy is to grow revenue through being relevant in a rapidly changing consumer environment. We are transforming lottery in several ways through product, service and business innovations. We are continuing to develop convenient and innovative ways to sell lottery products. New products and game enhancements will continue to be launched to keep our players engaged and excited, while maintaining player security and system integrity. We are also defining the vision and roadmap to realize the future lottery player experience. An optimized lottery business and new enabling technologies will improve player and retailer satisfaction and retain relevancy in the changing entertainment and retail markets.

casino and community gaming centres

Revenue generated in our casino and community gaming centres accounts for over 70 percent of our net win. While a major focus in the past was to build and upgrade existing facilities to higher-quality properties, this strategy is nearing completion. Revenue growth in slots, tables and poker has slowed and averages two per cent over the past four years. Meanwhile, the bingo industry continues to decline, both in our province and worldwide. Bingo revenue in B.C. has declined an average of 13 per cent over the past four years.

actions:

We will continue to develop properties that offer exceptional entertainment, and ensure facilities are tailored to appeal to local player preferences for games, amenities and ambiance. Implementation of the casino gaming management system continues to be a priority that will enhance marketing opportunities and provide a stable platform for future capabilities. We are also excited about leveraging the PlayNow.com suite of games in our facilities to introduce new gaming experiences to our players. Knowing who our players are and delivering more personalized player experiences based on their needs and preferences remains a key focus.

We are also developing a future state operating model through opportunities that supports BCLC and its service partners.

We are creating additional value by identifying enhancements to the excitement and attraction of the casino and community gaming entertainment experience.

We are committed to continuously monitoring, reviewing and improving our security systems and procedures as well as continuing the RG Check accreditation at all our gambling facilities. RG Check is a program that reviews private sector service providers' operations against best practices in responsible gambling.

risks and opportunities

BCLC has a well-established enterprise risk management program, with ongoing evaluation of risks and quarterly Board reporting of action plans for all significant risks identified. Going forward we plan to automate our risk monitoring process and increase reporting and analytics. The following operational risks are being tracked at Executive and Board level.

Each risk in the table below has been assessed for both the potential consequence (C) of an adverse impact on BCLC's strategic objectives and the likelihood (L) of the consequence materialising. BCLC uses a risk matrix with a one to five scale. The number of ~ represents the level of risk.

RISK	POTENTIAL IMPACT	C	L	ACTIONS PLANNED
NET INCOME GROWTH				
<p>Risk: With the redevelopment strategy of casinos nearing completion, gaming products that are reaching maturity in their life cycle, an aging player demographic and challenging economic times, sustained delivery of net income to government is at risk.</p> <p>Opportunity: By transforming our business and becoming more player-centric, BCLC will better meet the expectations of current customers and attract new players to our games.</p>	BCLC will be challenged to achieve agreed long-term net income targets	○	○	<p>BCLC will grow our core, mature products through innovation and investing in emerging opportunities.</p> <p>We will explore and deliver new player experiences that are relevant and seamless across all channels in response to changing consumer demographics and preferences, and look to personalizing these experiences.</p> <p>BCLC is also beginning to implement a wide-reaching program of improvement to our existing business and operating models, creating product and service innovations and optimizing current processes.</p>
INFRASTRUCTURE LIMITATIONS				
<p>Risk: BCLC technology systems may not be capable of sustaining current operations and transforming the organization to meet future needs.</p> <p>Opportunity: Creating new technology infrastructure and capabilities will lead to the development and sustainment of agile, reliable and robust information technology that supports the growth of our business.</p>	System and infrastructure failures or inefficiencies may have financial and operational repercussions. Players may be unable to participate in lottery, eGaming or facility gaming on a temporary or protracted basis. If technology or capacity restricts innovation, BCLC's ability to meet the expectations of existing and new players will be constrained, affecting the implementation of new initiatives and generation of future revenue.	○	○	<p>The project to replace the casino gaming management system is proceeding successfully. Improvements to the lottery operating model will drive the future state of field technologies, and options to replace the central system are being explored.</p> <p>BCLC has an enterprise architecture approach that includes legacy systems decommissioning.</p> <p>Greater engagement with vendors is leading to enhanced technical support and enhanced relationships.</p>

RISK	POTENTIAL IMPACT	C	L	ACTIONS PLANNED
INFORMATION MANAGEMENT				
<p>Risk: Maintaining security and, in particular, protecting personal information, is an industry-wide concern, as is defending the organization from malicious cyber-attacks.</p> <p>Opportunity: There are opportunities to improve information life cycle management, security and systems.</p>	<p>If information held by BCLC were improperly managed or protected, the consequences could include data or integrity loss leading to potential privacy concerns or harm to our players and loss of player and public trust.</p>		<p>BCLC will continue to monitor a range of security systems.</p> <p>New projects and initiatives are subject to a comprehensive information privacy and security assessment.</p> <p>A security architecture road map with underpinning information security standards is being developed.</p>	
THIRD-PARTY DEPENDENCY				
<p>Risk: BCLC is reliant on retailers and service providers to distribute our products and manage our gambling facilities. BCLC is also dependent on vendors providing business, technical and product solutions.</p> <p>Opportunity: Business partnerships leverage the benefits of private sector competitiveness and distribution and provide BCLC with access to specialist expertise and the ability to provide better amenities and services to our players.</p>	<p>The technology architecture supporting the BCLC business model may become increasingly complex and costly as third-party applications increase.</p> <p>Third parties may not deliver services as required, resulting in customer service or compliance issues or delays when implementing new initiatives and realizing the associated revenue. BCLC could also be exposed to unexpected supply chain or reputational risks due to third-party actions or decisions.</p>		<p>BCLC is focusing on supporting collaboration between partners to deliver a range of initiatives.</p> <p>A number of initiatives within procurement and vendor management are planned or underway in order to increase efficiency, drive best overall market value and performance, and leverage existing processes and experience.</p> <p>Going forward we will work to make sure all systems and performance requirements are clearly defined and adequate service capacity/performance are provisioned.</p>	
CORPORATE BUSINESS PRACTICES				
<p>Risk: BCLC manages a complex business and requires robust business practices to allocate resources effectively and manage processes with accuracy and integrity, and in compliance with regulatory requirements and social responsibility objectives.</p> <p>Opportunity: There are opportunities to improve information lifecycle management, security and systems.</p>	<p>If regulations, BCLC's policies and business practices are not followed, or resources are used inefficiently, the organization could experience operational difficulties or declining quality, financial losses, potential audit qualification, and/or decline in reputation.</p> <p>Employees may lack the required skill or preparedness to deliver the organizational strategy. This could result in lower engagement impacting performance and retention. BCLC may not be able to deliver new services, products or approaches to expected timelines required for long-term success.</p>		<p>Transformational and workforce planning initiatives are underway that aim to increase efficiency/promote operational excellence, enhance internal control processes, further develop change management protocols and reinforce accountability.</p>	

RISK	POTENTIAL IMPACT	C	L	ACTIONS PLANNED
SOCIAL RESPONSIBILITY				
<p>Risk: If BCLC is not seen as being a socially responsible, transparent organization that brings value to the people of British Columbia, public acceptance of our mandate will decrease.</p> <p>Opportunity: Providing benefits to the communities in which we operate and greater engagement with our players and all British Columbians.</p>	<p>If the public or other stakeholders lose confidence in BCLC there could be a reduction in player participation resulting in a decline in revenue. BCLC might have fewer opportunities for new initiatives that generate income for the Province and all British Columbians.</p> <p>Any negative incident may be widely reported in traditional or social media, potentially lead to litigation and could have a significant effect on the public perception of BCLC's commitment to social responsibility.</p>		<p>BCLC has an active stakeholder engagement program, including community relations events in many communities. The Responsible Gambling Awareness weeks will be held again in early January 2014, with six communities now involved.</p> <p>Other initiatives include BCLC's GameSense responsible gambling awareness program, Voluntary Self-Exclusion (VSE) programs and ongoing responsible gambling research. Mandatory Appropriate Response Training (ART) for front-line gaming staff at our facilities continues.</p> <p>BCLC recently created an Anti-Money Laundering and Risk Analysis department and is committed to exceeding both federal and provincial anti-money laundering regulations. There is close liaison with both provincial and local police forces.</p> <p>A Reputation Management strategy is under development, with internal and external consultation underway.</p>	
REGULATORY COMPLIANCE				
<p>Risk: There could be a significant burden from varying and changing statutory and regulatory requirements.</p> <p>Opportunity: Stronger compliance programs could improve processes and increase public trust.</p>	<p>There is a potential for increased costs or loss of revenue as BCLC may need to change systems, processes or practices to respond to regulatory changes.</p> <p>BCLC may face challenges with regard to how it implements complex regulations that may be open to differing interpretation and judgement. Inadequate regulatory planning or compliance monitoring could also result in unintended errors or omissions.</p>		<p>Ongoing relationship management and dialogue with key regulators and ministries continues.</p> <p>There is transformation and ongoing process improvement programs conducted by divisions, internal audit and specialist parties to review and recommend improvements that result in streamlining necessary controls and removing duplication.</p> <p>Specialist expertise is sought where required, and BCLC plans to develop in-house expertise in key areas, such as taxation, and legal services.</p>	

our capacity to achieve results

Current and future needs require sound, responsive and adaptive business processes and technology. Our workforce must have the skills and capabilities to work in this environment and leverage our business to satisfy our players.

With the help of workforce planning strategies aligned to business needs, BCLC is committed to effectively utilizing and maximizing upon its human capital. We are investing in our workforce through continual refinements to our online learning management system and enhancements to our leadership and employee development programs. By implementing a change management framework we will be transforming how the organization responds to the rapidly changing external environment. In today's competitive marketplace, we need a responsive compensation plan and proactive recruitment strategy in order to attract and retain top talent and grow our business.

Through organizational redesign, we will ensure we meet the future needs of the business in providing the structure and culture to sustain and grow net income to the Province. Organizational redesign will result in BCLC meeting its operational, human resources and financial capacity to meet its planned results.

our plan for the next three years

goals, objectives and performance measures

BCLC's Board and Senior Executive manage the business through a cycle of strategic and business planning, reporting on and then analyzing performance. Our planning includes reviewing economic and marketplace indicators, our own past performance as well as results from other gambling jurisdictions with similar operations.

BCLC's strategic plan is our roadmap, defining where we want to be and how we plan to get there. In planning for the next three years, we reflected continued efforts to become more player-centric and transform our business in our goals and objectives. Our strategic plan is summarized in the table below.

Appendix 1 provides a comparison of our goals, objectives, and performance measures from the 2013/14–2015/16 Service Plan to this 2014/15–2016/17 Service Plan.

	Corporate Goals <i>where we want to be</i>	Corporate Objectives <i>what we need to achieve and why it is important</i>	Performance Measures <i>how we will measure our success</i>
Player	We are creating an integrated player-focused entertainment company.	Create fun, relevant player experiences within and across games channels and touch points.	Player Satisfaction
		Grow and diversify the player base to strengthen our business.	Player Participation
		Encourage healthy gambling choices.	Player Awareness of Responsible Gambling Activities
People	We will think differently, work together and act fast.	Make BCLC a great place to work so that we are inspired to do our best work and BCLC is a sought-after employer.	Net Win
		Define our future workforce needs so we have the right people with the right skills at the right time.	Net Win per Capita
Public	Our business and the benefits it creates are understood and supported by British Columbians.	Our contributions to economic growth and communities are recognized by the public as a good thing.	Employee Engagement
		The gambling entertainment choices we offer are delivered with integrity and transparency.	Employee Turnover Rate
Profit	We will grow net income through investing to sustain the long-term health of our business.	Define and integrate the innovative experiences our players want, delivered by our strategic partners.	Public Recognition of Positive Contributions
		Get to market faster with innovations so our games and services are more relevant.	Public Perception of BCLC's Transparency
			Level of Greenhouse Gas Emissions
			Net Income
			Comprehensive Costs as % of Net Win

how we measure our performance

BCLC establishes performance measures to determine how successful we are in achieving our goals. Our performance results for each measure are published each year in our Annual Service Plan report.

For Player Satisfaction, Player Participation, Player Awareness of Responsible Gambling Activities, Public Recognition of Positive Contributions and Public Perceptions of BCLC's Transparency, BCLC contracts with independent third-party market research professionals to conduct surveys, comparing our performance results against targets. We assess these results on a quarterly basis, analyzing the data to see if our plans are achieving the desired results.

BCLC Employee Engagement is also measured through independent third-party market research firm who conducts an annual survey with BCLC employees. The data and calculations for Employee Vacancy Rate and Employee Turnover Rate are obtained from BCLC internal records.

The data for Level of Greenhouse Gas Emissions is obtained from reports provided by external suppliers for electricity, natural gas, fleet fuel, paper suppliers as well as from internal reporting and calculated by BCLC.

For Net Win per Capita, Net Income and the Comprehensive Costs Ratio, financial information is obtained from BCLC's audited financial statements and from other internal reports. Population figures are sourced from BC Stats and Statistics Canada.

To provide insight into our level of success relative to other gambling operations, we benchmark BCLC's performance to other comparator organizations whose performance information is available publicly.

	Performance Measures	2012/13 Actual	2013/14 Target	2013/14 Forecast	2014/15 Target	2015/16 Target	2016/17 Target
Player	Player Satisfaction	85%	83%	83%	83%	84%	85%
	Player Participation ²	69%	62%	57%	57%	58%	59%
	Player Awareness of Responsible Gambling Activities	78%	80%	67%	68%	69%	70%
	Net Win Per Capita	\$450	\$462	\$456	\$454	\$457	\$464
People	Employee Engagement	82%	80%	82%	82%	82%	82%
	Employee Vacancy Rate	4.4%	4.0%	4.0%	no longer used		
	Employee Turnover Rate ³	10.6%	n/a	12.0%	14.0%	12.0%	12.0%
Public	Public Support for BCLC ⁴	80%	80%	77%	no longer used		
	Public Recognition of Positive Contributions	60%	n/a	60%	60%	62%	65%
	Public Perception of BCLC's Transparency	51%	n/a	50%	50%	52%	55%
	Level of Greenhouse Gas Emissions (calendar year)	2012:1,403	2013:1,439	2013:1,400	2014:1,382	2015:1,326	2016:1,273
Profit	Net Income (millions)	\$1,127.6	\$1,172.0	\$1,172.0	\$1,193.0	\$1,216.0	\$1,256.6
	Comprehensive Costs Ratio (% of Net Win)	41.2%	42.5%	42.5%	41.9%	41.8%	41.4%

Our performance targets for the next three years are outlined in the following pages. A more detailed explanation of BCLC's performance management system and benchmarks for each measure is contained in Appendix 2.

2 2012/13 Player Participation results are based on survey results for the first three quarters of the year, excluding fourth quarter results due to a change in survey questions.

3 Employee Turnover Rate is a new measure for 2014/15, replacing Employee Vacancy Rate.

4 Starting Fiscal 2014/15, BCLC will transition from measuring Public Support for BCLC to measuring Public Recognition of Positive Contributions and Public Perceptions of BCLC's Transparency.

goal 1: player

we are creating an integrated player-focused entertainment company.

Objectives	Performance Measure
Create fun, relevant player experiences within and across games channels and touch points.	Player Satisfaction Player Participation
Grow and diversify the player base to strengthen our business.	Player Awareness of Responsible Gambling Activities
Encourage healthy gambling choices.	Net Win Net Win per Capita

create fun, relevant player experiences

Our business centers on our player. There are many entertainment possibilities for our player to spend their discretionary dollars, and competition is tight. Learning what our player wants and then delivering the best player experience in meeting their expectations on customization, convenience and service will help make us a top entertainment choice. We will continue to listen to our players using the tools and technology to move to a player-centric organization, whether it be at our facilities, at retail or online.

grow & diversify player base

We are focusing on increasing the number of players so that we strengthen our business through increasing the entertainment value of our products and amenities. We are moving towards having one view of the player regardless of where they play our games. This will help create a seamless experience and cultivate long-term player relationships. We will be leveraging PlayNow.com across all our channels and devices to make it more convenient for our players. Increasing the entertainment value experienced through new products and services will encourage increased play by infrequent players.

encourage responsible play

Gambling is for entertainment, not to make money. The fact is, for a small percentage of players gambling can cross the line to addiction. That is why the Province has a responsible gambling strategy which promotes responsible gambling and addresses problem gambling through public awareness and education, research and training, and treatment and prevention. We believe the more educated players are, the better equipped they are to make healthy decisions about gambling. The GameSense communication and education program is world-class, to the extent that it is internationally recognized and other lottery jurisdictions in Canada are now adopting this program. At home, we have GameSense information centres at all our casinos and community gaming centres. In the fall of 2013, BCLC successfully received Level 4 re-accreditation, the highest level of certification by the World Lottery Association (WLA) for its responsible gaming programs.

RG Check is an independent accreditation program that is being adopted by all our facilities by the end of 2013/14. This program reviews how our private sector service providers operate casino and community gaming centres against best practices and independent standards in responsible gambling.

We are expanding Responsible Gambling Awareness Month, working with GPEB and communities across B.C. to raise awareness about responsible gambling practices to help reduce risk and connect people to community resources and services.

Through BCLC, the Government of British Columbia is dedicating \$2 million over five years for a new, independent Centre for Gambling Research at the University of British Columbia. This centre will conduct research which will help inform the provincial responsible and problem gambling programs.

We measure player awareness of our responsible gambling activities to determine the effectiveness of our responsible gambling programs.

player satisfaction
(%)



DESCRIPTION OF PERFORMANCE MEASURE

Player Satisfaction measures how satisfied players are with their experience in each of our gambling channels. The metric gauges BCLC’s overall success in transforming to become more player-centric and in creating outstanding entertainment experiences players enjoy. BCLC’s level of player satisfaction is very positive. We plan to continue with our player-centricity focused optimization initiatives. Through these initiatives and working with our service providers and improved retail experiences, we expect to grow player satisfaction and positively impact our longer term strategy of broadening the level of player participation and ultimately growing our revenue.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

There has been no change to the measure from our 2013/14 service plan. While our results are already very high, our target is to grow the level of satisfaction in conjunction with broadening our player base.

In 2012/13, BCLC changed the market research firm that measures Player Satisfaction. The online methodology and survey question remained the same; however, the composition of the sample panels may differ which may shift results from five per cent to 10 per cent above or below previous results.

player participation
(% at least monthly)



2012/13 Player Participation results are based on survey results for the first three quarters for the year, excluding fourth quarter results due to a change in survey questions.

DESCRIPTION OF PERFORMANCE MEASURE

Player Participation measures the percentage of adult British Columbians who play a BCLC game in any of BCLC’s gambling channels at least once a month. By measuring player participation, we have a gauge of how successful we are in delighting our players so they play our games. Through optimizing our marketing programs and omni-channel initiatives, we plan to enhance the entertainment experience within and across all of our channels so that we attract infrequent players to broaden and diversify our player base and ultimately achieve revenue growth.

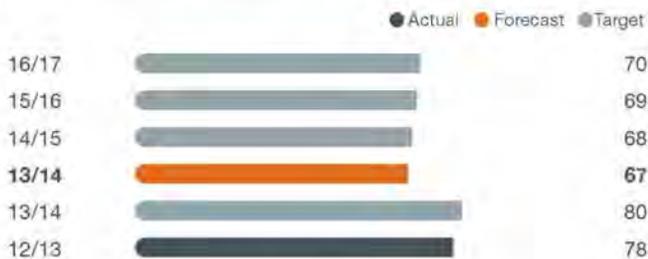
SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

In the fourth quarter of 2012/13, changes were made to the survey questions for this measure. These new questions are helping us determine the difference between visits to our gambling facilities and playing the games we offer at Casino and Chances locations. Further, in 2012/13, BCLC changed the market research firm that measures Player Participation. The online methodology remained the same; however, the composition of the sample panels may differ which may shift results from five per cent to 10 per cent above or below previous results.

Targets were adjusted based on the change in question wording and historical and forecast information. Fewer high jackpot rolls on both the LOTTO MAX and Lotto 6/49 lottery games during the first two quarters of 2013/14 has resulted in lower than targeted player participation rates.

Our targets also reflect not only the methodology change, but also our plans to broaden our player base.

player awareness of responsible gambling activities (%)



DESCRIPTION OF PERFORMANCE MEASURE

Player Awareness of Responsible Gambling Activities measures the percentage of past year players who are aware of one or more of five of BCLC’s responsible gambling activities. A key component of BCLC’s gambling management is our commitment to strengthening responsible gambling programs and their delivery. This measure determines how effective we are at reaching players with our responsible gambling activities and messages so that players can make informed gambling choices.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

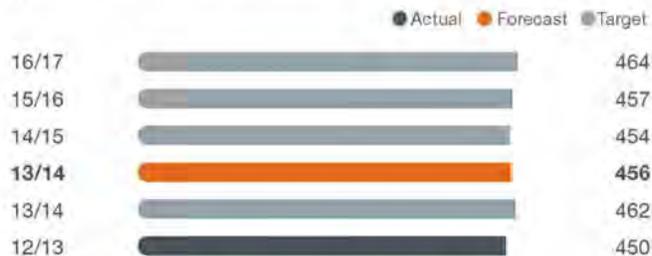
BCLC’s results have been relatively stable since 2010/11. BCLC has begun making changes to how we measure this metric so that we continue to gain insights into our programs and their delivery. The “Know Your Limit Play Within It” message has had consistently high awareness and will remain part of our programming but has been removed from the calculation of awareness so that we can more clearly understand how well other activities are being received by our players.

In 2013/14, BCLC began to target its responsible gambling activities more specifically on selected player segments and decreased our mass advertising, which has negatively impacted our overall results. This change reflects our continuing refinements to effectively reach players.

In the fourth quarter of 2012/13, BCLC changed the market research vendor that measures Player Awareness of Responsible Gambling Activities. The online methodology and survey question remained the same, however, the composition of the sample panels may differ which may shift results from five per cent to 10 per cent above or below previous results.

As a result of these changes, BCLC has adjusted its targets downwards based on historical and forecast information as well as a focus on reaching specific population segments.

net win per capita (\$)



DESCRIPTION OF PERFORMANCE MEASURE

Net win is calculated for lottery and bingo games by deducting prizes from gross sales. Casino game prizes are paid during game play. It is indexed to the total population to allow us to benchmark to other jurisdictions, as the age at which legal gambling is permitted varies between jurisdictions. The net win is divided by the total population based on publicly reported population figures to obtain per capita metrics. Latest population estimates and projections are updated annually. Net win per capita will not grow if the population rate of growth is higher than the rate of net win growth.

This measure is widely used in the gambling industry so consistent benchmarking is possible. The net win is divided by the total population based on publicly reported population figures to obtain per capita metrics. Benchmarking is to Loto-Québec, Ontario Lottery and Gaming Corporation, and the Canadian average. Benchmarking data is presented in Appendix 2. BCLC has consistently outperformed the benchmark organizations.

Net win per capita tells us how successful we are in growing revenue in relation to the provincial population.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

There are no changes to the objective for this measure, however the targets have been updated as a result of our latest review of our financial performance. Targets for the next three years have been set based on our forecast performance for 2013/14 and predicted growth in net win. Our forecast takes into account standard economic indicators used by the Province and the planned introduction of new products and services and facility developments. Note that latest population estimates are applied to appropriate past and future data.

goal 2: people

we will think differently, work together and act fast.

Objectives	Performance Measure
<p>Make BCLC a great place to work so that we are inspired to do our best work and BCLC is a sought-after employer.</p> <p>Define our future workforce needs so we have the right people with the right skills at the right time.</p>	<p>Employee Engagement</p> <p>Employee Turnover Rate</p>

BCLC is a great place to work

BCLC is honoured that for seven consecutive years, we have been selected as a top employer in British Columbia, most recently in 2013. We continue to pursue excellence in the programs, services and experiences we offer to our workforce.

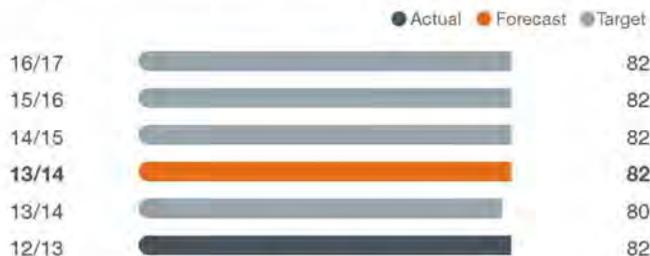
We need a passionate and engaged workforce to drive the success of our business, whether it be modernizing our legacy systems, researching, developing and implementing new products and services or working with our private sector service providers to enrich the player experience.

We listen to our employees through our annual employee engagement survey, and act upon the results to help us retain and attract the right talent. In the future we will begin implementing a Human Resources Management System that will create a single, integrated view of our workforce.

The right people with the right skills at the right time

Our human resources programs will continue to nurture a culture and environment that supports BCLC's business strategy. Developing our employees so they continue to be our number one asset and are prepared for the rapidly changing external environment continues to be a key focus. We will continue to invest in leadership and employee development to provide the training and resources needed to sustain and grow the business.

employee engagement (%)



DESCRIPTION OF PERFORMANCE MEASURE

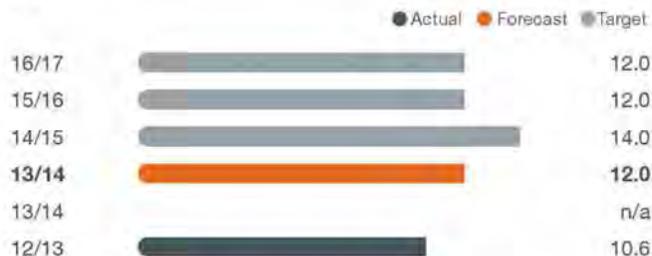
This performance metric measures the percentage of BCLC employees that are engaged. Employee engagement is defined as the intellectual and emotional commitment employees have in an organization. Employee Engagement reflects the effort and dedication employees exert to contribute to the organization’s success. An inspired and engaged workforce will help drive the success of our business to deliver the great entertainment experiences our players expect.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

There has been no change to the measure or how we measure Employee Engagement. BCLC’s employee engagement level is very positive. Target changes are based on historical and forecast information.

As a result of achieving a higher than target engagement score, BCLC plans to maintain this higher score and so has adjusted its targets accordingly. This will be challenging to achieve while continuing transformation to a more player-centric organization.

employee turnover rate (%)



DESCRIPTION OF PERFORMANCE MEASURE

Employee Turnover Rate measures the combined percentage of voluntary and involuntary turnover relative to BCLC’s total headcount. Employee Turnover Rate helps us determine how successful we are in attracting and retaining a workforce that drives the continuous transformation of our business in an ever-changing marketplace. It is a measure that gives us a gauge of our competitiveness in the labour market as well as the effectiveness of our training, development and retention programs.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

Employee Turnover Rate is a new measure for 2014/15, replacing the previously used Employee Vacancy Rate.

As BCLC already measured the rate of employee turnover, we have past results; no target was set for 13/14. Future targets have been set based on increases in competition in the market for talented employees with the skills and abilities to meet our innovation needs.

goal 3: public

our business and the benefits it creates are understood and supported by British Columbians.

Objectives	Performance Measure
Our contributions to economic growth and communities are recognized by the public as a good thing.	Public Recognition of Positive Contributions
The gambling entertainment choices we offer are delivered with integrity and transparency.	Public Perceptions of BCLC's Transparency Level of Greenhouse Gas Emissions

More than \$1 billion is delivered each year to the Province of British Columbia for health care, education, community initiatives and other programs. Sustaining and growing this net income depends on BCLC building understanding of our business through transparency to gain the trust and support of the public.

be a good corporate citizen & demonstrate integrity

Our license to operate stems from public trust and support. We need to build the trust of our players, the public and our stakeholders. We care about our reputation and know it's critically important to the long-term success of our business. We will continue to build public trust and support by being a good corporate citizen and demonstrating integrity in what we deliver and how we deliver it. It is paramount the public understands that our products are fair and our facilities are safe. We will continue to strike the right balance in delivering a healthy bottom line and giving our players the tools and education to make responsible gambling choices.

decrease our carbon footprint

We view sustainability as a key component of our corporate social responsibility and an integral part of our business. Our environmental programs span all aspects of our business, from reduction of energy consumption, through technology and other practical solutions to reduce travel, to management of our waste products to maximize re-use or recycling. We are also committed to sustainable procurement and have incorporated sustainability principles into our procurement practices and give favourable consideration in our selection and evaluation processes to those vendors, as well as their products and services, which emulate BCLC's commitment to sustainability and social responsibility. Our employees also promote sustainability with a very active Green Committee who will continue with future events such as Bike to Work week and a Day of Caring which offers the opportunity to volunteer to participate in an environmental project with a non-profit organization.

By keeping sustainability as a focus in our business, we have seen continued reduction in our greenhouse gas emissions. BCLC is required to meet the carbon neutrality requirements set out in the *Government's Greenhouse Gas Reductions Target Act*.

public recognition of positive contributions (%)



DESCRIPTION OF PERFORMANCE MEASURE

This metric measures the percentage of adult British Columbians who agree that BCLC makes positive contributions to the Province of British Columbia.

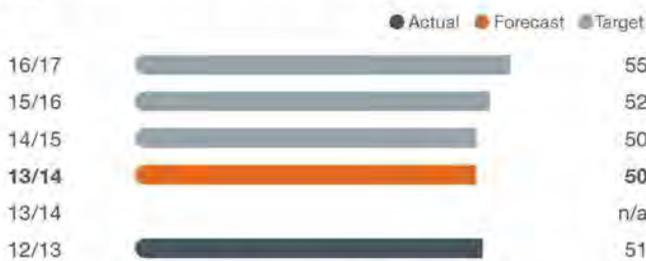
Public opinion determines our social license to operate. As we continue to transform our business to make gambling a widely embraced form of entertainment, it is important that the public understands and supports our business and the benefits it creates and this measure will help us gauge our success in building this understanding and support.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

Public Recognition of Positive Contributions is a new measure for 2014/15. As BCLC already measured our performance in this area, we have results from previous years; no target was set for 2013/14. Targets were set based on plans to become more open about our business plans and the impact of those plans, so that our business and its benefits are better understood and supported by British Columbians.

Over the coming year, we will also be examining new metrics for their potential to provide us with improved insights into how the public feels about our business, the benefits it creates and the level of trust that results.

public perception of BCLC's transparency (%)



DESCRIPTION OF PERFORMANCE MEASURE

This metric measures the percentage of adult British Columbians who view BCLC as forthcoming and open with the public.

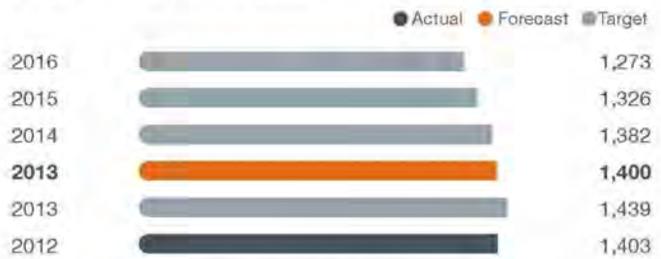
As we continue to transform our business to make gambling a widely embraced form of entertainment, the gambling entertainment choices we offer need to be delivered with integrity and transparency. Public Perception of BCLC's Transparency helps us gauge our success in becoming more open and forthcoming so that our business and its benefits are understood and supported by British Columbians.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

Perception of BCLC's Transparency is a new measure for 2014/15. As BCLC already measured this metric, we have results from previous years; no target was set for 2013/14. Targets were set based on plans to become more open about our business plans and the impact of those plans, so that our business and its benefits are better understood and supported by British Columbians.

Over the coming year, we will also be examining new metrics for their potential to provide us with improved insights into how the public feels about our business, the benefits it creates and the level of trust that results.

level of greenhouse gas emissions (CO₂e tonnes by calendar year)



DESCRIPTION OF PERFORMANCE MEASURE

Our reportable Greenhouse Gas Emissions (GHG) result from buildings, fleet vehicles and certain office paper supplies.

BCLC uses standard calculations provided by the Province to convert and report our GHG emissions in a standard format. This calculation is completed and reported in metric tonnes of carbon dioxide emissions (CO₂e) by calendar year. Data is obtained from suppliers of electricity, natural gas, fleet fuel, paper suppliers and from internal procurement reporting.

Since 2010, BCLC has been required to meet the requirements for carbon neutrality set out in the *Greenhouse Gas Reductions Target Act* and pursue actions to minimize GHG emissions.

We view sustainability as a key component of our corporate social responsibility mandate and are advancing environmentally sustainable behaviors in our organizational culture as an integral component of business modernization. BCLC expects to meet its reduction target for 2013, although the decrease in emissions is not forecasted to be as significant as the decrease for 2012. The most appropriate approach for reducing emissions from our Kamloops office is being assessed and BCLC will continue to act to meet its long-term goal of a 33 per cent reduction in reportable emissions from a 2007 baseline year by 2020.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

There has been no change to how the Level of GHG Emissions is measured and reported or to the targets for this measure.

goal 4: profit

we will grow net income through investing to sustain the long-term health of our business.

Objectives	Performance Measure
Define and integrate the innovative experiences our players want, delivered by our strategic partners.	Net Income
Get to market faster with innovations so our games and services are more relevant.	Comprehensive Costs as % of Net Win

grow net income through innovation & increase speed to market

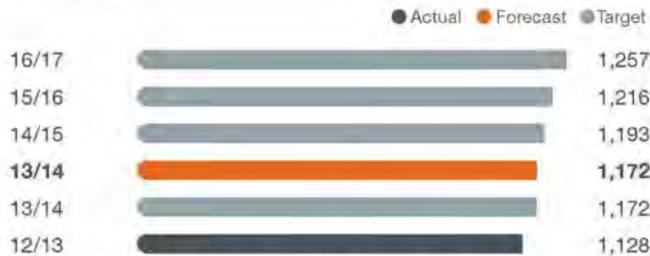
Our core portfolio of products (Slots, Tables, LOTTO MAX, Lotto 6/49, Keno and Scratch & Win) have contributed over \$2.75 billion (Revenue less Direct Costs) over the last five years. With this significant contribution to our bottom line, growing net income from our core portfolio through innovation will continue to be a priority.

Our ear is close to the ground in understanding consumer trends and what our player wants in convenience, personalization and service. With player understanding as our basis and best-in-class partners to work with, we will continue to invest in innovative products and services to grow net income.

We are continuing a multi-year journey in defining and implementing the business and technology architecture and roadmap to lay the foundation for our growth. Replacement of legacy systems to modernize our business also continues to be a focus. Optimization of our business, from how we manage our data across the organization to the evolution of business intelligence and analytics, are all initiatives that will help us understand the interests of our players.

We are also reviewing how we work with our private sector service providers and third-party vendors to deliver gambling, so that we continuously improve BCLC's business operations. The transformation of our technology, finance and procurement activities will continue as we improve processes, technology and skills to build the business, enabling us to get to market faster.

net income (\$ millions)



DESCRIPTION OF PERFORMANCE MEASURE

Net income is the total amount of income generated from BCLC gambling and is income net of prizes, direct expenses, operating expenses and taxes. It is calculated in accordance with International Financial Reporting Standards (IFRS).

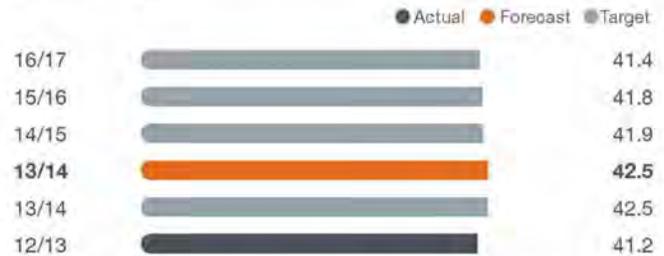
BCLC's net income is sent to the Province and used to benefit all British Columbians for funding of public health care, education and charitable and community programs. As a result of an agreement between the federal and provincial governments, the Government of Canada receives a portion of BCLC's net income.

This measure is a direct indicator of our success in meeting our mandate to generate income for the benefit of all British Columbians.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

Net income targets are updated based on a review of our latest financial performance and future growth opportunities. The forecasts take into account standard economic indicators used by the Province.

comprehensive costs ratio (% of net win)



DESCRIPTION OF PERFORMANCE MEASURE

The comprehensive costs ratio is the sum of direct expenses (except prizes), gaming support costs, general operating costs and amortization divided by our net win. We benchmark this metric to other gambling jurisdictions. BCLC's comprehensive costs ratio remains below all our benchmark comparators. For more details, see Appendix 2.

Our comprehensive costs ratio as a percentage of net win is a measure of our operational efficiency. It indicates how successful we are in balancing the generation of revenue with the cost of operating our business.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

The comprehensive costs ratio is updated based on a review of our latest financial performance and future growth opportunities. The forecasts take into account standard economic indicators used by the Province.

BCLC is investing in optimizing our business including modernizing our business, replacing legacy systems and, in particular, replacing the technology that supports casino and community gaming centre operations. This modernization in investment will continue with BCLC committed to maintaining its comprehensive costs ratio at constant levels.

Note that this ratio was formerly called operating costs ratio but the change is in name only to distinguish between general operating costs and this measure (which includes operating costs).

our financial outlook

how much we'll sell, spend and provide in net income and our assumptions in preparing this plan

The Province of British Columbia uses BCLC net income from gambling to fund public, charitable and community programs that benefit all British Columbians.

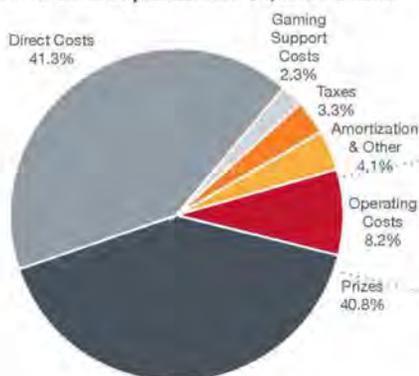
NOTE: The tables in this section factor in the change from HST to PST and GST in 2013/14.

consolidated corporate operations

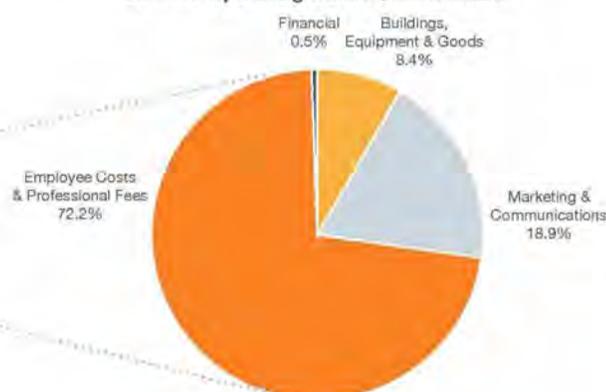
\$ Millions	2012/13 Actual	2013/14 Budget	2013/14 Forecast	2014/15 Budget	2015/16 Target	2016/17 Target
Revenue	\$ 2,731.9	\$ 2,803.0	\$ 2,785.3	\$ 2,798.4	\$ 2,838.4	\$ 2,902.7
Prizes	649.6	645.2	658.0	654.5	656.4	659.6
Net Win	2,082.3	2,157.8	2,127.3	2,143.9	2,182.0	2,243.1
Direct Costs	637.1	664.3	661.7	664.6	675.5	696.0
Gaming Support Costs	29.4	38.6	38.6	36.4	35.9	34.8
Operating Costs	136.7	139.4	139.4	131.6	129.1	125.2
Amortization and Other	54.7	75.5	65.2	65.3	70.5	73.5
Total Costs	857.9	917.8	904.9	897.9	911.0	929.5
Net Income Before Taxes	1,224.4	1,240.0	1,222.4	1,246.0	1,271.0	1,313.6
Taxes	96.8	68.0	50.4	53.0	55.0	57.0
Net Income	\$ 1,127.6	\$ 1,172.0	\$ 1,172.0	\$ 1,193.0	\$ 1,216.0	\$ 1,256.6
Debt	131.7	173.1	151.7	181.7	201.7	238.7
Capital Expenditures	96.6	120.0	88.0	90.0	90.0	110.0

* Revenue includes gaming and non-gaming revenue.

2014/15 Total Expenditures: \$1,605.4 Million



2014/15 Operating Costs: \$131.6 Million



REVENUE

Revenue is projected to increase by \$117.4 million or 4.2 per cent over the three-year period reflecting continued growth in all three gaming channels.

TOTAL EXPENDITURES

Total expenditures, including prizes, total costs and taxes, are expected to increase by \$31.2 million or 3.3 per cent over the three-year period. Total expenditures for Fiscal 2014/15 are projected at \$1.6 billion.

PRIZES

Prizes are estimated to increase by \$1.6 million over the three year period due to increased revenue.

Prizes as a percentage of revenue are decreasing from 23.6 per cent to 22.7 per cent over the three year period due to a shift in consumer preferences to casino-style games which are recorded net of prizes.

NET WIN

Net win represents net revenue less prizes.

Net win is projected to increase by \$115.8 million or 5.4 per cent over the three year period as a result of the growth in revenue.

DIRECT EXPENSES

Direct expenses include service provider commissions, lottery ticket printing and bingo paper, supplies and leases.

Direct expenses are increasing by \$34.3 million or 5.2 per cent over the three year period due to increased revenue.

GAMING SUPPORT COSTS

Gaming support are those costs which directly support revenue generation. They include equipment installation and maintenance, systems support, data transmission, product delivery and odds-setting.

OPERATING COSTS

Operating costs include employee costs, professional fees, buildings, equipment and goods, marketing, communications and financial costs.

Operating costs are expected to decline slightly as a percentage of net win over the three year period.

AMORTIZATION AND OTHER

Amortization is increasing by \$6.0 million over the three year period, primarily due to capital expenditures which include the replacement of the gaming management system, investments in business support and modernization programs, and capital to support revenue programs in the lottery, PlayNow.com, casino and community gaming business channels.

The "Other" category consists of interest expense for short-term borrowing, accrued employee benefits and proceeds from eGaming business-to-business. The anticipated increase of \$2.3 million is mainly a result of projected changes in interest rates.

CORPORATE ASSUMPTIONS

Real GDP growth for the B.C. economy is assumed at an average 2.3 per cent over the three-year period.

Inflation has been assumed at an average 1.9 per cent over the three-year period.

BCLC uses the three-month Canadian Treasury Bill rates as forecast by the Ministry of Finance (rates as of January 2, 2014); interest rates have been assumed at 0.99 per cent for 2014/15, 1.39 per cent for 2015/16, and 2.38 per cent for 2016/17.

No major changes will be made to BCLC's mandate or the Province of B.C.'s gambling and social policy.

No major changes will be made to Gaming Policy and Enforcement Branch (GPEB) mandate, regulations or policy.

Net win and net income assumptions are based on BCLC obtaining the necessary provincial, host local government and regulatory approvals required under the Gaming Control Act (2002) to open new facilities and launch new products.

casino and community gaming centres

\$ Millions	2012/13 Actual	2013/14 Budget	2013/14 Forecast	2014/15 Budget	2015/16 Target	2016/17 Target
Net Win	\$ 1,582.7	\$ 1,626.5	\$ 1,631.1	\$ 1,635.9	\$ 1,664.7	\$ 1,712.4
Total Costs	681.1	716.2	709.0	705.0	715.7	731.3
Net Income Before Taxes	901.6	910.3	922.1	930.9	949.0	981.1
Taxes	72.2	47.3	38.0	39.8	41.2	42.7
Net Income	\$ 829.4	\$ 863.0	\$ 884.1	\$ 891.1	\$ 907.8	\$ 938.4

Over the three-year planning period, net income before taxes is projected to increase by \$59.0 million, or 6.4 per cent. This growth will come from player card enhancements and increased database marketing efforts, the continuing development of existing casino properties like the Hard Rock Casino, and the opening of one new community gaming centre. The relocation and redevelopment of Edgewater is targeted for fiscal 2016/17.

CASINO & COMMUNITY GAMING ASSUMPTIONS

- British Columbia casino marketplace capacity studies are accurate
- The planned openings, upgrades and relocation of existing casinos and of existing commercial bingo halls to community gaming centres will be on schedule
- The increase in table game play will continue
- The introduction of PlayNow.com games into our land-based facilities is completed on schedule
- The decrease in slot machine play does not continue, and play increases as a result of new player experience improvements and enhanced analytics that will provide new insights into player preferences and motivations, game selection and placement

lottery & eGaming

\$ Millions	2012/13 Actual	2013/14 Budget	2013/14 Forecast	2014/15 Budget	2015/16 Target	2016/17 Target
Revenue	\$ 1,093.8	\$ 1,158.2	\$ 1,110.0	\$ 1,123.1	\$ 1,137.4	\$ 1,156.7
Prizes	594.2	626.9	613.8	615.1	620.1	626.0
Net Win	499.6	531.3	496.2	508.0	517.3	530.7
Total Costs	176.8	201.6	195.9	192.9	195.3	198.2
Net Income Before Taxes	322.8	329.7	300.3	315.1	322.0	332.5
Taxes	24.6	20.7	12.4	13.2	13.8	14.3
Net Income	\$ 298.2	\$ 309.0	\$ 287.9	\$ 301.9	\$ 308.2	\$ 318.2

Over the three-year planning period, Lottery and eGaming net income before taxes is expected to increase by \$32.2 million, or 10.7 per cent. Growth in this channel will come from the introduction of new products and product enhancements, the opening of five new Lotto Signature Stores, the build out of Lotto Express and the enhancement of digital signage. eGaming growth will come from the continuing operationalization of the casino/poker portfolios, the introduction of multi-jurisdictional bingo, and continued enhancements to sports betting and mobile gaming.

LOTTERY & EGAMING ASSUMPTIONS

- Effective marketing focus on big lotto jackpots will increase awareness and interest that results in purchases by infrequent players
- Planned releases of products will be on schedule
- BCLC market forecasts for new products are accurate
- The estimated number and size of jackpot rolls on national lotto games will not vary significantly from historical averages
- The regulator approvals required under the Gaming Control Act (2002) to launch new products will be received.

our capital plan spending on our infrastructure and technology

\$ thousands	2012/13 Actual	2013/14 Budget	2013/14 Forecast	2014/15 Budget	2015/16 Target	2016/17 Target
Gambling Systems						
Lottery	\$ 6,364	\$ 8,769	\$ 6,846	\$ 6,720	\$ 10,640	\$ 15,000
eGaming	9,969	6,769	5,269	5,700	8,180	10,000
Gaming Management System	34,146	28,897	24,889	30,800	5,211	–
Casino and Community Gaming	29,351	45,341	32,331	29,100	35,699	50,000
	79,830	89,776	69,335	72,320	59,730	75,000
Infrastructure, Corporate Systems & Transformation						
Systems & Transformation	15,248	24,376	14,314	14,680	18,000	25,000
Corporate Facilities	1,554	5,848	4,351	3,000	12,270	10,000
	16,802	30,224	18,665	17,680	30,270	35,000
Total New Capital	\$ 96,632	\$ 120,000	\$ 88,000	\$ 90,000	\$ 90,000	\$ 110,000

BCLC's capital expenditures are driven by the need to maintain the BCLC's revenue-generating infrastructure.

Lottery

In the lottery channel, major initiatives include the continued expansion of lottery distribution into major chain stores through the Lotto Express multilane technology, the opening of five new Lotto Signature stores and the rebranding of the lottery network.

eGaming

Investment in eGaming will be focused on enhancements to bingo, poker and lotto as well as optimizing the PlayNow.com experience for tablets and mobile devices, and for use in age-restricted gambling facilities.

Gaming Management System

BCLC is in year three of a multi-year project to replace the casino gaming management system that supports the annual generation of \$1.6 billion in revenue and over \$800 million in net income. A new technology architecture and platform will provide a foundation for modernization, sustainable, moderate growth and more flexible, responsive player relations. The project is projected to require \$104 million in capital to complete. Costs incurred to January 7, 2014 are \$58.8 million.

Casino & Community Gaming

In addition to its significant investment in the new gaming management system, this channel will also refresh its slot machines and table games at existing facilities, and introduce PlayNow.com into many of our gambling facilities to optimize this infrastructure and technology investment.

Corporate

BCLC will continue to invest in the replacement of legacy systems and the modernization of core technology and business infrastructure.

The cost of purchases made in U.S. dollars has been based on an exchange rate three year average of \$1.08 CDN to \$1 USD.

net income that may be at risk

Risk Factors

The following factors contribute to uncertainty and risk and may individually, or in the aggregate, affect BCLC's operating results and the net income able to be delivered to the Province.

- Obtaining host local government approvals for the development or relocation of gambling facilities
- Frequency of major lottery jackpots
- Market expectations may vary for new business initiatives including product and service innovations
- Economic issues impacting adult consumers' disposable income and entertainment spending
- Shifts in consumer preferences impacting product mix and profitability
- Competition from unregulated cross-border gambling competitors
- Public acceptance of gambling
- Changes to gambling rules and regulations
- Revenue loss and market disruption resulting from the business failure of a private sector service provider
- Fluctuations in interest and foreign currency rates

QUANTIFIABLE RISKS

The main quantifiable risks are that new facilities will not open or be expanded on schedule, interest rates may rise unexpectedly⁵, and large fluctuations in the Canadian/U.S. exchange rate⁶ will affect the cost of equipment and supplies purchased from foreign vendors.

\$ thousands	2014/15	2015/16	2016/17
One-year delay in opening/relocating planned gambling facilities	\$ 2,200	\$ 7,600	\$ 16,200
Interest rates may rise 1.0%	1,700	1,900	2,100
The Canadian/U.S. exchange rate may change	1,000	1,000	1,000

Taking into account business and general economic trends, the opportunities and challenges facing the business, the risk factors described above, and the mitigation strategies described in the previous sections, BCLC forecasts the following net income ranges:

NET INCOME FORECASTS

\$ millions	2014/15 Target	2015/16 Target	2016/17 Target
High	\$ 1,210	\$ 1,244	\$ 1,283
Target	1,193	1,216	1,257
Low	1,118	1,131	1,145

⁵ BCLC has a \$250 million short-term Fiscal Agency Loan credit facility. Interest rate sensitivity is based on a 1.0 per cent increase in rates on base borrowing of \$150 million (increasing \$20 million per year).

⁶ For the period covered by this Service Plan, Canadian/U.S. exchange rates are assumed to average \$1.08 CDN to \$1 USD. The exchange rate risk is based on a \$0.05 change in the rate, applied to \$20 million in spending.

Government's letter of expectations

Government's letter of expectations is an annual letter of direction to BCLC that reinforces the corporation's mandate, identifies strategic priorities, and sets forth performance measures that form the cornerstones of the corporation's governance framework. This letter is intended to establish the basis for a positive and collaborative working relationship through the clear articulation of the responsibilities and expectations of both parties.

A summary of how BCLC is working to fulfil government's expectations can be found below. The full Government's Letter of Expectations can be found at: [Government's Letter of Expectations](#).

GOVERNMENT DIRECTION

BCLC ACTIONS

Operate the gaming business within the social policy framework established by Government and in alignment with the Corporation's social responsibility objectives, building public trust and support in a manner consistent with the Province's Responsible Gambling Strategy. Continue to support the joint responsibility between the Corporation and the regulatory agency, the Gaming Policy and Enforcement Branch, for delivery of the Strategy, specifically in the areas of research, education and awareness.

Social responsibility is a cornerstone of our business. Our efforts continue to be focused on enhancing responsible gambling programs through research, public education, and responsible gambling awareness. The Province and BCLC fund independent responsible gambling research at the University of British Columbia, and BCLC continues to work collaboratively with the Gaming Policy and Enforcement Branch (GPEB), to ensure that our vision, strategy, and activities are aligned with Government direction and that we are in compliance with all regulations governing the regulated activities of the corporation.

We are also committed to continuous improvement in the Voluntary Self-Exclusion (VSE) program and have contracted with the University of the Fraser Valley to conduct a comprehensive, four-year evaluation of the VSE program from the perspective of the participant.

In addition to our social responsibility related to gambling, we are striving to reduce reportable greenhouse gas emissions from the 2007 baseline by 33 per cent by 2020 as directed by government.

Operate within the Province's legislative and regulatory framework, and comply with policies, directives and standards that may be issued from time to time by the Minister of Finance or the Gaming Policy and Enforcement Branch.

We will operate our business within the legislative, regulatory, and policy framework established by the Province of British Columbia. We continue to comply with all policy directives issued by the Minister, including directives and standards issued by GPEB.

Support GPEB in the development of government's response and action plan addressing as appropriate, the recommendations made in the Provincial Health Officer's Report, entitled "Lowering the Stakes: A Public Health Approach to Gambling in British Columbia".

We are collaborating with GPEB in the development of government's response and action plan.

GOVERNMENT DIRECTION
BCLC ACTIONS

Ensure that the BC Centre for Gambling Research at the University of British Columbia is funded \$1 million in FY 13/14, and \$250,000 for each of the following four years. This funding is in addition to its other operational obligations.

We are committed to this important research endeavor and the required funding.

Continue to enhance the Corporation's anti-money laundering compliance programs, including the continued implementation of measures to move the industry away from a cash basis, and other strategies in the Province's Anti-Money Laundering Strategy.

We continue to strengthen anti-money laundering compliance programs through offering cash alternatives at our facilities. We have implemented a number of cash alternative options for players and will continue to do more to support this important initiative.

Specifically, the Corporation will:

- Develop, obtain approval, and deliver alternatives that allow patrons access to funds inside gaming facilities,
- Actively promote the cash alternative options to patrons, through a targeted marketing program,
- Lead the industry Anti-Money Laundering (AML) working group, which consists of BCLC, GPEB and service providers,
- Establish capacity, within the BCLC Corporate Security & Compliance Division, to better inform the AML initiative through analysis of cash usage and trends,
- Develop and deliver enhanced customer due diligence (CDD) as required by new Federal AML Regulations, which take effect February 2014

We are taking a proactive approach towards managing Anti-Money Laundering (AML) challenges and are in the process of creating an Anti-Money Laundering and Operational Analysis Unit. This unit will bring an analytical lens to cash usage and trends as well as examine how we conduct business from a compliance and player risk analysis perspective. This group will work closely with internal stakeholders as well as GPEB to build on and implement new cash alternatives in gambling facilities.

The new AML & Operational Analytical Unit will also conduct, consolidate and oversee AML activities, as well as provide support throughout the enterprise. We will begin to use cutting edge analytical tools that will not only help to better understand our players' behavior, but help identify the players who should be scrutinized more closely or out-right banned. This will also support our efforts in meeting *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* regulatory requirements in the area of enhanced customer due diligence (CDD) which come into effect February 2014.

BCLC leads an AML working group which consists of GPEB and Casino Service Providers.

A marketing plan to move patrons into cash free options is underway.

GOVERNMENT DIRECTION

Optimize the Corporation's financial performance, within the gaming framework established by Government, by responding to customer and marketplace demands for the distribution of products and services and seeking new revenue opportunities that are consistent with the Province's legal and policy frameworks.

Continue to optimize the performance, security, integrity and efficiency of the Corporation through the corporation's business optimization program, the modernization of infrastructure, process and technology, and the continued implementation of the new casino gaming management system. Specifically, the Corporation will present the Province with a detailed plan for each of the foregoing, including details of the assumptions and estimates used to determine the fiscal impacts. This detailed plan must be approved by the Province, for the purpose of improving the efficiency/effectiveness of the gaming experience and cost of administration in British Columbia.

BCLC ACTIONS

Within the Province's legal and policy frameworks, we respond to customer and marketplace demands by upgrading casinos and community gaming centres, introducing new games in facilities and on the Internet, and by developing new product delivery options to make it convenient for our players.

In addition to revenue-generating initiatives, we will also enhance financial performance through increased emphasis on business optimization initiatives while practicing diligent cost management.

We will invest in the technology, systems and processes necessary to deliver optimal performance with efficiency, integrity and security.

For the next two years the primary focus will be the replacement of the gaming management system that supports more than \$1.6 billion in net win, but additional investments in security, data management, workforce planning and financial systems will also contribute to enhanced performance.

We will present the Province with a detailed plan of the corporation's business optimization program, including assumptions and estimates as this information becomes available.

appendix 1:

service plan goals & performance measures comparison

what we plan to do differently, and why

This year, we reworded our corporate goals and objectives as well as strategies to provide more clarity.

The following table compares the goals in our 2013/14 Service Plan to this 2014/15 Service Plan.

	2013/14–2015/16 Service Plan Goals	2014/15–2016/17 Service Plan Goals	Comments
Player	We will put players first to create the entertainment experiences they enjoy.	We are creating an integrated player-focused entertainment company.	As BCLC transforms the business and moves towards becoming more player-centric, we are working across our three distribution channels so that we provide our players with the best and most relevant entertainment experiences.
People	We will think differently, work together and act fast.	We will think differently, work together and act fast.	No change.
Public	We will build public trust and support for BCLC.	Our business and the benefits it creates are understood and supported by British Columbians.	We will continue to work on building an understanding of and support for our business with a focus on the benefits it creates for the Province and British Columbians.
Profit	We will grow net income and invest in the long-term health of our business.	We will grow net income through investing to sustain the long-term health of our business.	The long-term health of the business continues to be an important focus as we replace legacy technology and invest in new systems that will provide us with the capabilities we need to make our business more effective.

The following chart compares the performance measures in our 2013/14-2014/15 Service Plan to the performance measures in this Service Plan.

	2013/14–2015/16 Service Plan Performance	2014/15–2016/17 Service Plan Performance	Comments
Player	Player Satisfaction Player Participation Player Awareness of Responsible Gambling Activities Net Win Net Win per Capita	Player Satisfaction Player Participation Player Awareness of Responsible Gambling Activities Net Win Net Win per Capita	No changes
People	Employee Engagement Employee Vacancy Rate	Employee Engagement Employee Turnover Rate	BCLC has replaced its Vacancy Rate measure with Turnover Rate in order to focus on our ability to attract and retain the talented people we need to keep our business successful.
Public	Public Support for BCLC Level of Greenhouse Gas Emissions	Public Recognition of Positive Contributions Public Perceptions of BCLC's Transparency Level of Greenhouse Gas Emissions	We have replaced the Public Support for BCLC metric with two new measures, Public Recognition of Positive Contributions and Public Perception of BCLC's transparency, to provide improved insight into how the public feels about our business and the benefits it creates.
Profit	Net Income Operating Costs (% Net Win)	Net Income Comprehensive Costs (% Net Win)	The name of the metric used to assess our level of effectiveness has been changed to better reflect the breadth of costs included in the analysis.

appendix 2:

how we measure and benchmark our performance

how our performance metrics are measured

This appendix gives additional information on how our performance metrics are measured. Details of what we use each measure for and the targets for the next three years are in the Our Performance section of this Service Plan.

Our external performance benchmarks are obtained from the audited financial results published by the benchmark organizations, and from the Canadian Gambling Digest. The organizations that BCLC currently benchmarks to are:

- Ontario Lottery and Gaming Corporation (OLG)
- Loto-Québec (LQ)
- Svenska Spel, the Swedish lottery, which is widely regarded as the most innovative international lottery and Internet gambling jurisdiction

We review the performance results published by other gambling organizations annually for additional benchmarking opportunities.

The table below summarizes how we measure each metric, our benchmarks and what we do to check that the data is reliable.

		How We Measure and Benchmark	Data Reliability
Performance Measures	Player Satisfaction	<p>A third-party research professional conducts a continuous tracking study to measure Player Satisfaction on our behalf. The survey is conducted online and is a random sample of B.C. adults aged 19 and older and is representative of the B.C. adult population with respect to gender, age and region. The annual target sample size is 3,000 survey participants.</p> <p>Players who played in one of BCLC's gambling channels at least once every three to five months are asked to rate their satisfaction with their last experience in each channel on a 10-point scale. For each player, an average satisfaction score is calculated using their satisfaction scores in all channels they play in.</p> <p>Player responses in the top five box scores are then aggregated and expressed as a percentage to get the aggregate satisfaction.</p> <p>Player Satisfaction is internally benchmarked on a time series basis. We have not externally benchmarked the measure as we have not identified comparable data published by other gambling jurisdictions.</p>	<p>The survey to measure Player Satisfaction is independently conducted by a third-party research firm. The survey uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.</p>
	Player Participation	<p>A third-party research professional conducts a continuous tracking study to measure Player Participation on our behalf. The survey is conducted online and is a random sample of B.C. adults aged 19 and older and is representative of the B.C. adult population with respect to gender, age and region. The annual target sample size is 3,000 survey participants.</p> <p>Participants are asked how frequently they play our games in any of BCLC's channels. The result is an aggregate score for those players who played at least once a month.</p> <p>Player Participation is internally benchmarked on a time series basis. We have not externally benchmarked the measure as we have not identified comparable data published by other gambling jurisdictions.</p>	<p>The survey to measure Player Participation is independently conducted by a third-party research firm. The survey uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available via Statistics Canada's Census.</p>

How We Measure and Benchmark		Data Reliability								
<p>Player Awareness of Responsible Gambling Activities</p>	<p>A third-party research professional conducts a continuous tracking study to measure Player Awareness of Responsible Gambling Activities on our behalf. The survey is conducted online and is a random sample of B.C. adults aged 19 and older and is representative of the B.C. adult population with respect to gender, age and region. The annual target sample size is 3,000 survey participants.</p> <p>Participants are asked to indicate their awareness of five of BCLC's responsible gambling activities. The result is a net percentage of BCLC players who are aware of at least one of the five initiatives.</p> <p>Player Awareness of Responsible Gambling Activities is internally benchmarked on a time series basis. We have not externally benchmarked the measure as we have not identified comparable data published by other gambling jurisdictions.</p>	<p>The survey to measure Player Awareness of Responsible Gambling Activities is independently conducted by a third-party research firm. The survey uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.</p>								
<p>Net Win per Capita</p>	<p>Net win is the revenue after prizes have been paid to players. Casino game prizes are paid during play. For lottery and bingo games, net win is calculated by deducting prizes from total sales revenue.</p> <p>We use the population forecasts published by Statistics Canada in July each year as the baseline for our calculations.</p> <p>For our benchmark comparators, net win figures are taken from the most recent set of audited statements of accounts, as published in the annual reports of the benchmark organizations. In some instances restatement of financial information for benchmark organizations has caused changes to prior reported figures, Canada average figures are drawn from the Canadian Gambling Digest, from which BCLC is removed.</p> <p>Video lottery terminal (VLT) revenue is included in benchmarking results from Loto-Québec and the Canada Total comparators to give a complete picture of total spending on gambling. The provinces of B.C. and Ontario do not permit VLTs.</p> <p>2010/11 net win per capita (\$)</p> <table border="1"> <tr> <td>BCLC</td> <td>447</td> </tr> <tr> <td>Canada Average</td> <td>399</td> </tr> <tr> <td>OLG</td> <td>363</td> </tr> <tr> <td>LQ</td> <td>339</td> </tr> </table>	BCLC	447	Canada Average	399	OLG	363	LQ	339	<p>Net win figures are taken from our audited statement of accounts, as published in our Annual Service Plan Report. Figures for forecasts and targets are calculated by BCLC and are reviewed with the Treasury Board prior to inclusion in the Service Plan.</p> <p>Population figures are taken from published Statistics Canada figures for each of the years included in the Service Plan. Latest population estimates and projections are updated annually.</p> <p>For our benchmark comparators, net win figures are taken from the audited statements of accounts, as published in the annual reports of the benchmark organizations. Canada average figures are drawn from the Canadian Gambling Digest.</p>
BCLC	447									
Canada Average	399									
OLG	363									
LQ	339									
<p>Employee Engagement</p>	<p>Employee engagement is measured by an annual anonymous online survey among BCLC employees, conducted by a third-party research professional on our behalf.</p> <p>The survey asks employees to rank on a six-point scale their agreement with a broad range of statements that span all aspects of the workplace, work conditions, career and development opportunities, and BCLC's goals and programs.</p> <p>The overall engagement score is an aggregate of the proportion of employees that have agreed with the statements in the top two points of the scale.</p> <p>Employee Engagement is internally benchmarked on a time series basis. We have not externally benchmarked the measure due to the BCLC specific nature of the survey questions.</p>	<p>The survey to measure Employee Engagement is independently conducted by a third-party research firm, using market research industry standard techniques.</p>								
<p>Employee Vacancy Rate</p>	<p>This metric provides the average number of vacant positions as a proportion of BCLC's total headcount. It is measured on a monthly basis. The year-end result is calculated by averaging the monthly rates.</p> <p>Employee Vacancy Rate is internally benchmarked on a time series basis. We do not externally benchmark, as other gambling jurisdictions and B.C. crown corporations do not publish equivalent figures.</p>	<p>Employee Vacancy Rate is calculated internally by our Human Resources team. The total headcount is the total number of approved positions. The number of vacancies is the number of approved positions currently vacant in the organization.</p>								

Performance Measures	How We Measure and Benchmark	Data Reliability	
	Employee Turnover Rate	<p>This metric provides the average number of the combined voluntary and involuntary turnover as a proportion of BCLC's total headcount. It is measured on a monthly basis. The year-end result is calculated by averaging the monthly rates.</p> <p>Employee Turnover Rate is internally benchmarked on a time series bases. We do not externally benchmark, as other gambling jurisdictions or B.C. crown corporations do not publish equivalent figures.</p>	<p>Employee Turnover Rate is calculated internally by our Human Resources team. The total headcount is the total number of approved positions. Voluntary turnover is the number of BCLC employees who have left the corporation on their own accord. Involuntary turnover is the number of BCLC employees who have been terminated from their role at BCLC.</p>
		Public Support for BCLC	<p>A third-party research professional conducts a continuous tracking study to measure Public Support for BCLC on our behalf. The survey is conducted online and is a random sample of B.C. adults aged 19 and older and is representative of the B.C. adult population with respect to gender, age and region. The annual target sample size is 3,000 survey participants.</p> <p>Participants are asked to rate their overall impression of BCLC on a 4-point scale from "Very Favourable" to "Very Unfavourable". Participant responses in the top two box scores, i.e. those rating "Very Favourable" and "Somewhat Favourable", are then aggregated and expressed as a percentage to get the aggregate percentage of support for BCLC.</p> <p>Public Support for BCLC is internally benchmarked on a time series basis. We have not externally benchmarked the measure as we have not identified comparable data published by other gambling jurisdictions.</p>
	Public Recognition of Positive Contributions		<p>A third-party research professional conducts a continuous tracking study to measure Public Recognition of Positive Contributions on our behalf. The survey is conducted online and is a random sample of B.C. adults aged 19 and older and is representative of the B.C. adult population with respect to gender, age and region. The annual target sample size is 3,000 survey participants.</p> <p>Participants are asked to rate their level of agreement with the statement "BCLC makes positive contributions to the province of B.C." on a 7-point scale. Participant responses in the top three box scores are then aggregated and expressed as a percentage to get the aggregate percentage.</p> <p>Public Recognition of Positive Contributions is internally benchmarked on a time series basis. We have not externally benchmarked the measure as we have not identified comparable data published by other gambling jurisdictions.</p>
		Public Perception of BCLC's Transparency	<p>A third-party research professional conducts a continuous tracking study to measure Public Perception of BCLC's Transparency on our behalf. The survey is conducted online and is a random sample of B.C. adults aged 19 and older and is representative of the B.C. adult population with respect to gender, age and region. The annual target sample size is 3,000 survey participants.</p> <p>Participants are asked to rate their level of agreement with the statement "BCLC is forthcoming and open with the public" on a 7-point scale. Participant responses in the top three box scores are then aggregated and expressed as a percentage to get the aggregate percentage.</p> <p>Public Perception of BCLC's Transparency is internally benchmarked on a time series basis. We have not externally benchmarked the measure as we have not identified comparable data published by other gambling jurisdictions.</p>
	Level of Greenhouse Gas Emissions		<p>BCLC uses standard calculations provided by the Province to calculate and report greenhouse gas (GHG) emissions in a standard format, as required by the Province. It is used by the Province to ensure BCLC is meeting the provincial reduction requirements and for benchmarking against other Crown agencies.</p> <p>We obtain our data from the suppliers of electricity, natural gas, fleet vehicle fuel and paper from internal procurement reporting. GHG emissions are internally benchmarked on a time series basis. Our Carbon Neutral Action Report and those of other B.C. Crown corporations are published by the Ministry of Environment annually at the end of June.</p>

Performance Measures Operating Costs as a % of Net Win	How We Measure and Benchmark	Data Reliability											
	<p>Net Income</p> <p>Net income is income after prizes, direct and operating expenses and taxes have been deducted, and determined in accordance with International Financial Reporting Standards.</p> <p>Net income is internally benchmarked on a time series basis.</p> <p>Net income is not benchmarked with other jurisdictions due to differences in the types of gambling offered, the differing gambling models and population levels.</p> <p>Our comprehensive costs ratio is the sum of our direct expenses (except prizes), gaming support costs, general operating costs and amortization divided by our net win and expressed as a percentage. All figures are determined in accordance with International Financial Reporting Standards.</p> <p>For our benchmark comparators, operating costs figures are taken from the most recent set of audited statements of accounts, as published in the annual reports of the benchmark organizations. In some instances restatement of financial information for benchmark organizations has caused changes to prior reported figures.</p> <p>BCLC's comprehensive costs ratio remains below Canadian benchmark comparators. Svenska Spel offers a similar gambling mix to BCLC, but derives more of its net win from video lottery terminals and Internet gambling, both of which have lower operating costs than more traditional casino gambling, from which BCLC derives the majority of its net win.</p> <p>2010/11 comprehensive cost ratio (%)</p> <table border="1"> <tr> <td>OLG</td> <td></td> <td>64.4</td> </tr> <tr> <td>Svenska Spel</td> <td></td> <td>48.3</td> </tr> <tr> <td>LQ</td> <td></td> <td>45.1</td> </tr> <tr> <td>BCLC</td> <td></td> <td>41.5</td> </tr> </table>	OLG		64.4	Svenska Spel		48.3	LQ		45.1	BCLC		41.5
OLG		64.4											
Svenska Spel		48.3											
LQ		45.1											
BCLC		41.5											



Appendix P

BCLC Service Plan 2015/16-2017/18 (BCLC0016646).



2015/16 – 2017/18 SERVICE PLAN



For more information on the BC Lottery Corporation (BCLC) contact:

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www.bclc.com

Accountability Statement

On behalf of our Board of Directors and employees, we are pleased to present BCLC's 2015/16 – 2017/18 Service Plan to the Honourable Michael de Jong, Minister of Finance.

Our service plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the B.C. Reporting Principles. The plan is consistent with Government's strategic priorities and fiscal plan as outlined in the 2015/16 Mandate Letter as well as the Budget and Fiscal Plan and the Government Strategic Plan found at (<http://www.bcbudget.gov.bc.ca/default.htm>). The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported.

All significant assumptions, policy decisions, events and identified risks as of January 14, 2015, have been considered in preparing the plan. The performance measures presented are consistent with BCLC's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of BCLC's operating environment, forecast conditions, risk assessment and past performance.



Bud Smith
Chair, Board of Directors

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Strategic Direction and Context

Strategic Direction

Specific direction from Government to BCLC is provided in the 2015/16 Mandate Letter (www.bclc.com/content/dam/bclc/corporate/documents/service-plan-2015-16.pdf) directing BCLC to take specific actions and, in accordance with Government policy and directives, implement the Taxpayer Accountability Principles. These principles and mandate form part of our strategic context and, along with economic and market trends, inform the business choices we make.

Operating Environment

Changing player preferences towards more costly products

BCLC is experiencing a shift in its product mix with an increase in high-limit table revenue somewhat offset by declining sales in the lottery business. BCLC's success in attracting the high-limit table game market has increased revenue while also increasing direct costs to BCLC. While this change in player preferences contributes positively to the delivery of net income, it has a corresponding negative impact on BCLC's comprehensive costs ratio.

Mature markets and increasing competition

The gambling and entertainment environments are increasingly competitive and challenging. BCLC competes against other gambling and entertainment offerings for players' discretionary time and budget. In addition, BCLC's traditional distribution channels are close to meeting existing market demand from players, and consequently we are enhancing the relevance of the games and entertainment we provide to sustain our business.

Rapidly evolving player expectations

We are uniquely positioned to offer convenient gambling entertainment. We monitor trends in the entertainment and gambling marketplace to understand player preferences. We have the opportunity to use these insights to manage risks effectively and identify the right content, creating vibrant and engaging entertainment that attracts and retains players.

Risks and opportunities

The fastest growing segment of our revenue – high-limit table games in casinos – is heavily dependent on an international player base and is largely tied to the health of the tourism industry. The recent slowdown of international economies and currency restrictions presents risks for the growth of business. At the same time, there are significant opportunities to capitalize on this growth trend and the recent change in value of the Canadian dollar by maintaining a player-centric focus and catering to the interests of this player base. BCLC's commitment to maintain the most efficient cost structure has a potential downside risk of limiting revenue generation.

Performance Plan

Goals, Strategies, Measures and Targets

Our mandate is to grow net income responsibly for the benefit of British Columbians, applying the Taxpayer Accountability Principles. BCLC aims both to build public understanding of our business through transparency, and to manage costs efficiently and effectively, investing wisely to sustain the long-term health of our business.

BCLC is currently developing and implementing strategies to meet the Taxpayer Accountability Principles, including Standards of Conduct, an Evaluation Plan and Strategic Engagement Plan.

Goal 1: Player – we are creating an integrated player-focused entertainment company.

BCLC achieves positive outcomes for citizens of British Columbia by maintaining a player-centric focus.

Strategies

Create fun player experiences with relevant content in and across games, channels and touchpoints.

Our players have many entertainment options on which to spend their discretionary dollars. Learning what our players want and delivering the best player experiences to meet their expectations will help make us a top entertainment choice. Using tools and technology, we will continue to listen to our players to be a more player-centric organization, whether it be in our gaming facilities, at lottery retail locations or online.

Grow and diversify the player base to strengthen our business.

By increasing the entertainment value of our products and amenities and integrating new content, we are focused on broadening and diversifying our player base to strengthen our business. We are moving toward one view of the player regardless of where they play our games. This will help create a seamless experience and cultivate long-term player relationships.

Optimize our distribution channels.

Our traditional gambling distribution channels are mature and close to meeting market demand. We will continue to review ways to evolve our casino and lottery businesses and leverage our eGaming platform, PlayNow.com, so that we attract a broader player base by offering relevant, accessible entertainment experiences.

Develop responsible gambling programs that are effective in encouraging healthy gambling choices.

BCLC

We believe the more informed players are, the better equipped they are to make healthy decisions about gambling. Our commitment to developing responsible gambling programs is demonstrated by our successes with our internationally recognized and adopted GameSense education program, our Level 4 responsible gambling certification by the World Lottery Association (the highest level possible) and our gaming facilities' and PlayNow.com's commitment to RG Check, an independent accreditation program that reviews how BCLC and our private sector service providers operate against best practices and independent standards in responsible gambling.

We continue to expand Responsible Gambling Awareness Weeks, working with the Gaming Policy and Enforcement Branch and communities across B.C. to raise public awareness about responsible gambling practices to help reduce risk and connect people to community resources and services. As well, the Government of British Columbia and BCLC are dedicating \$2 million over five years to the independent Centre for Gambling Research at the University of British Columbia. Research from this centre will help inform the Province's responsible and problem gambling programs.

Performance Measure: Player Satisfaction

Performance Measures	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Player Satisfaction ¹	81%	80%	80%	81%	83%

Data Source: Continuous online tracking study conducted by third-party research professional. Study uses standard market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

Player Satisfaction measures how satisfied players are with their experience in each of our gambling channels. This metric gauges BCLC's overall success in creating exceptional entertainment experiences for our players. Working with our service providers, we will continue to create fun player experiences with relevant content in and across games, distribution channels and touchpoints.

We have adjusted our targets based on historical and forecast information. While our results are very positive, our target is to grow the level of satisfaction in conjunction with broadening our player base.

Performance Measure: Player Participation (% at least monthly)

Performance Measures	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Player Participation	54%	52%	54%	55%	57%

Data Source: Continuous online tracking study conducted by third-party research professional. Study uses standard market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

Player Participation measures the percentage of adult British Columbians who play a BCLC game in any of BCLC's gambling channels at least once a month. This measure is an indicator of how successful we are in creating entertaining and relevant experiences so players purchase our games. We plan to grow player participation by appealing to light and casual players while retaining our current player base. We expect to do this through continued refinements to our marketing programs and

¹ Starting 2014/15, BCLC slightly revised the definition of 'player'; this revision has not had any impact on previous year's results.

BCLC

through enhancing the entertainment experience across games, channels and touchpoints.

Fewer high jackpot rolls on lottery games in 2014/15 have contributed to lower than targeted results and we have adjusted our targets based on historical and forecast information.

Performance Measure: Player Awareness of Responsible Gambling Activities

Performance Measures	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Player Awareness of Responsible Gambling Activities ²	68%	78%	79%	80%	81%

Data Source: Continuous online tracking study conducted by third-party research professional. Study uses standard market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

Player Awareness of Responsible Gambling Activities measures the percentage of players who are aware of at least one of BCLC's five responsible gambling activities. A key component of BCLC's gambling management is our commitment to strengthening responsible gambling programs and their delivery. This measure determines how effective we are at educating our players about responsible gambling, so that players can make informed and healthy gambling choices.

Starting in 2014/15, we revised the survey statements for Player Awareness of Responsible Gambling Activities to reflect our key responsible gambling program priorities, including player education initiatives through casino GameSense Info Centres, communications about and improvements to the Voluntary Self-Exclusion program, and provision of tools such as setting limits and a budget when gambling. As a result of these changes and our plans to continuously enhance our responsible gambling programs, BCLC has increased its targets based on historical and forecast information. In future years, we will develop measures to determine the effectiveness of our responsible gambling programs in changing player behaviour.

Performance Measure: Net Win per Capita (\$)

Performance Measures	2011/12 Benchmarks ³	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Net Win Per Capita	BCLC \$458 Canada \$404 OLG \$363 I.Q \$332	\$468	\$476	\$477	\$482	\$484

Data Source: Net win is from BCLC's financial plan. B.C. population projections are from Statistics Canada. "Population Projections for Canada (2013 to 2063), Provinces and Territories (2013 to 2038)." 2014.

Net Win per Capita tells us how successful we are in growing revenue in relation to the provincial

² In 2013/14, BCLC began to target its responsible gambling activities more specifically on selected player segments. This change reflects our continuing refinements so that we reach players effectively. Starting in 2014/15, we revised the definition of 'player' in the survey to measure Player Awareness of Responsible Gambling Activities; however, this adjustment has not impacted previous year's results.

³ Net win figures for Benchmark calculations are sourced from Responsible Gambling Council on behalf of the Canadian Partnership for Responsible Gambling. "Canadian Gambling Digest 2011/12." June, 2013. Population figures are from Statistics Canada. "Annual Demographic Estimates: Canada, Provinces and Territories." 2014.

population. Net win is calculated for lottery and bingo games by deducting prizes from gross sales. Casino game prizes are paid during game play. The net win is divided by B.C.'s total population based on publicly reported population figures to obtain per capita metrics. Population estimates and projections are updated annually.

Indexing to the total population allows us to benchmark to other jurisdictions, as the age at which legal gambling is permitted varies between jurisdictions. Net Win per Capita will not grow if the population rate of growth is higher than the rate of net win growth. Since this measure is widely used in the gambling industry, consistent benchmarking is possible. BCLC has consistently outperformed the benchmark organizations, Loto-Québec (LQ) and Ontario Lottery and Gaming Corporation (OLG) and the Canadian average, and one of the primary reasons is our ability to attract revenue from tourism.

Targets for the next three years have been set based on our forecast performance for 2014/15 and predicted growth in net win. Our forecast takes into account the planned introduction of new products, services and facility developments.

Goal 2: People – we are building an engaged workforce and a strong culture based on trust and collaboration.

We strive to demonstrate the value of our work by complying with a rigorous, standardized approach to performance management and employee compensation, which reflects appropriate compensation that is consistent with Government's Taxpayer Accountability Principles and other provincial Crown corporations in B.C.

Strategies

We plan our future workforce needs so our people have the right skills at the right time for the success of our business.

Our human resources programs will continue to nurture a culture and environment that support BCLC's business strategy. Developing our employees so they continue to be our number one asset and are prepared for the rapidly changing external environment continues to be a key focus. We will continue to invest in leadership and employee development to provide the training and resources needed to sustain and grow net income to Government.

We are an employer of choice.

For eight consecutive years BCLC has been selected as a top employer in British Columbia. We continue to pursue excellence in the programs, services and experiences we offer to our workforce.

We are creating a rewarding and inspiring environment where fun is part of the experience.

Our employees are integral to creating fun gambling experiences, and we need a workforce that is passionate and engaged. Our employees drive the success of our business, whether they are modernizing our systems; researching, developing and implementing new products and services; or working with our private sector service providers to enrich the player experience.

We listen to our employees through our annual employee engagement survey, and act upon the results

BCLC

to attract and retain the right talent. We are currently implementing a Human Resources Management System that will create a single, integrated view of our workforce.

Performance Measure: Employee Engagement

Performance Measures	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Employee Engagement	n/a	78%	80%	82%	82%

Data Source: Anonymous online survey among BCLC employees, conducted by a third-party market research professional using industry standard techniques.

This performance metric measures the percentage of BCLC employees that are engaged. Employee Engagement is defined as the intellectual and emotional commitment employees have in an organization. It reflects the effort and dedication employees exert to contribute to the organization's success. An inspired and engaged workforce will help to drive the success of our business, delivering the great entertainment experiences our players expect.

BCLC's employee engagement level is very positive. We have adjusted our targets based on historical and forecast information and are planning to slightly increase our employee engagement levels.

Performance Measure: Employee Turnover Rate

Performance Measures	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Employee Turnover Rate	12.4%	25.0%	14.0%	12.0%	10.0%

Data Source: BCLC internal sources. Data is measured on a monthly basis with the year-end calculated by averaging the monthly rates.

Employee Turnover Rate measures the combined percentage of voluntary and involuntary turnover relative to BCLC's total headcount. Employee Turnover Rate helps us determine how successful we are in attracting and retaining a workforce to drive the continuous optimization of our business in an ever-changing marketplace. It is a measure that gauges our competitiveness in the labour market as well as the effectiveness of our training, development and retention programs.

Cost management activities, including organizational restructuring in early 2014/15, and uncertainty due to the Crown Review of BCLC, led to higher than targeted results for Employee Turnover Rate. Future targets have been adjusted based on historical and forecast information and based on continued expected increases in competition in the market for talented employees with the skills and abilities to meet our business needs.

Goal 3: Public – our business and the benefits it creates are understood, trusted and supported by British Columbians.

BCLC strives to engage in respectful and effective communications that properly inform or consult all parties on actions, decisions and public communications in a timely manner. BCLC proactively collaborates in a spirit of partnership that respects the use of taxpayers' monies.

We have established a strong ethical code of conduct for all employees and executives, which serves

the citizens of British Columbia by respecting the shared public trust and acting in accordance with the Taxpayer Accountability Principles.

Strategies

Our contributions to economic growth and communities are recognized and valued by the public.

Our license to operate stems from public trust and support. Building the trust of our players, the public and our stakeholders is critical to the long-term success of our business. It is paramount that the public understands that our products are fair and our facilities are safe. We will continue to strike the right balance in delivering a healthy bottom line and giving our players the tools and education to make responsible gambling choices.

The gambling entertainment choices we offer are delivered with integrity and transparency.

More than \$1 billion is delivered each year to the Province of British Columbia for health care, education, community initiatives and other programs. Sustaining this net income depends on BCLC's ability to build the public's understanding, trust and support of our business by being a good corporate citizen, demonstrating integrity in what we deliver and how we deliver it, and being transparent in how we manage and conduct our business.

As part of our continued mandate, we will use information provided by law enforcement to create actions and solutions to prevent money laundering in B.C. gaming facilities.

Performance Measure: Public Recognition of Positive Contributions

Performance Measures	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Public Recognition of Positive Contributions	61%	62%	64%	65%	66%

Data Source: Continuous online tracking study conducted by third-party market research professional. Study uses standard market research industry techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

This metric measures the percentage of adult British Columbians who agree that BCLC makes positive contributions to the Province of British Columbia. Public opinion drives our social license to operate. As we continue to transform our business to make gambling a widely embraced form of entertainment, it is important that the public recognizes the benefits BCLC's gambling business creates in a socially responsible manner. This measure helps us gauge our success in building this understanding and support.

We have increased our targets based on historical and forecast information and our plans to become increasingly transparent about our business plans and the impact of those plans, so that our business and its benefits are better understood and supported by British Columbians.

Performance Measure: Public Perceptions of BCLC's Transparency

Performance Measures	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target

BCLC

Public Perception of BCLC's Transparency	52%	50%	52%	55%	57%
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Data Source: Continuous online tracking study conducted by third-party market research professional. Study uses standard market research industry techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

This metric measures the percentage of adult British Columbians who view BCLC as forthcoming and open with the public. The gambling entertainment choices we offer must continue to be delivered with integrity and transparency. Public Perception of BCLC's Transparency helps us gauge our success in becoming increasingly transparent and forthcoming so that our business and its benefits are understood and supported by British Columbians. Future targets reflect our plans to become increasingly transparent.

Performance Measure: Level of Greenhouse Gas Emissions

Performance Measures	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Level of Greenhouse Gas Emissions (CO ₂ e metric tonnes by calendar year)	2013:1,374	2014:1,382	2015:1,142	2016:1,119	2017:1,097

Data Source: Data is obtained from the suppliers of electricity, natural gas, fleet vehicle fuel and paper from internal procurement reporting. Data for electricity and natural gas consumption is verifiable from billable consumption figures supplied by the respective utilities companies. Usage for our offsite data facility is calculated from meter readings. Fleet vehicle fuel consumption is verified from our fleet vehicle management company reporting. Paper consumption of all types of reportable paper is measured internally each month.

Our reportable greenhouse gas (GHG) emissions result from buildings, fleet vehicles and certain office paper supplies. BCLC uses calculations provided by the Province to convert and report our GHG emissions in a standard format. This calculation is completed and reported in metric tonnes of carbon dioxide emissions (CO₂e) by calendar year.

Since 2010, BCLC has been required to meet the requirements for carbon neutrality set out in the *Greenhouse Gas Reductions Target Act* and pursue actions to minimize GHG emissions.

We are assessing the most appropriate approach for further reducing emissions from our Kamloops office. As BCLC significantly reduced our number of fleet vehicles in 2014/15, we have adjusted our targets to account for this change.

Sustainability is a key component of our social responsibility mandate and we are advancing environmentally sustainable behaviours in our organizational culture as part of our business modernization programs. This will allow us to meet our long-term goal of reducing our GHG emissions. BCLC will continue to act upon meeting its long-term goal of a 33 per cent reduction in reportable emissions from a 2007 baseline year by 2020.

Goal 4: Profit – we will optimize net income through investing to sustain the long-term health of our business.

BCLC aims to strengthen cost management capabilities and foster our culture of cost-consciousness. The organization will transparently manage responsibilities by enhancing organizational efficiency

and effectiveness in its planning, reporting and decision making. We will ensure actions are aligned with the Taxpayer Accountability Principles.

Strategies

Continue to improve our operational efficiency and effectiveness to optimize and manage the costs of our business.

We work closely with our private sector service providers and third-party vendors to conduct and manage our gambling operations in a more efficient manner. We look for ways to leverage our existing PlayNow.com asset across our organization to optimize net income from our distribution channels. As we modernize our corporate systems we are identifying and implementing processes and technological solutions that streamline functions, manage and track project expenditures and strengthen our cost management capabilities. This work directly aligns to our responsibilities under the Taxpayer Accountability Principles.

Define and integrate the innovative experiences our players want, delivered with our strategic partners.

We continue to monitor and understand consumer trends and what our players want in convenience, personalization and service. With player understanding as our basis and working with best-in-class partners, we will continue to invest in innovative products and services that deliver engaging gambling experiences to our players, and efficiently grow net income.

Get to market fast with innovations so our games and services are more relevant.

We continue to improve processes, technology and skills to streamline the technology, finance and procurement activities that support our business operating units. Continuous improvements in our support areas not only enable us to deliver services cost-effectively, but also help us build a more agile business environment that gets our product and service innovations to market faster. Speed to market with innovative and engaging entertainment offerings will be key to growing our player base and sustaining net income delivery to the Province.

Scale and sell our innovations and expertise where it makes business sense.

As BCLC makes investments in our platforms and technologies, as well as in the expertise we need to make our business successful, we will continue to be mindful of potential opportunities. We will maximize our returns by extending BCLC services and operations to other regulated jurisdictions, as we have done with the launch of PlayNow.com in Manitoba.

Performance Measure: Net Income

Performance Measures	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Net Income (millions)	\$1,174.6	\$1,207.4	\$1,216.0	\$1,242.8	\$1,260.1

Data Source: BCLC's financial plan

Net Income is the total amount of income generated net of prizes, direct expenses, operating expenses and taxes. It is calculated in accordance with International Financial Reporting Standards (IFRS). BCLC's Net Income is delivered to the Province and used to benefit all British Columbians for funding of public health care, education and charitable and community programs.

BCLC

This measure is a direct indicator of our success in meeting our mandate to generate income for the benefit of all British Columbians. Net Income targets are updated through a reforecasting process that analyses latest revenue trends on a product category basis, to build baseline contribution margin (revenues less direct costs) projections. Baseline costs for 2015/16 are estimated using a zero-based budgeting approach. Incremental revenues and costs from strategic initiatives are incorporated to baseline projections and result in the financial plan.

Performance Measure: Comprehensive Costs Ratio (% of Net Win)

Performance Measures	2011/12 Benchmarks	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Comprehensive Costs Ratio (% of Net Win)	BCLC (42.0%) LQ (46.6%) OLG (60.6%)	43.4%	43.0%	43.3%	43.3%	43.4%

Data Source: BCLC's financial plan. Benchmark sources⁴

The Comprehensive Costs Ratio is the sum of direct, gaming support, operating, amortization and other costs (excluding taxes) divided by net win and expressed as a percentage. The ratio is updated based on a review of our latest financial performance, updated net win forecasts and future growth opportunities. Cost ratios are used to gauge operational efficiency.

Performance data and trends analysis indicate a shift in product mix that is resulting in a 1.2 per cent increase in direct costs versus the 2014/15 budget. Future year targets incorporate the impact of this trend on our Comprehensive Costs Ratio. BCLC's Comprehensive Costs Ratio has historically been below Canadian benchmark comparators.

⁴ Benchmarks are calculated using figures from Ontario Lottery and Gaming and Loto-Québec's fiscal 2011/12 financial statements provided in their published annual reports.

Financial Plan

Summary Financial Outlook

Consolidated Corporate Operations					
	2013/14	2014/15	2015/16	2016/17	2017/18
\$ Millions	Actual	Forecast	Budget	Target	Target
Revenue	2,808.4	2,850.5	2,889.8	2,938.1	2,973.9
Prizes	665.6	641.7	650.3	650.7	648.2
Net Win	2,142.8	2,208.8	2,239.5	2,287.4	2,325.7
Direct Costs	665.5	711.9	720.5	736.7	752.0
Gross Margin	1,477.3	1,496.9	1,519.0	1,550.7	1,573.7
Gaming Support Costs	36.5	36.4	38.0	38.8	39.5
Operating Costs	139.3	126.8	131.6	131.6	131.6
Amortization and Other	88.7	75.3	80.4	82.5	85.5
Gaming Support & Operating	264.5	238.5	250.0	252.9	256.6
Net Income Before Taxes	1,212.8	1,258.4	1,269.0	1,297.8	1,317.1
Taxes	38.2	51.0	53.0	55.0	57.0
Net Income	1,174.6	1,207.4	1,216.0	1,242.8	1,260.1
Liabilities	446.3	487.9	492.7	524.8	557.3
Accumulated Surplus / (Deficit)	(17.1)	(17.1)	(17.1)	(17.1)	(17.1)
Accumulated Other Comprehensive Loss	(21.4)	(21.4)	(21.4)	(21.4)	(21.4)
Total Deficit	(38.5)	(38.5)	(38.5)	(38.5)	(38.5)

Key Forecast Assumptions

Revenue projections were built at the operating segment level on a product category basis. Historical trends analysis was used to project revenue growth. Revenue is projected to increase \$123.4 million or 1.4 per cent on average over the three-year period.

Prizes are estimated to increase by \$6.5 million over the three-year period due to increased revenue. Net win, which is revenue after prizes paid, is projected to increase by \$116.9 million or 1.7 per cent on average over the three-year period, as a result of revenue growth.

Direct costs include private sector service provider and retailer commissions, lottery ticket and bingo paper printing, supplies and leases and are driven by revenue projections on a product category basis. Direct costs are forecast to increase \$40.1 million or 1.8 percent on average over the three-year period.

BCLC is expecting to exceed its net income target for the year ended March 31, 2015 due to an increase in high-limit table revenue, which is somewhat offset by declining revenue in the lottery business. High-limit table revenue has higher direct costs than lottery due to the fact that table games

BCLC

have higher operator commissions to compensate for the intensive labor components of this business. This trend is expected to continue and results in lower gross margins. However net income is forecasted to grow incrementally during the Service Plan period through growing revenue while controlling costs.

Gaming support costs are expenses that directly support revenue generation including equipment installation and maintenance, systems support, data transmission, product delivery and sports odds-setting. Costs are expected to rise in 2015/16 due to the scheduled completion of the rollout of our casino gaming management system at the end of 2014/15. Gaming costs are projected to increase 2.8 per cent on average for the remaining three years of the planning period.

Operating costs include employee costs, professional fees, rent, equipment and goods, marketing, communications and financial costs. Over the three year period, BCLC plans to maintain operating costs at fiscal 2015/16 levels.

Amortization is increasing due to capital expenditures including the replacement of our legacy casino gaming management system and investments in business support and modernization programs. Amortization projections for later years assume evenly spread deployment of budgeted capital over the plan period.

Sensitivity Analysis

The business planning process for the three-year financial plan involved a thorough analysis of revenue trends at an operating unit level on a product category basis, to build baseline organic growth assumptions. Incremental revenue was added from new and strategic initiatives. As a result, the three-year plan is sensitive to changes in sales mix along with risks associated with future initiatives, such as execution risk, market acceptance and adoption of launched products and facilities.

Below is a table outlining the sensitivities at a net win level given the above factors.

	FY16		FY17		FY18	
	High	Low	High	Low	High	Low
Net Win Target	2,240	2,240	2,287	2,287	2,326	2,326
Forecast Risks and Sensitivities						
Slot revenue change (1%)	11	(11)	11	(11)	11	(11)
Volatility in High-Limit Table Play (10%)	29	(38)	17	(51)	18	(53)
Market adoption/acceptance of new initiatives	-	-	-	(44)	-	(69)
Net Win Risk Adjusted	2,280	2,191	2,315	2,181	2,355	2,193

Management Perspective on Future Financial Outlook

Delivering on our net income commitments to Government continues to be challenging given market trends and conditions.

BCLC

Our two major business units (lottery and casino) are mature and facing market saturation. Revenues are flattening and margins are sensitive to shifts in product mix. Lottery revenues are heavily dependent on jackpot rolls, resulting in lottery revenue volatility. As well, revenues from these business units rely predominantly on a core, aging player base.

Our six highest revenue products (Slots, Tables, LOTTO MAX, Lotto 6/49, Keno and Scratch & Win) make up more than 90 per cent of our total contribution margin (revenue less direct costs). We must support and enhance our core products to retain our core players. At the same time we must invest in the development of new products and channels that will engage new demographics of players. These opportunities take time and investment before we will realize net income growth.

We are investigating avenues to re-invigorate revenue generation by looking at new ways to offer our products and expand content to attract and grow new player segments to ensure our future relevance and competitiveness as an entertainment choice.

In 2014/15 BCLC is scheduled to complete a multi-year project to replace the legacy casino gaming management system. Upcoming investment initiatives focus on refining product and expanding content offerings to continue engagement. Revenue renewal initiatives include new and improved gaming facilities, optimizing distribution in our lottery business and enhanced mobile experiences for eGaming.

We are committed to managing responsibly in this ever-evolving environment and continue to focus on improving operational performance. Investment decisions will enable future business growth and competitiveness, and are balanced with cost management in order to deliver our net income commitments to the Province. Investment decisions carefully consider return, risk, expected benefits, the size of the investment required and our commitments for future net income. We are continually managing costs and looking for ways to operate our business more efficiently and effectively.

Capital Plan and Major Projects

	2013/14	2014/15	2015/16	2016/17	2017/18
	Actual	Forecast	Budget	Target	Target
\$ thousands					
Gambling Systems					
Lottery	7,758	6,675	9,100	11,000	11,000
eGaming	8,665	5,517	6,800	11,000	11,000
GMS	35,099	23,505	-	-	-
Casino & Community Gaming	32,172	29,401	52,200	66,000	66,000
	83,694	65,098	68,100	88,000	88,000
Infrastructure, Corporate					
Systems & Transformation	14,668	23,197	17,300	16,500	16,500
Corporate Facilities	1,920	1,705	4,600	5,500	5,500
	16,588	24,902	21,900	22,000	22,000
Total New Capital	100,283	90,000	90,000	110,000	110,000

Lottery

In our lottery business a key initiative is the continued expansion of distribution into major grocery chain stores through Lotto Express multilane technology. We also continue to innovate to bring new lottery game content to market, including partnering with other lottery corporations in Canada.

eGaming

In addition to the continued expansion of PlayNow.com's casino gaming content, key initiatives include:

- Leveraging and integrating our online sports betting offerings with gaming facilities,
- Building applications to improve player experiences through mobile and
- Implementing a content management system to more efficiently update and handle PlayNow.com content.

Casino & Community Gaming

Our multi-year casino gaming management system rollout is scheduled for completion in 2014/15. Other key initiatives in 2015/16 include:

- Building new facilities in Salmon Arm and Kamloops,
- Implementing the Casino Optimization Plan, including strengthening operating agreements and roles with our private sector service providers and improving marketing and promotion through leveraging the tools of the new gaming management system,
- Piloting of PlayNow.com's digital platform into gambling facilities to offer a sports betting experience and
- Renewing and refreshing slot machine and table games to meet player expectations for new exciting games.

Corporate

BCLC will continue to invest in the replacement of legacy systems and the modernization of core technology and business infrastructure, including a plan to enhance office infrastructure in Kamloops.

Appendix A:

Hyperlinks to Additional Information

For information about BCLC's:

Vision, mission and values	http://corporate.bclc.com/who-we-are/our-mission-and-values.html
Structure	http://corporate.bclc.com/who-we-are.html http://corporate.bclc.com/what-we-do.html http://corporate.bclc.com/social-responsibility/economic/benefits-to-bc.html
Corporate governance	http://corporate.bclc.com/who-we-are/governance-and-oversight/board-of-directors.html

Appendix B:

Subsidiaries and Operating Segments

Subsidiaries

The consolidated financial statements of BCLC include a wholly owned subsidiary, B.C. Lottotech International Inc. (Lottotech). The primary business of Lottotech is the purchase and lease of capital assets for BCLC, with Lottotech's budget renewed and approved through our annual business planning process. The financial operations, management and oversight of Lottotech are consolidated within BCLC operations.

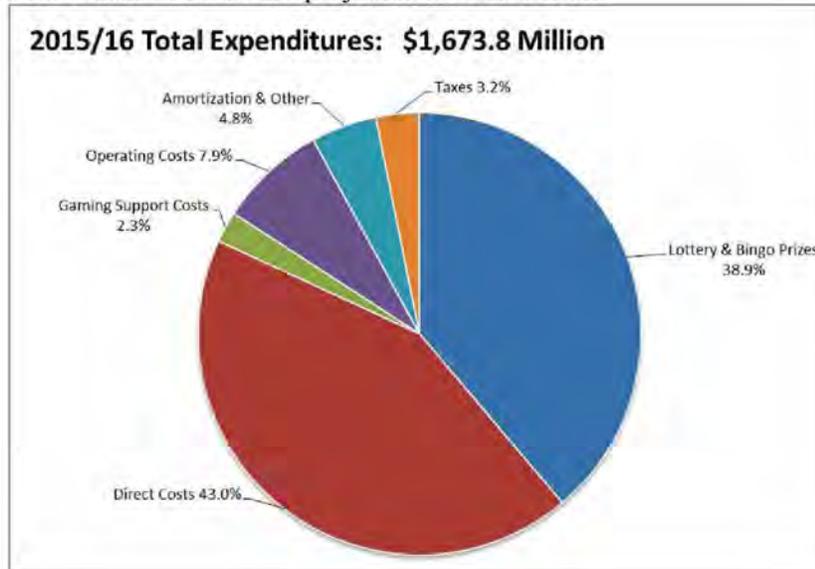
BCLC

Business Units' Income Statements

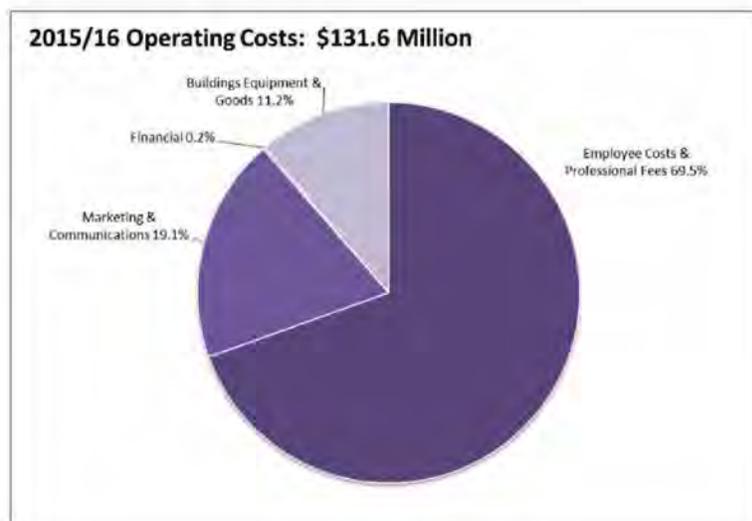
\$ millions	Actual	Projection	Projections		
	2013/14	2014/15	2015/16	2016/17	2017/18
Lottery					
Revenue	1,032.5	971.0	993.9	980.3	974.3
Prizes	587.0	561.0	568.2	561.3	558.2
Net win	445.5	410.0	425.7	419.0	416.1
Less: direct expenses	76.5	73.3	75.2	73.3	72.7
	369.0	336.7	350.5	345.7	343.4
Operating expenses:					
General Operating	45.3	45.2	46.9	46.9	46.9
Gaming Support	12.7	14.6	15.2	15.6	15.8
Amortization	11.4	7.8	8.5	9.3	8.8
Other	4.6	1.2	1.0	1.0	1.0
	74.0	68.8	71.6	72.8	72.5
Net Income Before Taxes	295.0	267.9	278.9	272.9	270.9
Taxes	10.9	11.3	11.7	12.2	12.6
Net income	284.1	256.6	267.2	260.7	258.3
e-Gaming					
Revenue	91.0	106.5	115.8	136.2	143.4
Prizes	28.6	33.0	36.9	46.3	48.8
Net win	62.4	73.5	78.9	89.9	94.6
Less: direct expenses	8.2	12.0	13.5	14.9	15.8
	54.2	61.5	65.4	75.0	78.8
Operating expenses:					
General Operating	16.8	14.5	15.1	15.1	15.1
Gaming Support	7.0	8.0	8.4	8.5	8.7
Amortization	7.2	11.7	12.9	11.6	11.0
Other	0.3	0.3	0.2	0.2	0.2
	31.3	34.5	36.6	35.4	35.0
Net Income Before Taxes	22.9	27.0	28.8	39.6	43.8
Taxes	2.9	3.6	3.8	3.9	4.1
Net income	20.0	23.4	25.0	35.7	39.7
Casino & Community Gaming					
Revenue	1,684.9	1,773.0	1,780.1	1,821.6	1,856.2
Prizes	50.0	47.7	45.2	43.1	41.2
Net win	1,634.9	1,725.3	1,734.9	1,778.5	1,815.0
Less: direct expenses	580.8	626.6	631.8	648.5	663.5
	1,054.1	1,098.7	1,103.1	1,130.0	1,151.5
Operating expenses:					
General Operating	77.2	67.1	69.6	69.6	69.6
Gaming Support	16.8	13.8	14.4	14.7	15.0
Amortization	43.2	50.5	53.6	56.1	60.2
Other	22.0	3.8	4.2	4.3	4.3
	159.2	135.2	141.8	144.7	149.1
Net Income Before Taxes	894.9	963.5	961.3	985.3	1,002.4
Taxes	24.4	36.1	37.5	38.9	40.3
Net income	870.5	927.4	923.8	946.4	962.1

Appendix C: Operating Expense Breakdown Total Expenditures

Total expenditures for Fiscal 2015/16 are projected at \$1.7 billion.



Operating Costs Breakdown



Appendix Q

BCLC Service Plan 2016/17-2018/19 (BCLC0016647).



2016/17 – 2018/19 SERVICE PLAN



For more information on BC Lottery Corporation (BCLC) contact:

74 West Seymour Street, Kamloops, B.C. V2C 1E2

250-828-5500

Email: consumerservices@bclc.com

Customer Support: 1-866-815-0222

or visit our website at
www.bclc.com

Accountability Statement

On behalf of our Board of Directors and employees, we are pleased to present BCLC's 2016/17 – 2018/19 service plan.

BCLC continues to meet or exceed net income targets, and stay within comprehensive cost ratio targets, for the Service Plan period by making smart, responsible investments. BCLC's operating costs are impacted by shifts in player product preferences and by changes in business technology; despite this, BCLC continues to manage the cost of operating the business very carefully and will spend less over the Service Plan period through a reduction of capital expenditures, net of investments in operating expenses.

Our service plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The plan is consistent with Government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported. The Board is responsible for the validity and reliability of the information included in the plan.

All significant assumptions, policy decisions, events and identified risks, as of January 16, 2016 have been considered in preparing the plan. The performance measures presented are consistent with the Taxpayer Accountability Principles, BCLC's mandate and goals and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of BCLC's operating environment, forecast conditions, risk assessment and past performance.



Bud Smith
Chair, Board of Directors

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Strategic Direction and Context

Strategic Direction

Specific direction from Government to BCLC is provided in the 2016/17 Mandate Letter directing BCLC to take specific actions and, in accordance with Government policy and directives, implement the [Taxpayer Accountability Principles](#). These principles and mandate form part of our strategic context and, along with economic and market trends, inform the business choices we make and ensure public interest is being served.

Specifically, in the Mandate Letter, Government has outlined four strategic actions, directing BCLC to: optimize our financial performance and sustain net return to the Province; substantially complete implementation of the Crown Review; submit bi-annual progress reports on the implementation of commitments BCLC is responsible for in the [Plan for Public Health and Gambling](#); and, provide a quarterly report on the implementation of the government's Anti-Money Laundering Strategy.

Operating Environment

Mature markets and increasing competition

B.C.'s gaming market is at a mature stage and, in addition to traditional and other emerging entertainment options, we continue to encounter increased competition from Washington and Nevada casinos, online gaming, fantasy sports and social gaming. BCLC's traditional distribution channels are close to meeting existing market demand and our gaming product portfolio is facing declining relevance due to changing demographics and expectations. BCLC is focused on attracting new players and increasing participation from light and moderate player segments through the creation of new content, and better integrating our digital and bricks and mortar experiences.

Leveraging digital technology to meet evolving player expectations

The convergence of physical and digital experiences is occurring at a pace and magnitude that is disrupting traditional ways of doing business and how customers interact with organizations. Businesses across all sectors are improving their digital experiences for their customers and leveraging it to improve their bricks and mortar experience. This is creating a higher baseline for customer entertainment and service expectations. As new technologies and omni-channel capabilities become commonplace in the marketplace, BCLC must continue to serve its existing player base efficiently while adopting new ways of offering our products to meet consumer expectations in order to sustain and grow revenue. BCLC continues to ensure we remain efficient while addressing aging technology infrastructure that places our ability to sustain current revenues at risk. Recognizing the duty of care BCLC has towards customer information, we continue to be vigilant in the face of cyber-attacks and privacy breaches in order to protect our players, the integrity of our systems, the revenue generated for the Province, as well as our reputation.

Product volatility

There is increasing volatility in BCLC's product mix. In 2014/15, BCLC's record table game revenue helped to mitigate declines in slot and lottery revenues. In 2015/16, the reverse trend is being experienced whereby a decrease in table game revenue is offset by increases in lottery and slot revenues. Lottery has experienced a greater number of large jackpots as compared to the theoretical prediction. Since large jackpots generate higher sales volumes than smaller jackpots, this has resulted in higher than budgeted Lotto sales. As well, slots have rebounded with more British Columbians visiting casinos within B.C. instead of in Washington State. These two factors are helping drive record revenues. Table revenues are dependent on wealthy players and high value international players who may choose to gamble elsewhere and therefore revenues are not reliable. Table play and the number of large jackpots are volatile and present risks for business growth. To mitigate this risk, BCLC sees a need to invest in innovation and infrastructure to support long-term business growth.

Performance Plan

Goals, Strategies, Measures and Targets

Goal 1: Player – we are creating an integrated player focused entertainment company.

Strategies

Develop responsible gambling programs that are effective in reducing gambling related harm.

Across all our games, we continue to focus on programming that encourages healthy gambling decisions. We will develop a performance framework for evidence-based decision making to support outcomes that reduce gambling related harm. We will continue to provide tools for players to make healthy decisions and provide gaming workers with enhanced training to support players.

Create fun player experiences with relevant content in and across games, channels and touch points.

We will introduce new content and experiences to appeal to our light and moderate players to drive growth opportunities. We will continue to enhance our ability to leverage customer insights to create the experiences players are seeking whether it is online, in gaming facilities or at lottery retail locations. In conjunction with the Interprovincial Lottery Corporation, BCLC plans to launch a new game concept to complement the existing national portfolio of Lotto 6/49 and Lotto Max.

Grow and diversify the player base to strengthen our business.

We will strengthen our business by enhancing the value of our entertainment offering and diversifying our player base. We will expand our player communication abilities and increase our customer understanding by continuing to improve our customer relationship management and business intelligence capabilities.

Optimize our distribution channels.

We will continue to leverage investments in our digital and technology infrastructure to deliver exciting games and experiences to our players in our facilities and through our retailers. We will enhance BCLC's current distribution reach by leveraging our mobile presence and the convenience of Lotto Express which makes lottery tickets available with grocery purchase at check-out lanes in major grocery store chains. We will continue to support facility enhancements and improvements to create destinations with broader appeal.

BCLC

Performance Measure 1: Player Satisfaction

Performance Measure	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Player Satisfaction ¹	78%	78%	79%	80%	80%

Data Source: Continuous online tracking study conducted by third-party research professional. Study uses standard market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

Player Satisfaction measures our success in creating fun and entertaining player experiences across our games, channels, and points of purchase. We have adjusted our targets based on historical and forecasted information and are planning to grow player satisfaction in the upcoming years. We will continue to introduce new content to increase players' satisfaction across games, touch points, and channels, whether it is online, in gaming facilities or at lottery retail locations.

Performance Measure 2: Player Participation (percent at least monthly)

Performance Measure	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Player Participation ¹	51%	49%	50%	51%	52%

Data Source: Continuous online tracking study conducted by third-party research professional. Study uses standard market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

Player Participation helps us gauge how successful we are in diversifying our player base to strengthen our business. We have adjusted future targets based on historical and forecasted information and are planning to grow player participation. We will continue to learn about player expectations and introduce new content, games and experiences to appeal to light and casual players while delivering consistent experiences to our core player base.

Performance Measure 3: Player Awareness of Responsible Gambling Activities

Performance Measure	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Player Awareness of Responsible Gambling Activities ¹	79%	75%	74%	73%	73%

Data Source: Continuous online tracking study conducted by third-party research professional. Study uses standard market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

A key component of BCLC's gambling management is our commitment to strengthening responsible gambling programs that encourage healthy gambling choices. Player Awareness of Responsible Gambling Activities measures how effective we are at educating our players regarding responsible gambling tools and resources so they can make informed choices. Based on recommendations made in

¹ Starting in 2014/15, BCLC slightly revised the definition of 'player'; this revision has not had any impact on previous years' results.

BCLC

the [Crown Review Report](#) on BCLC and the [Plan for Public Health and Gambling](#), we are now shifting our focus from delivering messages to a general audience to delivering focused messages to prioritized key audiences; and also shifting from developing and measuring awareness to evaluating the outcomes of responsible gambling programs on harm-reduction. For example, we are implementing new technology on slot machines to enable money and time budgeting tools for players. Based on these changes, we have adjusted targets for this measure.

Performance Measure 4: Net Win per Capita

Performance Measure	2013/14 Benchmarks ¹	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Net Win per Capita	BCLC: \$465 Canada: \$389 LQ: \$346 OLG: \$309	\$482	\$481	\$482	\$484	\$479

Data Source: Net win is from BCLC's financial plan. B.C. population projections are from Statistics Canada. "Population Projections for Canada (2013 to 2063), Provinces and Territories (2013 to 2038), 2015.

1. Benchmarks are calculated using figures from Ontario Lottery and Gaming (OLG) and Loto-Québec's (LQ) fiscal 2013/14 financial statements provided in their published annual reports.

Discussion

Net Win per Capita tells us how successful we are in growing revenue in relation to the provincial population. Net win is calculated for lottery and bingo games by deducting prizes from gross sales. Casino game prizes are paid during game play. The net win is divided by B.C.'s total population based on publicly reported population figures to obtain per capita metrics. Population estimates and projections are updated annually.

Indexing to the total population allows us to benchmark to other jurisdictions, as the age at which legal gambling is permitted varies between jurisdictions. Net Win per Capita will not grow if the population rate of growth is higher than the projected rate of net win growth. Since this measure is widely used in the gambling industry, consistent benchmarking is possible. BCLC has consistently outperformed the benchmark organizations and the Canadian average. B.C. has been successful in attracting tourism to our facilities contributing to our net win; however tourism is not considered part of the population counts for B.C.

In 2014/15, BCLC's Net Win per Capita increased over the previous year due primarily to extraordinary net win generated through high-limit table play. This category is heavily dependent on an international player base and is directly tied to the tourism industry. Lower forecast Net Win per Capita in the outlying 2018/19 forecast year reflects business risks to the high-limit tables category indicated by recent slowdowns in some national economies (particularly in China) and international currency restrictions.

Goal 2: People – we are building an engaged workforce and strong culture.

We strive to demonstrate the value of our work by complying with a rigorous and standardized approach to performance management and employee compensation, consistent with Government's [Taxpayer Accountability Principles](#) and other provincial Crown corporations in B.C.

Strategies

We plan our future workforce so our people have the right skills at the right time for the success of our business.

Our human resources programs will continue to nurture a culture and environment that supports BCLC's business strategy. We will continue to invest in leadership and employee development to provide the training and resources needed to sustain and grow net income to Government. We are building talent from within and are preparing our staff for future roles. We are implementing a human resources management system with enabling capabilities to anticipate and manage our future skill and resource requirements.

We are an employer of choice.

For nine consecutive years BCLC has been selected as a top employer in British Columbia. Competition for qualified talent is strong and therefore we continue to pursue excellence in the programs, services and experiences we offer to our workforce.

We are creating a rewarding and inspiring environment where fun is part of the experience.

Our employees are integral to creating fun gambling experiences, and we need a workforce that is passionate and engaged. Our employees drive the success of our business, whether they are modernizing our systems; researching, developing and implementing new products and services; or working with our private sector service providers to enrich the player experience.

Performance Measure 5: Employee Engagement

Performance Measure	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Employee Engagement	78%	83%	83%	83%	83%

Data Source: Anonymous [online survey](#) among BCLC employees, conducted by a third-party market research professional using industry standard techniques.

Employee Engagement is defined as the intellectual and emotional commitment employees have in an organization and reflects the dedication employees exert to contribute to the organization's success. A passionate and engaged workforce will help to drive the success of our business, delivering the fun entertainment experiences our players expect. Our employee engagement level has increased compared to the previous year and we plan to maintain this positive level among our workforce in the coming years.

Performance Measure 6: Employee Turnover Rate

Performance Measure	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Employee Turnover Rate	24.7%	11.0%	10.0%	10.0%	10.0%

Data Source: BCLC internal sources. Data is measured on a monthly basis with the year-end calculated by averaging the monthly rates.

Employee Turnover Rate measures the combined percentage of voluntary and involuntary turnover relative to BCLC's total headcount. This measure helps us determine how successful we are in attracting and retaining talent to drive the success of our business. It is an indicator of our competitiveness in the labour market as well as the effectiveness of our training, development and retention programs. We will continue to invest in leadership and employee development. Our focus is on building talent from within our workforce to reduce employee turnover and we have adjusted future targets accordingly.

Goal 3: Public – our business and the benefits it creates are understood, trusted and supported by British Columbians.

Strategies

Our contributions to economic growth and communities are recognized and valued by the public.

More than \$1 billion is delivered each year to the Province of B.C. for health care, education, community initiatives and other programs. Building the trust of our players, the public and our stakeholders is critical to the long-term success of our business and provides BCLC with the social license to operate. In order to build support, we will create community based messaging through a program we launched in 2014/15 called "[Play it Forward](#)" that provides more information about how gaming revenues benefit communities.

The gambling entertainment choices we offer are delivered with integrity and transparency.

Sustaining net income depends on BCLC's ability to build the public's understanding, trust and support of our business by being a good corporate citizen, demonstrating integrity in what we deliver and how we deliver it, and being transparent in how we manage and conduct our business. It is paramount the public understands our products are fair and our facilities are safe. We will continue to communicate with respect and openness with municipalities when we propose or make changes to gaming facilities.

As part of our mandate, we will participate in a coordinated approach with the [Gaming Policy and Enforcement Branch](#) and law enforcement to prevent money laundering in B.C. gaming facilities by focusing on compliance best practices. In addition, we will provide input to the Ministry of Finance in the development of a public information and education strategy and associated action plan for government review and approval.

BCLC

Performance Measure 7: Public Recognition of Positive Contributions

Performance Measure	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Public Recognition of Positive Contributions	68%	67%	68%	68%	69%

Data Source: Continuous online tracking study conducted by third-party market research professional. Study uses standard market research industry techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

This metric measures the percentage of adult British Columbians who agree that BCLC makes positive contributions to British Columbia. Public opinion drives our social license to operate and is critical to the long-term success of our business. This measure gauges our success in increasing the public's understanding of our gambling business and its positive contributions so that our business and its benefits are better understood, trusted and supported by British Columbians. We have increased our targets based on historical and forecasted information and our plans to continue to communicate the positive contributions of BCLC's gambling to communities and the Province.

Performance Measure 8: Public Perceptions of BCLC's Transparency

Performance Measure	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Public Perceptions of BCLC's Transparency	57%	59%	60%	60%	61%

Data Source: Continuous online tracking study conducted by third-party market research professional. Study uses standard market research industry techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

To build the public's understanding, trust, and support of our business, it is important that we are transparent in how we manage and conduct our business. Public Perception of BCLC's Transparency helps us gauge our success in becoming increasingly open and forthcoming about our business. We have revised future targets based on historical and forecasted information and our plans to become increasingly transparent. We will continue to act with integrity in what we do and how we do it. We will continuously engage municipalities and communicate with respect and transparency regarding our work and changes to gaming facilities.

Performance Measure 9: Level of Greenhouse Gas Emissions

Performance Measure	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Level of Greenhouse Gas Emissions (CO ₂ e metric tonnes by calendar year)	2014: 1,315	2015: 1,081	2016: 1,119	2017: 1,097	2018: 1,075

Data Source: Data is obtained from the suppliers of electricity, natural gas, fleet vehicle fuel and paper from internal procurement reporting. Data for electricity and natural gas consumption is verifiable from billable consumption figures supplied by the respective utilities companies. Usage for our offsite data facility is calculated from meter readings. Fleet vehicle fuel consumption is verified from our fleet vehicle management company reporting. Paper consumption of all types of reportable paper is measured internally each month.

Our reportable greenhouse gas (GHG) emissions result from buildings, fleet vehicles and certain office paper supplies. BCLC uses calculations provided by the Province to convert and report our GHG emissions in a standard format. This calculation is completed and reported in metric tonnes of carbon dioxide emissions (CO₂e) by calendar year.

Since 2010, BCLC has been required to meet the requirements for carbon neutrality set out in the Greenhouse Gas Reductions Target Act and pursue actions to minimize GHG emissions. Sustainability is a key component of our social responsibility mandate and we are advancing environmentally sustainable behaviours in our organizational culture. Future targets have been set using historical and forecast information and we will continue to act upon meeting our long-term goal of a 33 per cent reduction in reportable emissions from a 2007 baseline year by 2020.

Goal 4: Profit – we will optimize net income through investing to sustain the long-term health of our business.

BCLC aims to strengthen its cost management capabilities and foster a culture of cost-consciousness. The organization is committed to continual improvement of operational efficiencies and effectiveness to contain costs and align with the Taxpayer Accountability Principles. As part of our mandate, we will optimize BCLC's financial performance and sustain net return to the Province in accordance with government policy and directives under the Gaming Control Act and Treasury Board direction.

Strategies

Define and integrate the innovative experiences our players want, delivered with our strategic partners.

We continue to monitor consumer trends so that we can deliver relevant products and experiences that meet player expectations and provide value for money. With player understanding as a cornerstone and working with best-in-class partners, we will continue to invest in innovative products and services that deliver engaging gambling experiences to our players and grow net income in a socially responsible manner.

Get to market fast with innovations so our games and services are more relevant.

We consistently improve processes, technology, and skills to streamline the information technology, finance and procurement activities that support our business operations. We strive to deliver cost-effective services and bring our products and innovations to market faster, which is key to providing engaging entertainment, growing our player base and sustaining net income for the Province.

BCLC

Performance Measure 10: Net Income

Performance Measure	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Net Income (millions)	1,254.5	1,230.1	1,242.8	1,260.1	1,260.1

Data Source: BCLC's financial plan.

Net Income is the total amount of income generated by BCLC and delivered to the Province and benefits all British Columbians by funding public health care, education and charitable community programs. Actual results are calculated in accordance with International Financial Reporting Standards (IFRS). This measure is a direct indicator of our success in meeting our mandate to generate income for the benefit of all British Columbians.

Performance Measure 11: Comprehensive Costs Ratio

Performance Measure	2013/14 Benchmarks ¹	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Comprehensive Costs Ratio (% of Net Win)	BCLC: 43.4% LQ: 50.7% OLG: 57.3%	41.9 %	43.2 %	43.4 %	43.6 %	43.6 %

Data Source: BCLC's financial plan.

1. Benchmarks are calculated using figures from Ontario Lottery and Gaming (OLG) and Loto-Quebec's (LQ) fiscal 2013/14 financial statements provided in their published annual reports.

The Comprehensive Costs Ratio is the sum of direct, gaming support, operating, amortization and other costs (excluding taxes) divided by net win and expressed as a percentage. Cost ratios are used to gauge operational efficiency.

The Comprehensive Cost Ratio is sensitive to shifts in product mix since direct costs such as commission rates comprise the majority of the comprehensive cost base. Future year targets incorporate the impact of expected product mix shifts on our Comprehensive Costs Ratio. BCLC's Comprehensive Costs Ratio has historically been below Canadian benchmark comparators.

Financial Plan

Summary Financial Outlook

Consolidated Corporate Operations					
	2014/15	2015/16	2016/17	2017/18	2018/19
\$ Millions	Actual	Forecast	Budget	Target	Target
Revenue	2,904.3	2,942.0	2,970.3	3,006.8	3,000.0
Prizes	659.5	683.5	681.9	679.9	673.1
Net Win	2,244.8	2,258.5	2,288.4	2,326.9	2,326.9
Direct Costs	718.5	716.9	728.2	743.0	740.7
Gaming Support Costs	35.6	35.8	39.8	40.5	41.4
Operating Costs	118.4	141.9	143.6	145.1	146.5
Amortization and Other	68.1	81.9	82.0	85.2	85.2
Total Costs	940.6	976.5	993.6	1,013.8	1,013.8
Net Income Before Taxes	1,304.2	1,282.0	1,294.8	1,313.1	1,313.1
Taxes	49.7	51.9	52.0	53.0	53.0
Net Income	1,254.5	1,230.1	1,242.8	1,260.1	1,260.1
Liabilities	486.2	484.1	502.2	518.3	535.6
Accumulated Surplus / (Deficit)	(17.1)	(17.1)	(17.1)	(17.1)	(17.1)
Accumulated Other Comprehensive Loss	(57.9)	(57.9)	(57.9)	(57.9)	(57.9)
Total Deficit	(75.0)	(75.0)	(75.0)	(75.0)	(75.0)

Key Forecast Assumptions

Net income targets are updated through a reforecasting process that analyzes recent revenue trends for each product category to build a projection of baseline contribution margin (revenues less direct costs). Baseline costs for 2015/16 are estimated using a zero-based budgeting approach. Incremental revenues and costs from strategic initiatives are incorporated into baseline projections and result in the financial plan.

Revenue is projected to increase \$58.0 million or 0.7 per cent on average over the three-year period. Due to an expected shift in product mix, prizes are estimated to decrease by \$10.4 million or 0.5 per cent on average over the three-year period. Net win, which is revenue after prizes paid, is projected to increase by \$68.4 million or 1.0 per cent on average over the three-year period.

Direct costs include private sector service provider and retailer commissions, lottery ticket and bingo paper printing, supplies and leases. These are driven by revenue projections of each product category. Direct costs are forecasted to increase \$23.8 million or 1.1 per cent on average over the three-year

BCLC

period.

Gaming support costs are expenses that support revenue generation including systems support, data transmission, equipment installation and maintenance, product delivery, sports odds-setting and internet-based software license and service fees. Costs in this area are forecasted to increase in line with industry trends as BCLC continues to make investments in technology to sustain and enhance core systems that support our player experiences. Also, systems support costs associated with maintaining our online and mobile-enabled gaming site, PlayNow.com, are expected to rise to keep pace with upgrades to our players' desktop operating systems, browsers, security systems and mobile devices.

Operating costs include staffing costs, professional fees, rent, equipment and goods, marketing, communications and financial costs. Operating costs are expected to increase over the forecast period as the company stabilizes its workforce and re-establishes its operational capacity following an organizational restructuring in fiscal year 2014/15.

BCLC is expecting to exceed its net income target for the year ended March 31, 2016 due to exceptional performance in the lottery and slot businesses, partially offset by a predicted decline in the volatile high-limit table business.

Sensitivity Analysis

As indicated above, the business planning process involves a thorough analysis of revenue trends by product category to determine baseline organic growth assumptions. Incremental revenue is added from new and strategic initiatives. As a result, the three-year plan is sensitive to changes in sales mix along with risks associated with future initiatives, such as execution risk, market acceptance and adoption of new products and facilities.

Below is a table outlining the sensitivities at a net win level given the above factors.

	FY17		FY18		FY19	
	High	Low	High	Low	High	Low
Net Win Target	2,288	2,288	2,327	2,327	2,327	2,327
Forecast Risks and Sensitivities						
1% change in Slot Growth Assumption	12	(12)	12	(12)	12	(12)
Volatility in High Limit Table Play	16	(16)	17	(17)	17	(17)
Market adoption/acceptance of new initiatives		(14)		(31)		(37)
Net Win Risk Adjusted	2,316	2,246	2,356	2,267	2,356	2,261

Management Perspective on Future Financial Outlook

Delivering on our net income commitments to Government continues to be challenging given market conditions and trends. The overall gaming industry in B.C. is at a mature stage with stable net income and a modest growth outlook.

Our two major business units (lottery and casino) are mature and face market saturation. Revenues are flattening and margins are sensitive to shifts in product mix. Lottery revenues are heavily dependent on jackpot rolls, resulting in lottery revenue volatility. As well, revenues from these business units rely predominantly on a core, aging player base.

BCLC's gambling products are mature, with the core six products (Slots, Tables, LOTTO MAX, Lotto 6/49, Keno, and Scratch & Win) making up more than 90 per cent of our total contribution margin (revenue less direct costs).

Although our current product mix is extremely profitable, BCLC continues to consider opportunities to grow revenue in a mature market and these opportunities will require investment that may change our current profitability structure. We must support and enhance existing products to retain our existing players. At the same time there is a marked need for innovation. We must invest in the development of new products and channels that will engage new demographics of players. These opportunities take time and investment before we will realize net income growth.

Industry trends in technology related to infrastructure, platforms and software are moving towards hosted-service or internet-based 'Software as a Service' (SaaS) solutions. Benefits typically include increased functionality, enhanced security and lower overall costs. Technology assets generally have relatively short useful lives. SaaS and hosted-service solutions often involve licensing costs, which are recorded as operating expenditures over the life of service contracts. These trends result in a shift from capital to operating expenditures, with lower overall costs and enhanced benefits.

Recently, projects to update and improve performance from aging corporate and gaming systems have involved integrating such technology. Replacing legacy systems, particularly for the lottery business unit as recommended by the Government in its 2014/15 Crown Review of BCLC, is a priority being undertaken on a risk-versus-cost basis. BCLC is exploring all technologies available when replacing its systems. It is expected that such systems will have operating cost components for maintenance and development, whereas in the past such expenditures were capital-intensive. Due to the increasing and changing use of technology, BCLC's forecast reflects this shift from capital to operating expenditures.

Major Capital Projects (over \$50 Million)

Currently there are no major capital projects (over \$50 million) approved through our business planning process. BCLC has substantially completed the implementation of a new casino gaming management system (GMS) in fiscal 2014/15.

Appendix A: Hyperlinks to Additional Information

Corporate Governance

- [Governance and Oversight](#)
- [BCLC Senior Executive](#)

The Board governance information on the corporation's website includes all information required by the [Board Resourcing and Development Office's](#) board governance disclosure requirements.

Organizational Overview

- [Mission and Values](#)
- [Who we are](#)
- [What we do](#)
- [Customer support](#)

Appendix B: Subsidiaries and Operating Segments

Active Subsidiaries

The consolidated financial statements of BCLC include a wholly-owned subsidiary, B.C. Lottotech International Inc. (“Lottotech”). The primary purpose of Lottotech is to purchase capital assets and to lease them back to BCLC. Management and oversight of Lottotech is consolidated within BCLC operations and the Board reviews and approves capital budgets through the business planning process.

BCLC

Business Units' Income Statements

Summary Financial Outlook

\$ millions	Actual	Projection	Projections		
	2014/15	2015/16	2016/17	2017/18	2018/19
Lottery					
Revenue	994.3	1,043.1	1,039.2	1,037.1	1,021.4
Prizes	575.2	598.6	594.6	590.3	581.4
Net win	419.1	444.5	444.6	446.8	440.0
Less: direct expenses	74.2	77.7	78.7	79.0	77.9
	<u>344.9</u>	<u>366.8</u>	<u>365.9</u>	<u>367.8</u>	<u>362.1</u>
Operating expenses:					
General Operating	35.6	42.3	43.4	43.9	44.3
Gaming Support	13.3	13.4	14.4	14.6	14.7
Amortization	9.4	9.3	10.4	12.7	14.8
Other	-	2.3	1.4	1.4	1.3
	<u>58.3</u>	<u>67.3</u>	<u>69.6</u>	<u>72.6</u>	<u>75.1</u>
Net Income Before Taxes	<u>286.6</u>	<u>299.5</u>	<u>296.3</u>	<u>295.2</u>	<u>287.0</u>
Taxes	10.1	11.3	11.3	11.6	11.7
Net income	<u>276.5</u>	<u>288.2</u>	<u>285.0</u>	<u>283.6</u>	<u>275.3</u>
e-Gaming					
Revenue	109.1	121.4	135.3	146.1	157.1
Prizes	35.2	39.3	44.4	48.9	53.1
Net win	73.9	82.1	90.9	97.2	104.0
Less: direct expenses	11.0	14.4	17.6	18.8	20.5
	<u>62.9</u>	<u>67.7</u>	<u>73.3</u>	<u>78.4</u>	<u>83.5</u>
Operating expenses:					
General Operating	15.5	17.8	16.5	16.7	16.8
Gaming Support	7.5	8.7	9.7	10.2	11.0
Amortization	8.5	7.9	6.1	5.8	4.7
Other	0.4	0.8	0.3	0.3	0.3
	<u>31.9</u>	<u>35.2</u>	<u>32.6</u>	<u>33.0</u>	<u>32.8</u>
Net Income Before Taxes	<u>31.0</u>	<u>32.5</u>	<u>40.7</u>	<u>45.4</u>	<u>50.7</u>
Taxes	3.2	3.7	3.7	3.8	3.9
Net income	<u>27.8</u>	<u>28.8</u>	<u>37.0</u>	<u>41.6</u>	<u>46.8</u>
Casino & Community Gaming					
Revenue	1,800.9	1,777.5	1,795.8	1,823.6	1,821.5
Prizes	49.1	45.6	42.9	40.7	38.6
Net win	1,751.8	1,731.9	1,752.9	1,782.9	1,782.9
Less: direct expenses	633.3	624.8	631.9	645.2	642.3
	<u>1,118.5</u>	<u>1,107.1</u>	<u>1,121.0</u>	<u>1,137.7</u>	<u>1,140.6</u>
Operating expenses:					
General Operating	67.3	81.8	83.7	84.5	85.4
Gaming Support	14.8	13.7	15.7	15.7	15.7
Amortization	47.5	54.3	56.5	56.5	55.5
Other	2.3	7.3	7.3	8.5	8.6
	<u>131.9</u>	<u>157.1</u>	<u>163.2</u>	<u>165.2</u>	<u>165.2</u>
Net Income Before Taxes	<u>986.6</u>	<u>950.0</u>	<u>957.8</u>	<u>972.5</u>	<u>975.4</u>
Taxes	36.4	36.9	37.0	37.6	37.4
Net income	<u>950.2</u>	<u>913.1</u>	<u>920.8</u>	<u>934.9</u>	<u>938.0</u>

BCLC

Capital Expenditures for each Operating Segment

	Actual	Projection	Projection	Projection	Projection
(in millions)	2014/15	2015/16	2016/17	2017/18	2018/19
Gambling Systems					
Lottery	4.8	7.7	20.7	20.7	20.7
eGaming	1.7	2.9	4.5	4.5	4.5
GMS	17.8	0.8	-	-	-
Casino & Community Gaming	29.4	47.8	49.5	49.5	49.5
Total gambling systems	53.7	59.2	74.7	74.7	74.7
Infrastructure, Corporate					
Systems & Transformation	13.3	10.8	12.6	12.6	12.6
Corporate Facilities	2.5	5.0	2.7	2.7	2.7
Other capital	15.8	15.8	15.3	15.3	15.3
Total capital	69.5	75.0	90.0	90.0	90.0

- Lottery's key initiatives include continued expansion of distribution into major grocery store chains through Lotto Express multilane technology. Replacing legacy systems, particularly for the lottery business unit, which was recommended by Government in its 2014/15 Crown Review of BCLC, is a priority being undertaken on a risk-versus-cost basis. BCLC is exploring all technologies available when replacing its systems.
- eGaming continues to expand PlayNow.com's casino gaming content and building applications to improve player experiences through mobile devices.
- Casino & Community Gaming continues to renew and refresh slot machine assets and table games to meet player expectations for exciting new games.

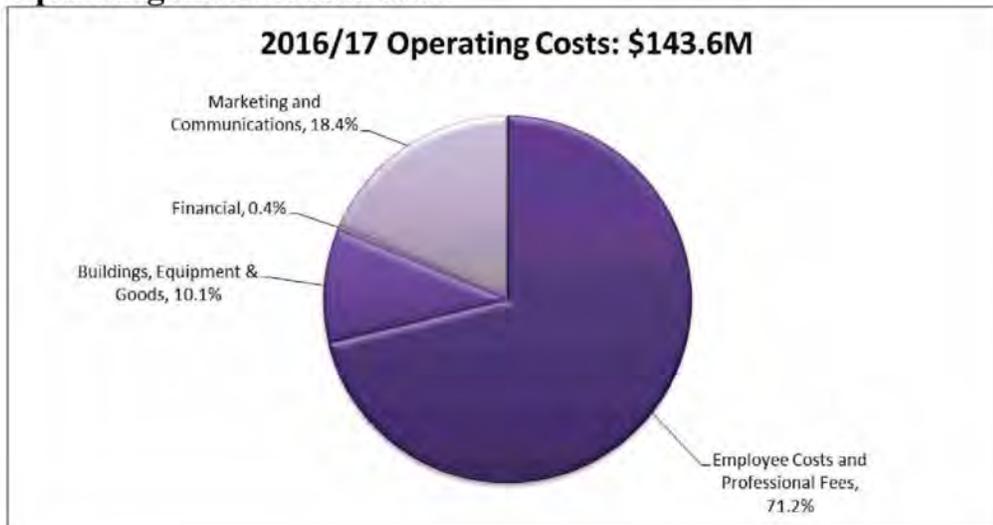
Appendix C: Operating Expense Breakdown

Total Expenditures

Total expenditures for fiscal 2016/17 are projected at \$1.7 billion.



Operating Costs Breakdown



Appendix R

BCLC Service Plan 2017/18-2019/20 (BCLC0016648).

BCLC

**2017/18 – 2019/20
SERVICE PLAN**

September 2017



For more information on BC Lottery Corporation (BCLC), contact:

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250-828-5500

Email: consumerservices@bclc.com

Or visit our website at

www.bclc.com

Board Chair Accountability Statement



The 2017/18 - 2019/20 BCLC Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. The plan is consistent with government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported. The Board is responsible for the validity and reliability of the information included in the plan.

All significant assumptions, policy decisions, events and identified risks, as of August 29, 2017, have been considered in preparing the plan. The performance measures presented are consistent with the *Budget Transparency and Accountability Act*, BCLC's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of BCLC's operating environment, forecast conditions, risk assessment and past performance.

A handwritten signature in black ink, appearing to read "Bud Smith". The signature is fluid and cursive.

Bud Smith
Chair, Board of Directors

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Strategic Direction and Operating Environment

Strategic Direction

In August 2017, Government provided BCLC with a [Mandate Letter](#) outlining key principles and commitments and directing BCLC to continue to manage its programs and initiatives within existing budget targets. The letter also directed BCLC to begin working with the Ministry of Attorney General to develop strategic actions through the 2018 Mandate Letter process for *Budget 2018*.

These instructions and principles have been taken into consideration as part of the revisions to our Service Plan for the *Budget 2017 Update*. This letter forms part of our strategic context and, along with economic and market trends, informs the business choices we make.

As a Crown corporation, BCLC is required to make smart, responsible investments to grow our business, while balancing our commitment to managing our operating costs in the best interest of the Province and the people of British Columbia.

Operating Environment

Since 1998 and up until 2010, BCLC had been operating in a largely supply-driven environment, where the market for gambling entertainment was under-supplied and hence revenue increased as supply was added. As of 2010, the supply gap has been largely filled, and there has been a shift from a supply-driven to a demand-driven environment that requires BCLC to meet the demands and preferences of customers who now have a wide range of entertainment and gambling options to choose from. This shift to a demand-driven environment is driving a critical need for innovation, challenging the status quo and requires investments in developing new products and services.

Mature markets and relevance of our products to a changing player base

BCLC's major lines of business (lottery and casino) are maturing, and innovation will be critical to sustaining and growing revenues. We expect the industry to remain customer-driven and dynamic, with impacts from many competitive and market forces. With fewer new distribution opportunities we will focus on customer relationship management, enhancing gambling facilities and amenities for our customers, and new product development. BCLC will also focus on leveraging and enhancing our online and mobile platforms to deliver a more tailored customer experience with relevant offerings.

Changing demographics and consumer expectations, combined with increasing direct competition from other gambling entertainment options such as online gambling, fantasy sports and social gaming, underscore the need for BCLC to continue to be agile and responsive to the marketplace. BCLC's traditional bricks-and-mortar distribution channels are close to meeting existing market demand and our gambling product portfolio is facing declining relevance due to changing demographics and expectations. Our product mix is less relevant, in particular, to younger adults who have different expectations for entertainment and service based on the experiences they encounter elsewhere. Ensuring product relevance and a strong entertainment value proposition is critical to our future success. BCLC is focused on continuing to serve our core players' expectations, attracting new

players, and increasing participation from light and casual player segments through the creation of new content and better integrating our digital and bricks-and-mortar experiences.

Evolving player expectations for new content and experiences

Driven largely by advances in technology, consumers are demanding more from the products, services and experiences they engage with. The line between physical and digital is blurring, as demonstrated in the retail sector where retailers are leveraging the capabilities of both environments together with personalization to deliver a better experience for their customers. Trends in entertainment are also changing in that experiences related to social connectivity and competition are driving the entertainment choices for many. Mobile devices are providing a convenient means for consumers to access entertainment or shopping opportunities, whether they are at home or away.

BCLC is embracing these changes and addressing player needs by investing in new content and working to deliver a seamless customer experience across channels and touchpoints. We also continue to invest in our core products, for example Lotto Max, Lotto 6/49 and our existing properties in order to meet and exceed our players' expectations.

A key aspect of a positive customer experience is minimizing any potential harms associated with the use of our products through the promotion of responsible gambling and a focus on player health. Over-consumption of any product can potentially have harmful consequences to the consumer, which is why BCLC continues to invest in GameSense (<https://gamesense.bclc.com>), the corporation's communication platform for responsible gambling awareness and support for player health.

Competition for Talent

The Government of B.C. is projecting that, starting in 2019, there will be a province-wide labour shortage and by 2022 there will be at least a 28,400-person workforce deficit.¹ Statistics Canada is also reporting a projected decrease in the unemployment rate nationally as the labour force participation rate decreases due to the aging population.

The Conference Board of Canada² indicates that the most anticipated challenges for B.C. employers will be recruiting in the market for:

- skilled trades
- computer and information science
- engineering and electronics
- business and management

This means it will be a job-seeker's market and BCLC will need to focus on retention and knowledge transfer as key internal strategies in order to remain competitive.

¹ [British Columbia Labour Market Outlook](#). See Appendix I, Table 2.

² [Skills for Success: Developing Skills for a Prosperous B.C.](#)

Performance Plan

Goals, Objectives, Strategies and Performance Measures

Goal 1: Player – we are creating an integrated player-focused entertainment company.

Strategies

Focus on player health.

BCLC is committed to reducing the negative health impacts our business may have on people and communities. BCLC is implementing a new strategy and evaluation framework moving away from risk awareness and focusing on player health. Our strategy incorporates key findings from research and the harm reduction approaches applied to other types of addictions. We will move towards outcome-based performance measures of responsible gambling programs in order to track and better gauge effectiveness. Across all our games, we focus on programming that encourages healthy gambling decisions, and we will continue to engage public health stakeholders to ensure that our programs reflect best practices in harm reduction and responsible gambling. Additionally, we are expanding the GameSense Advisors program to all facilities in order to enable operational efficiencies, stronger oversight, enhanced customer service, and greater alignment with our player health strategy.

Improve the gambling entertainment experience with new content and enhanced facilities.

A major focal point of our strategy is improving the gambling experience through new content. Content represents the entertainment experience that players seek when they engage with us and includes our games, amenities at our facilities and the relationships we have with our customers. BCLC will focus on a more detailed understanding of customer preferences, the entertainment industry, and gambling trends to increase BCLC's entertainment value. This understanding will allow us to make decisions on new content and the best way to engage our players in fun and entertaining experiences. We believe that enhancing the content we offer will be key to realizing our vision and serve as a catalyst for future growth.

Improve customer relationships.

We will build on the customer relationship management (CRM) foundation currently being implemented to optimize customer communications across email, mobile push and social touchpoints to engage in relevant, personalized conversations with our players. This will deliver customized and relevant BCLC promotions, content and service to players based on an improved understanding of interactions across all BCLC touchpoints. We will continue to enhance the services delivered through the customer support centre and embrace social responsibility in how we engage customers by integrating a player health lens into our CRM approach.

Optimize our points of distribution and simplify the way our players access and experience our products.

We will continue to leverage investments in our digital and technology infrastructure to deliver exciting games and experiences to our players in our facilities and through our retailers. We will continue to ensure that current facilities are in the right locations and deliver the experiences our customers expect in order to capture the full potential of each facility. BCLC's competitive advantage is that, unlike competitors who operate solely online or solely in bricks-and-mortar, we manage products and channels in retail, hospitality, casino, community gaming centres, web and mobile to create a fulsome customer entertainment experience. We will simplify the way players access and experience our products. Our objective is to enhance the gambling experience everywhere that players choose to engage with our products.

Performance Measure 1: Player Satisfaction

Performance Measure	2016/17 Actual	2017/18 Target	2018/19 Target	2019/20 Target
Player Satisfaction	80%	80%	80%	80%

Data Source: Continuous online tracking study conducted by third-party research professional. Study uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

Player Satisfaction measures how successful we are in creating a player-focused entertainment company. BCLC's level of player satisfaction is already very positive and we are planning to maintain this high level in the upcoming years. To achieve this, we will continue to learn about customer preferences so we can offer relevant content and entertaining experiences that meet our players' needs.

Performance Measure 2: Player Participation (per cent at least monthly)

Performance Measure	2016/17 Actual	2017/18 Target	2018/19 Target	2019/20 Target
Player Participation	53%	53%	53%	54%

Data Source: Continuous online tracking study conducted by third-party research professional. Study uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

Player Participation measures the percentage of adult British Columbians who play a BCLC game in any of BCLC's gambling channels at least once a month. This measure is an indicator of how successful we are in creating entertaining and relevant experiences so players purchase our games. We have adjusted our targets based on historical and forecasted information, and are planning to grow player participation in the upcoming years, focusing on growing participation of moderate and light player segments while retaining our core players. We will continue to learn about customer preferences, enhance our content, and utilize our customer relationship management capabilities to deliver entertaining games and experiences, whether it is in our facilities, through our retailers or online.

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Performance Measure 3: Player Awareness of Responsible Gambling Activities

Performance Measure	2016/17 Actual	2017/18 Target	2018/19 Target	2019/20 Target
Player Awareness of Responsible Gambling Activities	79%	78%	78%	79%

Data Source: Continuous online tracking study conducted by third-party research professional. Study uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

BCLC is committed to promoting responsible gambling programs that encourage positive gambling choices. Player Awareness of Responsible Gambling Activities measures how effective we are at educating our players regarding responsible gambling tools and resources, so they can make informed choices. We have updated our targets based on the actual results achieved in fiscal 2016/17 and, although we are shifting resources away from public awareness programs to player health programs, we expect that awareness of responsible gambling activities will remain relatively stable in the future due to continued provision of information at the point of sale. Based on recommendations made in the [Crown Review Report](#) on BCLC and the [Plan for Public Health and Gambling](#), we expect to introduce new measures of harm reduction in future service plans that better align with our player health strategy.

Performance Measure 4: Net Win per Capita

Performance Measure	2015/16 Baseline or Benchmark ¹	2016/17 Actual	2017/18 Target	2018/19 Target	2019/20 Target
Net Win per Capita	BCLC: \$501 LQ: \$307 OLG: \$378	\$503	\$506	\$513	\$514

Data Source: Net win is from BCLC's financial plan. B.C. population projections are from Statistics Canada (Table 052-0005). Actual population estimates are from Statistics Canada (Catalogue no. 91-215-X).

¹ Benchmarks are calculated using figures from Ontario Lottery and Gaming (OLG) and Loto-Québec's (LQ) fiscal 2015/16 financial statements provided in their published annual reports. BCLC figures represent 2015/16 actual results.

Net Win per Capita tells us how successful we are in growing revenue in relation to the provincial population. Net win is calculated for lottery and bingo games by deducting prizes from gross sales. Casino game prizing is paid during game play and is therefore already reported on a net win basis. The net win is divided by B.C.'s total population, based on Statistics Canada population figures, to obtain per capita metrics. Population estimates and projections are updated annually.

Indexing to the total population allows us to benchmark to other jurisdictions, as the age at which legal gambling is permitted varies between jurisdictions. Net Win per Capita will not grow if the population rate of growth is higher than the projected rate of net win growth. Since this measure is widely used in the gambling industry, consistent benchmarking is possible. BCLC has consistently outperformed the benchmark organizations. BCLC has been successful in attracting tourism to our facilities, which contributes to our net win; however, while tourism is not considered part of the population counts for B.C., including net win from tourism helps explain part of B.C.'s success in comparison to the benchmark organizations, whose figures also include net win from tourism.

In 2016/17, BCLC's Net Win per Capita increased over the previous year through innovation and capitalizing on strategic investments, primarily in the bricks-and-mortar and online channels of the slots category. This successfully offset the volatility experienced in high-limit table game revenue and the expected normalization in jackpot rolls in Lotto Max and Lotto 6/49 from the previous year.

Goal 2: People – we are building an engaged workforce and strong culture.

We strive to demonstrate the value of our work by complying with a rigorous and standardized approach to performance management and employee compensation, consistent with other provincial Crown corporations in B.C. BCLC's talent strategy provides a framework to guide the application of all aspects of our human resources practices. It is intended to achieve the outcome of "Our people and culture deliver exceptional business results." The talent strategy provides the foundation to build organizational capacity and capability, while promoting a culture of service excellence focused on employee engagement.

Strategies

We hire and develop the right talent.

BCLC will continue to focus on employee development and leadership in order to prepare for changing workforce demographics, and ensure BCLC has the right talent to deliver exceptional business results in an environment of changing demands and evolution of the business. We are developing a Strategic Workforce Plan to meet longer term business needs. This will be supported by enhancing leadership and employee development programs to support career progression opportunities.

We attract, retain and engage through a competitive employee value proposition.

For ten consecutive years, BCLC has been selected as a top employer in British Columbia. Competition for qualified talent is strong and therefore we continue to pursue excellence in the programs, services and experiences we offer to our workforce. BCLC will continue to provide a competitive total rewards program that includes rewards, recognition and developmental opportunities that meet both our workforce planning needs and individual career progression while being consistent with the Public Sector Employers' Council guidelines. In addition, we are implementing a diversity and inclusion strategy which will provide employees with the information and tools needed to create a more inclusive workplace, fostering greater innovation and customer focus.

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Performance Measure 5: Employee Engagement

Performance Measure	2016/17 Actual	2017/18 Target	2018/19 Target	2019/20 Target
Employee Engagement	87%	85%	85%	85%

Data Source: Anonymous [online survey](#) among BCLC employees, conducted by a third-party market research professional using industry standard techniques.

Employee Engagement is defined as the intellectual and emotional commitment employees have in an organization, and reflects the dedication employees exert to contribute to the organization's success. A passionate and engaged workforce is more productive and will help to drive the success of our business, delivering the fun entertainment experiences our players expect.

In 2016/17, we achieved an exceptionally high employee engagement score. Based on this result, we have made a slight increase to our future targets. We expect employee engagement to remain high based on our commitment to maintaining an engaged workforce through regular measurement and action. However, we recognize that maintaining the exceptionally high result may not be realistic over time, and we have reflected this in our future targets.

Performance Measure 6: Employee Turnover Rate

Performance Measure	2016/17 Actual	2017/18 Target	2018/19 Target	2019/20 Target
Employee Turnover Rate	5.5%	8%	8%	8%

Data Source: BCLC internal sources. Data is measured on a monthly basis with the year-end calculated by averaging the monthly rates.

Employee Turnover Rate measures the combined percentage of voluntary and involuntary turnover relative to BCLC's total headcount. This measure helps us determine how successful we are in attracting and retaining talent to drive the success of our business. It is an indicator of our competitiveness in the labour market, as well as the effectiveness of our training, development and retention programs. We will continue to invest in leadership and employee development. In 2016/17, we achieved a lower than expected employee turnover rate. Future targets reflect our recent results, as well as our historical average.

Goal 3: Public – our business and the benefits it creates are understood, trusted and supported by British Columbians.

Strategies**We are a partner for socio-economic growth in communities.**

BCLC strives to make business decisions that reflect and include local perspectives, and provide benefits to the community that are broader than the bottom line.

We are open and accountable.

We are committed to sharing information with municipal, business and community stakeholders and the public about BCLC and the gambling industry to create awareness and understanding. We will proactively disclose relevant information about BCLC via bclc.com and the BCLC Social Responsibility Report. We will proactively communicate major corporate initiatives and activities to the public, the media and our employees in order to be transparent, accountable and build awareness and understanding of our organization.

Our games are fair, our facilities and platforms are safe and secure.

Sustaining net income depends on BCLC's ability to build the public's understanding, trust and support of our business by being a good corporate citizen, demonstrating integrity in what we deliver and how we deliver it, and being transparent in how we manage and conduct our business. It is paramount the public understands our products are fair and our facilities are safe.

As a priority, BCLC strives to protect its casinos from money laundering threats through a comprehensive anti-money laundering program built to meet or exceed federal requirements under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, and through formal cooperative efforts with police. BCLC is committed to continuously improving its anti-money laundering efforts by conducting periodic and independent reviews of its program, and through a strong professional working relationship with the federal regulatory body responsible for anti-money laundering – the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).

We will continue to support the Joint Illegal Gaming Investigation Team (JIGIT) whose objective is to disrupt organized crime and gang involvement in illegal gambling, and prevent criminals from using B.C. gambling facilities who may seek to legalize the proceeds of crime.

Performance Measure 7: Public Recognition of Positive Contributions

Performance Measure	2016/17 Actual	2017/18 Target	2018/19 Target	2019/20 Target
Public Recognition of Positive Contributions	73%	74%	74%	75%

Data Source: Continuous online tracking study conducted by third-party market research professional. Study uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

This metric measures the percentage of adult British Columbians who agree that BCLC makes positive contributions to the Province of B.C. BCLC's success depends on maintaining and growing its "social licence" to operate gambling on behalf of British Columbians. This measure helps us gauge our success in building the public's recognition of the positive contributions of our gambling business so that our business and its benefits are better understood, trusted and supported by British Columbians. We have increased our targets based on historical and forecasted information, and our plans to continue to communicate the positive contributions of BCLC's business.

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Performance Measure 8: Public Perceptions of BCLC's Transparency

Performance Measure	2016/17 Actual	2017/18 Target	2018/19 Target	2019/20 Target
Public Perceptions of BCLC's Transparency	64%	64%	65%	65%

Data Source: Continuous online tracking study conducted by third-party market research professional. Study uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

To build the public's trust and support of our business, it is important that we are transparent so that our business and its benefits are understood by British Columbians. Public perception of BCLC's transparency helps us gauge our success in becoming increasingly open and accountable. We have increased our targets based on historical and forecasted information, and our openness and accountability strategy. We will continue to act with integrity, be proactive in our communication about our business, and engage with municipal, business and community stakeholders and the public.

Performance Measure 9: Level of Greenhouse Gas Emissions

Performance Measure	2016/17 Actual	2017/18 Target	2018/19 Target	2019/20 Target
Level of Greenhouse Gas Emissions (CO ₂ e metric tonnes by calendar year)	2016: 833	2017: 900	2018: 900	2019: 900

Data Source: Data is obtained from the suppliers of electricity, natural gas, fleet vehicle fuel and paper from internal procurement reporting. Data for electricity and natural gas consumption is verifiable from billable consumption figures supplied by the respective utilities companies. Usage for our offsite data facility is calculated from meter readings. Fleet vehicle fuel consumption is verified from our fleet vehicle management company reporting. Paper consumption of all types of reportable paper is measured internally each month.

Our reportable greenhouse gas (GHG) emissions result from the use of buildings, fleet vehicles and certain office paper supplies. BCLC uses calculations provided by the Province to convert and report our GHG emissions in a standard format. This calculation is completed and reported in metric tonnes of carbon dioxide emissions (CO₂e) by calendar year.

Since 2010, BCLC has been mandated to meet the requirements for carbon neutrality set out in the *Greenhouse Gas Reductions Target Act*, and pursue actions to minimize GHG emissions. Sustainability is a key component of our social responsibility mandate and we are advancing environmentally sustainable behaviours in our organizational culture. Future targets have been set using historical and forecast information. As of 2015, BCLC has surpassed its long-term goal of reducing reportable emissions to 1,034 metric tonnes by 2020, a 33 percent drop from a 2007 baseline year. Future targets have been set at a constant level due to the consistent nature of BCLC's operations and unpredictable nature of winter temperatures that are the main cause of year-to-year variability in BCLC's annual emissions.

Goal 4: Profit – we will optimize net income through investing to sustain the long-term health of our business.

BCLC has strengthened its cost management capabilities and fosters a culture of cost-consciousness. The organization is committed to continuous improvement to ensure we are operating efficiently and effectively to contain costs. As part of our mandate, we will optimize BCLC's financial performance and sustain net return to the Province in accordance with government policy, directives under the *Gaming Control Act* and Treasury Board direction.

Strategies

Define and integrate the innovative experiences our players want.

We will leverage investments in the PlayNow.com infrastructure to provide the digital connection with our bricks-and-mortar environment in order to create a better player experience. We continue to monitor consumer trends so that we can deliver relevant products and experiences that meet player expectations and provide value for money. With player understanding as a cornerstone, and working with best-in-class partners, we will continue to invest in content innovation to deliver engaging gambling experiences to our players and grow net income in a socially responsible manner.

Improve operational efficiency and effectiveness.

We will continue to manage the business in alignment with government direction.

Performance Measure 10: Net Income

Performance Measure	2016/17 Actual	2017/18 Target	2018/19 Target	2019/20 Target
Net Income (\$ millions)	1,339.0	1,311.3	1,320.9	1,339.0

Data Source: BCLC's financial plan, see page 16.

Net Income is the total amount of income generated by BCLC and delivered to the Province and benefits all British Columbians by funding public health care, education and charitable community programs. Actual results are calculated in accordance with International Financial Reporting Standards (IFRS). This measure is a direct indicator of our success in meeting our mandate to generate net income for the benefit of all British Columbians.

Future targets have been increased to reflect the continued return on fiscal 2016/17 innovation and strategic investments, primarily in the bricks-and-mortar and online channels of the slots category, and to incorporate the exceptional fiscal year 2016/17 results of Keno and the Instant category.

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Performance Measure 11: Comprehensive Cost Ratio

Performance Measure	2016/17 Actual	2017/18 Target	2018/19 Target	2019/20 Target
Comprehensive Cost Ratio (% of Net Win)	42.0 %	43.6 %	44.5 %	44.4 %

Data Source: BCLC's financial plan, see page 16.

The Comprehensive Cost Ratio (CCR) is the sum of direct, gaming support, operating, amortization and other costs (excluding interest and taxes) divided by net win and expressed as a percentage. Cost ratios are used to gauge operational efficiency. During 2016/17, CCR was amended to exclude interest so that it better reflects operational efficiency from areas within BCLC's control. Prior year actual results have been restated for comparability purposes.

Increasing future year budgets are primarily a reflection of BCLC transitioning to a new commission structure for its Casino and Community Gaming service providers, which will drive better strategic alignment with its service providers and drive incremental market growth in the long term. Retailer and service provider commissions comprise the majority of the comprehensive cost base.

Financial Plan

Summary Financial Outlook

Consolidated Corporate Operations				
	2016/17	2017/18	2018/19	2019/20
\$ millions	Actual	Budget	Budget	Budget
Revenue	3,143.9	3,163.7	3,211.4	3,252.8
Prizes (Bingo and Lottery only)	741.3	730.0	718.2	725.8
Net Win	2,402.6	2,433.7	2,493.2	2,527.0
Direct Costs	749.8	788.0	818.4	826.9
Gaming Support Costs	38.6	41.7	43.1	44.1
Operating Costs	145.2	152.4	160.7	162.0
Amortization and Other	75.9	81.0	87.2	91.1
Total Costs	1,009.5	1,063.1	1,109.4	1,124.1
Net Income Before Taxes	1,393.1	1,370.6	1,383.8	1,402.9
Taxes	54.1	59.3	62.9	63.9
Net Income	1,339.0	1,311.3	1,320.9	1,339.0
Liabilities	496.3	512.5	536.8	562.1
Accumulated Surplus / (Deficit)	(17.1)	(17.1)	(17.1)	(17.1)
Accumulated Other Comprehensive Loss	(23.3)	(23.3)	(23.3)	(23.3)
Total Deficit	(40.4)	(40.4)	(40.4)	(40.4)
Capital Expenditures	86.2	90.0	105.0	105.0

Key Forecast Assumptions, Risks and Sensitivities

Net income targets are updated through a reforecasting process that analyzes recent revenue trends for each product category to build a projection of baseline contribution margin (revenues less direct costs). Baseline costs for 2017/18 were estimated using a zero-based budgeting approach. Incremental revenues and costs from strategic initiatives are incorporated into baseline projections and result in the financial plan.

Revenue is projected to increase \$108.9 million, or 1.1 per cent compounded annually, over the three-year period (fiscal year 2016/17 – fiscal year 2019/20). Due to an expected shift in product mix, with lottery and bingo comprising a lower share of the mix, prizes are estimated to decrease by \$15.5

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million, or 0.7 compounded annually, over the three-year period. Net win, which is revenue after prizes paid, is projected to increase by \$124.4 million, or 1.7 per cent compounded annually, over the three-year period.

Direct costs include private sector service provider and retailer commissions, lottery ticket and bingo paper printing, supplies and leases. These are driven by revenue projections of each product category. Direct costs are forecasted to increase \$77.1 million, or 3.3 per cent compounded annually, over the three-year period. The increase in direct costs is primarily related to BCLC transitioning to a new commission structure in its Casino and Community Gaming division.

Gaming support costs are expenses that support revenue generation including systems support, data transmission, equipment installation, product delivery, sports odds-setting and internet-based software licence and service fees. These costs are projected to increase by \$5.5 million, or 4.5 per cent compounded annually, over the three-year period. Costs in this area are forecasted to increase in line with industry trends as BCLC continues to make investments in technology to sustain and enhance core systems that support our player experiences. Also, systems support costs associated with maintaining our online and mobile-enabled gambling site, PlayNow.com, are expected to rise to keep pace with upgrades to our players' desktop operating systems, browsers, security systems and mobile devices.

Operating costs include marketing investment, staffing costs, research and development, professional fees, rent, equipment and goods, communications and financial costs. Operating costs are projected to increase by \$16.8 million, or 3.7 per cent compounded annually, over the three-year period to support and sustain continued year-over-year growth in net win. Included in this increase are the estimated operating costs required to replace Lottery legacy systems. This project involves the replacement of equipment identified as high risk as it is near anticipated end-of-life and the majority of lottery revenue relies on this critical equipment.

Sensitivity Analysis

As indicated above, the business planning process involves a thorough analysis of revenue trends by product category to determine baseline organic growth assumptions. Incremental revenue is added from new and strategic initiatives. As a result, the three-year plan is sensitive to changes in sales mix, along with risks associated with future initiatives such as execution risk, market acceptance and success of new products and facilities. Below is a table outlining the sensitivities at a net win level given the above factors.

	2017/18		2018/19		2019/20	
	High	Low	High	Low	High	Low
Net Win Target	2,434	2,434	2,493	2,493	2,527	2,527
Forecast Risks and Sensitivities						
1% change in Slot Growth Assumption	13	(13)	13	(13)	13	(13)
Volatility in High Limit Table play		(22)		(22)		(22)
Market adoption/success of new initiatives		(15)		(45)		(80)
Net Win Risk Adjusted	2,447	2,384	2,506	2,412	2,540	2,412

Management's Perspective on the Financial Outlook

Delivering on our net income commitments to Government continues to be challenging given market conditions and trends. The overall gambling industry in B.C. is at a mature stage with stable net income and a modest growth outlook.

Our two major business units (lottery and casino) are mature and face market saturation. Revenues are flattening and margins are sensitive to shifts in product mix. Lottery revenues are heavily dependent on the national games' jackpot rolls, resulting in lottery revenue volatility. As well, revenues from these business units rely predominantly on a core, aging player base.

BCLC's gambling products are mature and we depend heavily on the performance of our core six products (Slots, Tables, Lotto Max, Lotto 6/49, Keno, and Scratch & Win), which comprise more than 90 per cent of our total contribution margin (revenue less prizes and direct costs).

The projections presented above position BCLC to continue our focus on innovation to retain our existing players by supporting and enhancing existing products (e.g. replacing Lottery legacy systems), and to broaden our player base and engage new players by developing new content and experiences. These opportunities require time and investment before we will realize net income growth but are necessary to ensure the long-term health of our business.

One of these opportunities is the implementation of a new Operating Service Agreement (OSA) in our Casino and Community Gaming division, to achieve better strategic alignment with our service providers and drive incremental market growth. Although these changes will result in increased direct costs for BCLC, the terms of the OSA contracts are an effective method to secure service provider investment commitments across the Province, and are expected to drive incremental revenue from an enhanced facility offering and stronger service provider performance.

BCLC is committed to managing our business responsibly in this ever-evolving environment. Investment decisions carefully consider risk, expected return and benefits, the size of the investment required, and our commitments for future net income. We are continually managing costs and looking for ways to operate our business more efficiently and effectively.

Major Capital Projects

Currently there are no major capital projects (over \$50 million) approved through our business planning process.

Kamloops Head Office Property Development

BCLC's head office in Kamloops, B.C. is over 53-years-old and requires significant upgrades and maintenance. Avison Young (Commercial Real Estate Advisor) has been hired to assist in determining the next steps for the Kamloops head office property development, including the evaluation of building needs and business requirements, as well as assisting with the request for pre-qualification and request for proposal processes. As the project is currently in the requirements analysis phase, an estimate cannot be reasonably determined at this time and accordingly, is not included in the capital expenditure projections.

Significant IT Projects

Lottery Terminal Replacement

This project involves the replacement of equipment identified as high risk as it is near its anticipated end-of-life and the majority of lottery revenue relies on this critical equipment. Management identified this project as a priority, and this was further supported by Government in the 2014/15 Crown Review of BCLC which recommended replacement of key legacy systems. Overall replacement of key legacy systems includes this particular project as well as other software and hardware utilized to generate lottery revenue. The capital estimate available at this time is approximately \$40M over the next two fiscal years and the project is estimated to complete in FY 2018/19.

Appendix A: Hyperlinks to Additional Information

Corporate Governance

- [Governance and Oversight](#)
- [BCLC Senior Executive](#)

The Board governance information on the corporation's website includes all information required by the [Board Resourcing and Development Office](#)'s board governance disclosure requirements.

Organizational Overview

- [Mission and Values](#)
- [Who we are](#)
- [What we do](#)
- [Customer support](#)

Appendix B: Subsidiaries and Operating Segments

Active Subsidiaries

The consolidated financial statements of BCLC include a wholly-owned subsidiary, B.C. Lottotech International Inc. (“Lottotech”). The primary purpose of Lottotech is to purchase capital assets for BCLC. These assets are leased back to BCLC and the major expense is the amortization on the capital acquisitions. The management and oversight of Lottotech is consolidated within BCLC operations and the Board reviews and approves capital budgets through the business planning process.

All BCLC capital expenditures (refer to Financial Plan) are planned to be purchased through Lottotech, the only exception being employee costs related to developing assets or attributable to preparing the asset for its intended use.

Lottotech’s business activities are in alignment with BCLC’s mandate, strategic priorities and fiscal plan.

Summary Financial Outlook Table for Each Active Subsidiary

\$ Millions	2016/17 Actual	2017/18 Budget	2018/19 Budget	2019/20 Budget
Revenues	59.2	64.6	70.0	73.5
Expenses	59.0	64.4	69.8	73.3
Income from Operations	0.2	0.2	0.2	0.2
Other Income (Expenses)	(1.7)	(0.1)	(0.1)	(0.1)
Net Income	(1.5)	0.1	0.1	0.1

Lottotech’s publicly available financial statements can be found in BCLC’s [2016/17 Annual Service Plan Report](#).

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Business Units' Income Statements

\$ millions	Actual	Budget	Budget	Budget
	2016/17	2017/18	2018/19	2019/20
Lottery				
Revenue	1,127.9	1,090.5	1,064.5	1,076.5
Prizes	642.9	627.7	612.4	618.2
Net win	485.0	462.8	452.1	458.3
Less: direct expenses	83.1	81.9	80.6	81.7
	401.9	380.9	371.5	376.6
Operating expenses:				
General Operating	44.6	46.6	53.2	52.8
Gaming Support	13.6	14.3	14.7	15.0
Amortization	7.8	7.6	12.7	15.0
Other	0.3	1.4	1.4	1.4
	66.3	69.9	82.0	84.2
Net Income Before Taxes	335.6	311.0	289.5	292.4
Taxes	10.8	11.4	12.4	12.7
Net income	324.8	299.6	277.1	279.7
e-Gaming				
Revenue	157.6	174.5	192.7	204.2
Prizes	52.0	58.1	62.5	65.2
Net win	105.6	116.4	130.2	139.0
Less: direct expenses	18.4	22.3	27.9	29.7
	87.2	94.1	102.3	109.3
Operating expenses:				
General Operating	16.0	13.6	14.1	14.2
Gaming Support	7.7	8.6	9.7	9.9
Amortization	6.4	6.6	4.4	3.4
Other	(0.3)	0.8	0.8	0.8
	29.8	29.6	29.0	28.3
Net Income Before Taxes	57.4	64.5	73.3	81.0
Taxes	4.4	4.9	5.5	5.6
Net income	53.0	59.6	67.8	75.4
Casino & Community Gaming				
Revenue	1,858.4	1,898.7	1,954.2	1,972.1
Prizes	46.4	44.2	43.3	42.4
Net win	1,812.0	1,854.5	1,910.9	1,929.7
Less: direct expenses	648.3	683.8	709.9	715.5
	1,163.7	1,170.7	1,201.0	1,214.2
Operating expenses:				
General Operating	84.6	92.2	93.4	95.0
Gaming Support	17.3	18.8	18.7	19.2
Amortization	50.7	57.3	60.5	63.0
Other	11.0	7.3	7.4	7.5
	163.6	175.6	180.0	184.7
Net Income Before Taxes	1,000.1	995.1	1,021.0	1,029.5
Taxes	38.9	43.0	45.0	45.6
Net income	961.2	952.1	976.0	983.9

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Capital Expenditures for each Operating Segment

\$ Millions	2016/17 Actual	2017/18 Budget	2018/19 Budget	2019/20 Budget
Gambling Systems				
Lottery	11.5	22.2	37.7	25.0
eGaming	1.6	3.7	4.0	5.0
Casino & Community Gaming	64.0	56.7	52.6	63.5
Total Gambling Systems	77.1	82.5	94.3	93.5
Infrastructure & Corporate Systems				
Infrastructure & Corporate Systems	6.9	6.9	9.4	11.0
Corporate Facilities	2.2	0.6	1.3	0.5
Other Capital	9.1	7.5	10.7	11.5
Total Capital	86.2	90.0	105.0	105.0

Lottery

Lottery's key initiative is the replacement of legacy systems and equipment, which was recommended by Government in its 2014/15 Crown Review of BCLC, as the current infrastructure is near its anticipated end-of-life. Other initiatives include the continued expansion of distribution into major grocery store chains through Lotto Express multilane technology.

eGaming

eGaming continues to expand PlayNow.com's casino gaming content and build applications to improve player experiences through mobile devices.

Casino & Community Gaming

Casino & Community Gaming key initiatives in 2017/18 include supporting the successful opening of the new Parq Vancouver gambling facility and renewing and refreshing slot machines and table games to meet player expectations for exciting new game content.

Appendix S

BCLC Service Plan 2018/19-2020/21 (BCLC0016649).



**2018/19 – 2020/21
SERVICE PLAN**

February 2018



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Board Chair Accountability Statement



The 2018/19–2020/21 BCLC Service Plan was prepared under the Board’s direction in accordance with the *Budget Transparency and Accountability Act*. The plan is consistent with government’s strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported. The Board is responsible for the validity and reliability of the information included in the plan.

All significant assumptions, policy decisions, events and identified risks, as of February 5, 2018 have been considered in preparing the plan. The performance measures presented are consistent with the *Budget Transparency and Accountability Act*, BCLC’s mandate and goals, and focus on aspects critical to the organization’s performance. The targets in this plan have been determined based on an assessment of BCLC’s operating environment, forecast conditions, risk assessment and past performance.

A handwritten signature in black ink, which appears to read "Bud Smith". The signature is fluid and cursive.

Bud Smith
Chair, Board of Directors

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Strategic Direction and Alignment with Government Priorities

Specific direction from Government to BCLC is provided in the [2018/19 Mandate Letter](#) directing BCLC to take specific actions, in accordance with Government policy and directives. These instructions and principles form part of our strategic context and, along with economic and market trends, inform the business choices we make and ensure public interest is being served.

Specifically, in the Mandate Letter, the Government of B.C. has outlined three strategic actions directing BCLC to: submit bi-annual progress reports on the implementation of the commitments that BCLC is responsible for in the *Plan for Public Health and Gambling*; implement government's response to recommendations from the Peter German review of anti-money laundering policies and practices in the gambling industry and provide a quarterly report on the implementation of initiatives to mitigate money laundering and the use of proceeds of crime in B.C. gambling facilities; and, proactively share information with the Gaming Policy and Enforcement Branch to assist in its responsibility for the integrity of gambling and horse racing and provide the minister with advice on broad policy, standards and regulatory issues.

BCLC will conduct business that meets public expectations for social responsibility, public safety and gambling integrity. As a Crown corporation, BCLC is required to make smart, responsible investments to grow our business, while balancing our commitment to managing our operating costs in the best interest of the Province and the people of British Columbia.

BCLC is aligned with the Government's key priorities.

Government Priorities	BCLC Aligns with These Priorities By:
Delivering the services people count on	<ul style="list-style-type: none"> • Promoting responsible gambling programs that encourage positive gambling choices (Objective 1.1) • Becoming leaders in diversity and inclusion (Strategy under Objective 2.1) • Defining and integrating the innovative experiences our players want (Strategy under Objective 4.1)
Good jobs and a strong, sustainable economy	<ul style="list-style-type: none"> • Being a partner for socio-economic growth in communities (Strategy under Objective 3.1) • Optimizing net income through investing to sustain the long-term health of our business (Goal 4)

Operating Environment

Since 1998 and up until 2010, BCLC had been operating in a largely supply driven environment, where the market was undersupplied and hence revenue increased as supply was added. As of 2010, the supply gap has been largely filled and the gambling industry has seen a shift from a supply driven to a demand driven environment.

This shift to a demand driven environment coupled with disruption in how people consume experiences physically and digitally across industries is driving a critical need for innovation,

challenging the status quo and investing in new and improved products and services.

Evolving customer experience expectations

Consumer behaviour is changing. Driven largely by advances in technology, consumers are demanding more from products, services and experiences.

Many consumers are seeking customization and are no longer content to sit passively and consume entertainment. They are seeking new and diverse experiences, which has led to new types of entertainment options, such as pop-up venues, themed bars and escape rooms. There has been a trend towards new partnerships that provide engaging experiences that integrate food and beverage with activities.

Social and mobile connectivity are changing how and where consumers are engaging with their entertainment. Mobile devices are providing a convenient outlet for those looking for the “quick escape” from their day, whether they are at home or away. In addition, the breadth and appeal of in-home entertainment is strengthening the desire to spend leisure time at home.

The hospitality industry competes for consumers’ share of time and money. Bringing people together for a social experience is a key ingredient to winning their loyalty. Consumers expect a high level of service and demand that offerings are freshened up over time.

BCLC will embrace the customer motivations driving these changes and address player needs by investing in new content and delivering a seamless customer experience across business delivery channels and touchpoints. In addition, we will continue to invest in and transform features and delivery of our core products as well as our existing gambling properties in order to meet and exceed our players’ expectations.

A key aspect of customer experience is the promotion of player health. We intend to develop a deeper understanding of our player base and the indicators of healthy play to create timely, targeted and relevant player communications and effective programming.

Changing shopping habits

The methods our customers use to get from place to place coupled with new service offerings from retailers are changing where, when and how we shop. While retail as a whole continues to grow, retailers are changing how and where they offer their products. Online and mobile platforms are intrinsic to that change; however, it is the integration of mobile and bricks-and-mortar platforms that creates the seamless experiences consumers seek.

Retailers are responding to consumer expectations. For example, grocery retailers are introducing new services such as ‘click and collect’ delivery that do not require consumers to enter the bricks-and-mortar-location. At the same time, online retailers are integrating bricks-and-mortar experiences into their business. This trend demonstrates the importance of creating seamless experiences that cross both business delivery channels.

People’s perspectives on transportation are fundamentally changing and this will influence retail habits. There is a cultural shift in the perception of car ownership. How cars are fueled and controlled

is changing how and when people get around. For example, electric car owners and car share users do not need to stop at gas and convenience stores, potentially impacting BCLC's distribution network.

As consumer travel and shopping habits change, BCLC will continue to transform where and how we serve players and offer our products.

Public support

BCLC depends on maintaining and growing community support to operate gambling on behalf of British Columbians. Research shows that being transparent and forthcoming about how the gambling industry maintains our integrity and contributes to the economy and communities increases public understanding and support for our business.

In addition, public and stakeholder consultation is a critical part of the municipal approval process required to renovate or build casino properties. BCLC continues to engage the public through timely, respectful and effective communication. The organization will communicate and promote how provincial gambling revenues benefit communities throughout the province and how BCLC is working to reduce gambling related harm through its player health strategy, which includes internationally recognized responsible gambling programs.

Competition for talent

The Provincial Government is projecting that, beginning in 2019 there will be a province-wide labour shortage, and by 2022, there will be at least a 28,400-person workforce deficit.¹ Statistics Canada is also reporting a projected decrease in the unemployment rate nationally as the labour force participation rate decreases due to the aging population.

The Conference Board of Canada's Employer Skills Survey² highlighted that employers in B.C. are worried about an upcoming experience gap. Skilled and experienced workers are set to retire, as those entering the workforce are perceived as having qualification deficits. The Conference Board of Canada indicates that the most anticipated challenges for B.C. employers will be recruiting in the market for:

- skilled trades
- computer and information science
- engineering and electronics
- business and management

This means it is a job seekers market and BCLC will need to focus on retention and knowledge transfer as key internal strategies.

Performance Plan

Goal 1: Player – we are creating an integrated player-focused entertainment company.

¹ [British Columbia 2022 Labour Market Outlook](#). See Appendix 1, table 2.

² [Skills for Success: Developing Skills for a Prosperous B.C.](#)

Objective 1.1: Promote responsible gambling programs that encourage positive gambling choices.

Key Strategies:

Influence Player Health.

BCLC is committed to reducing the negative health impacts our business may have on people and communities. BCLC has evolved its approach to responsible gambling by moving from a predominant focus of raising awareness of responsible gambling among players, to a broader focus of influencing player health through targeting players, games and the environment. Across all our games we are focusing on programming that encourages healthy gambling by providing information that allows for people to make informed choices and offering positive play programming. We are also identifying opportunities to reduce the risks of BCLC products via our offerings, approaches to advertising and marketing, and markets served. A major initiative this year will be the transfer of fiscal responsibility for GameSense Advisors (GSAs) in gambling facilities from the Gaming Policy and Enforcement Branch (GPEB) to BCLC. This accountability for full management responsibility will include extending GSA presence to all gambling facilities in the province, including all community gaming centres. This will essentially double the size of our GSA program over the next three years.

Performance Measures	2015/16 Baseline or Benchmark	2016/17 Actual	2017/18 Forecast	2018/19 Target	2019/20 Target	2020/21 Target
1.1a Player awareness of responsible gambling activities ¹	N/A	79%	78%	78%	N/A	N/A

¹ Data Source: Continuous online tracking study conducted by third-party research professional. Study uses market research industry standard techniques to randomize the sample while retaining gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

Linking Performance Measures to Objectives:

- 1.1a Player Awareness of Responsible Gambling Activities measures how effective we are at educating our players regarding responsible gambling tools and resources, so they can make positive gambling choices.

Discussion

We have updated our targets based on the actual results achieved in fiscal 2016/17 and expect that awareness of responsible gambling activities will remain relatively stable in the future due to continued provision of information at the point of sale. Based on recommendations made in the Crown Review Report on BCLC and the Plan for Public Health and Gambling, we expect to introduce new performance measures and targets of harm reduction after fiscal 2018/19 to better align with our player health strategy.

Objective 1.2: Improve the gambling entertainment experience everywhere players choose to engage with our products.

Key Strategies:

Improve the gambling entertainment experience with new content and enhanced facilities.

A major focal point of our strategy is improving the gambling experience through new content. Content refers to the entertainment experience that players seek when they engage with us and includes our games, amenities at our facilities and the relationships we have with our customers. BCLC will focus on gaining a more detailed understanding of customer preferences, the entertainment industry and gambling trends to increase BCLC's entertainment value. This understanding will help us make informed decisions on new content and the best way to engage our players in fun and entertaining experiences. Enhancing the content we offer will be key to realizing our vision and serve as a catalyst for future growth.

Improve customer relationships.

We will build on the customer relationship management (CRM) foundation currently being implemented to optimize customer communications across email, mobile push notifications and social touchpoints to engage in relevant, personalized conversations with our players. This will deliver customized and relevant BCLC promotions, content and service to players based on an improved understanding of interactions across all BCLC touchpoints. We will continue to enhance the services delivered through the customer support centre and embrace social responsibility in how we engage customers by integrating a player health lens into our CRM approach.

Optimize our points of distribution and simplify the way our players access and experience our products.

We will continue to leverage investments in our digital and technology infrastructure to deliver exciting games and experiences to players in our facilities and through our retailers. We will continue to ensure that current facilities are in the right locations and are delivering the experiences our customers expect in order to capture the full potential of each facility. BCLC's competitive advantage is that, unlike competitors who operate solely online or solely in bricks-and-mortar facilities, we manage products and channels in retail and hospitality centres, casinos, community gaming centres, on the web, and on mobile devices to create a customer entertainment experience. We will simplify the way our players access and experience our products. Our objective is to enhance the gambling experience everywhere that players choose to engage with our products.

Performance Measure Changes

BCLC will introduce The Player Experience Index in the 2019/2020 Service Plan, replacing the current Player Satisfaction measure. The Player Experience Index will provide a single measure that incorporates various elements of the customer experience, such as customer service, convenience, relevance and fairness. This measure will provide BCLC with an understanding of both the product and purchase experience, while offering actionable insights related to the customer experience.

BCLC will redefine the Player Participation measure in the 2019/2020 Service Plan. The redefined Player Participation measure will be reported as the average number of active BCLC players in British Columbia. A player is defined as active if they have played any BCLC game at least once during a reported period.

BCLC

Performance Measures	2015/16 Baseline or Benchmark ³	2016/17 Actual	2017/18 Forecast	2018/19 Target	2019/20 Target	2020/21 Target
1.2a Player Satisfaction ¹	N/A	80%	80%	80%	N/A	N/A
1.2b Player Participation ¹	N/A	53%	52%	52%	N/A	N/A
1.2c Net Win per Capita ²	BCLC: \$501 LQ: \$307 OLG: \$378	\$503	\$516	\$510	\$512	\$516

¹ Data Source: Continuous online tracking study conducted by third-party research professional. Study uses market research industry standard techniques to randomize the sample while retaining gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

² Data Source: Net win is from BCLC's financial plan. B.C. population projections are from Statistics Canada (Table 052-0005). Actual population estimates are from Statistics Canada (Catalogue no. 91-215-X). Net win is calculated for lottery and bingo games by deducting prizes from gross sales. Casino game prizes are paid during game play and therefore casino revenue is already reported on a net win basis. Total BCLC net win is divided by B.C.'s total population based on Statistics Canada population figures to obtain per capita metrics. Population statistics are estimated based on a calendar year and not available on BCLC's fiscal year. The targets are indicative of the overall trends despite the timing difference. Population estimates and projections are updated annually.

³ Data Source: Benchmarks are calculated using Ontario Lottery and Gaming (OLG) and Loto-Québec's (LQ) fiscal 2015/16 financial statements provided in their published annual reports. BCLC figures represent 2015/16 actual results for comparability.

Linking Performance Measures to Objectives:

Player Satisfaction, Player Participation and Net Win per Capita tell us how successful we are at delivering accessible entertainment experiences to the population of B.C.

- 1.2a Player Satisfaction measures how successful we are in creating a focused entertainment company. The higher Player Satisfaction is, the more successful we are being at meeting players' gambling entertainment expectations.
- 1.2b Player Participation measures the percentage of adult British Columbians who play a BCLC game in any of BCLC's gambling channels at least once a month. This measure is an indicator of how successful we are in creating entertaining and relevant experiences so players purchase our games. Increasing player participation indicates that we are located in places where our players choose to engage with our products.
- 1.2c Net Win per Capita tells us how successful we are in growing revenue in relation to the provincial population.

Discussion

BCLC's level of player satisfaction is already very positive and we are planning to maintain this high level in the upcoming years. Our products are purchased by over half the population of B.C. on a monthly basis and we intend to maintain this level of penetration in the coming year. Maintaining these high levels in periods of change requires that we continue to learn about customer preferences, enhance our content and utilize our customer relationship management capabilities to deliver entertaining games and experiences, whether it is in our facilities, through our retailers, or online.

 BCLC

Indexing to the total population for Net Win per Capita allows us to benchmark to other jurisdictions, as the age at which legal gambling is permitted varies between jurisdictions. Net Win per Capita will not grow if the population rate of growth is higher than the projected rate of net win growth. Since this measure is widely used in the gambling industry, consistent benchmarking is possible. BCLC has consistently outperformed the benchmark organizations. BCLC has been successful in attracting tourism to our facilities, which contributes to our net win; however, while tourism is not considered part of the population counts for B.C., including net win from tourism helps explain part of B.C.'s success in comparison to the benchmark organizations, whose figures also include net win from tourism.

In 2016/17, BCLC's Net Win per Capita increased over the previous year through innovation and capitalizing on strategic investments, primarily in the bricks-and-mortar and online channels of the slots category. This successfully offsets the volatility experienced in high-limit table game revenue and the expected normalization in jackpot rolls in Lotto Max and Lotto 6/49 from the previous year.

Solid slots performance is expected with the market continuing to respond favourably to strategic investments in this product category and to the opening of the new Parq facility in Vancouver (which replaced Edgewater Casino). The decrease in Net Win per Capita in fiscal 2018/19 results from the assumption that BCLC's casino business will experience an impact due to potential changes in anti-money laundering requirements.

Net Win per Capita starts to increase in fiscal 2019/20 due to new initiatives that are expected to be launched in the market.

Goal 2: People – we have the right talent to deliver exceptional business results.

We strive to demonstrate the value of our work by complying with a rigorous and standardized approach to performance management and employee compensation, within Public Sector Employers' Council guidelines. BCLC's talent strategy provides a framework to guide the application of all aspects of our human resource practices based upon the premise that it is "our people and culture that will deliver exceptional business results." BCLC will focus on the overall employee experience to enhance our employee value proposition to prepare for changing workforce demographics, and ensure BCLC has the right talent to deliver exceptional business results in an environment of changing demands and evolution of the business. The talent strategy provides the foundation to build organizational capacity and capability, incorporating a diverse and inclusive culture focused on employee engagement.

Objective 2.1: Build an engaged workforce and strong culture.

Key Strategies:

We know, understand and engage employees.

BCLC is creating a culture where the achievement of organizational goals is delivered through our employees. We are working to develop a greater understanding of our workforce and gather their diverse perspectives in order to support the creation of an engaging employee experience. We need

BCLC

the diverse perspectives and contributions of all employees to be leading in the marketplace. We are driven by the perspective that when we put our employees first they will, in turn, put our customers first. When we put our customers first, our business will be stronger.

We will be leaders in diversity and inclusion.

BCLC is embedding diversity and inclusion practices into its culture. BCLC will focus on implementing inclusive leadership training and practices, removing unconscious bias in processes and systems, providing an inclusive employee value proposition and engaging with our communities.

Performance Measures	2016/17 Actual	2017/18 Forecast	2018/19 Target	2019/20 Target	2020/21 Target
2.1a Employee Engagement ¹	87%	85%	85%	85%	85%

¹ Data Source: Anonymous [online survey](#) among BCLC employees, conducted by a third-party market research professional using industry standard techniques. Employee Engagement is defined as the intellectual and emotional commitment employees have in an organization and reflects the dedication employees exert to contribute to the organization's success.

Linking Performance Measures to Objectives:

- 2.1a A passionate and engaged workforce is more productive and will help to drive the success of our business, delivering the fun entertainment experiences our players expect. Entertainment experiences are the foundation for BCLC's delivering exceptional business results.

Discussion

In 2016/17, we achieved an exceptionally high employee engagement score. Based on this result, we have made a slight increase to our future targets. We expect employee engagement to remain high based on our commitment to maintaining an engaged workforce through regular measurement and action. We will continue to invest in leadership and employee development. However, we recognize that maintaining the exceptionally high result may not be realistic over time and we have reflected this in our future targets.

Objective 2.2: Enhance our employee value proposition to prepare for changing workforce demographics.

Key Strategies:

Determine future talent acquisition and talent management experience.

BCLC will continue to focus on enhancing and refining our employee and leadership development programs to meet the ever-changing needs of our business. Future workforce needs will necessitate greater collaboration and partnership with educational institutions, university co-op programs and professional associations. Identifying and developing employees for critical roles within the organization will continue to ensure long-term success. In addition, attracting key talent through innovative recruitment strategies aligned with workforce planning, BCLC branding and marketing will be critical to delivering upon organizational goals.

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We are creating an integrated, value added total rewards program.

For 10 consecutive years, BCLC has been selected as a top employer in British Columbia. Competition for qualified talent is strong and therefore we continue to pursue excellence in the programs, services and experiences we offer to our workforce. In order to compete within the marketplace to attract and retain talent, BCLC will redesign and implement its employee benefits plan, recognition and wellness programs while being consistent with Public Sector Employers' Council guidelines. We will communicate the benefits of the employee value proposition for current and future employees. In addition, BCLC will develop the Human Resources Management System Roadmap to leverage the full range of capabilities offered by our existing software.

Performance Measures	2016/17 Actual	2017/18 Forecast	2018/19 Target	2019/20 Target	2020/21 Target
2.2a Employee Turnover Rate ²	5.5%	6%	6%	6%	6%

² Data Source: BCLC internal sources. Data is measured on a monthly basis with the year-end calculated by averaging the monthly rates. Employee Turnover Rate measures the combined percentage of voluntary and involuntary turnover relative to BCLC's total headcount.

Linking Performance Measures to Objectives:

2.2a Employee Turnover Rate helps us determine how successful we are in attracting and retaining talent to drive the success of our business. It is an indicator of our competitiveness in the labour market as well as the effectiveness of our training, development and retention programs.

Discussion

In 2016/17, we achieved a lower than expected employee turnover rate. Future targets reflect our recent results as well as our historical average. Given BCLC's strategic focus on employee engagement, BCLC will not report on Employee Turnover Rate in future service plans. It will continue to be reported in the BCLC Social Responsibility report.

Goal 3: Public – our business and the benefits it creates are understood, trusted and supported by British Columbians.**Objective 3.1: Awareness of BCLC positive contributions to the community.****Key Strategies:****We are a partner for socio-economic growth in communities.**

BCLC strives to make business decisions that reflect and include local perspectives and provide benefits to the community that are broader than the bottom line.

Our games are fair, our facilities and platforms are safe and secure.

Sustaining net income depends on BCLC's ability to build the public's understanding, trust and support of our business by being a good corporate citizen, demonstrating integrity in what we deliver

BCLC

and how we deliver it, and being transparent in how we manage and conduct our business. It is paramount the public understands our products are fair and our facilities are safe.

As a priority, BCLC strives to protect its casinos from money laundering threats through a comprehensive anti-money laundering program built to meet or exceed federal requirements under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and through formal cooperative efforts with police. BCLC is committed to continuously improving our anti-money laundering efforts by conducting extensive annual and independent reviews of its program and through a strong professional working relationship with the federal regulatory body responsible for anti-money laundering – the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). We are committed to working collaboratively to support GPEB to address recommendations that emerge from the Attorney General’s independent review of the Province’s Anti-Money Laundering regime currently underway.

We will continue to provide funding and information to the Joint Illegal Gaming Investigation Team (JIGIT).

Performance Measures	2016/17 Actual	2017/18 Forecast	2018/19 Target	2019/20 Target	2020/21 Target
3.1a Public Recognition of Positive Contributions ¹	73%	74%	74%	75%	75%

¹ Data Source: Continuous online tracking study conducted by third-party market research professional. Study uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada’s Census.

Linking Performance Measures to Objectives:

- 3.1a BCLC’s success depends on maintaining and growing community support to operate gambling on behalf of British Columbians. This measure helps us gauge our success in building the public’s recognition of the positive contributions of our gambling business so that our business and its benefits are better understood, trusted and supported by British Columbians.

Discussion

We have increased our targets based on historical and forecasted information and our plans to continue to communicate the positive contributions of BCLC’s business.

Objective 3.2: BCLC is perceived as transparent.

Key Strategies:

We are open and accountable.

We are committed to sharing information with municipal, business and community stakeholders and the public about BCLC and the gambling industry to create awareness and understanding. We proactively disclose relevant information about BCLC via bclc.com and the BCLC Social Responsibility Report. We will proactively communicate major corporate initiatives and activities to

BCLC

the public, the media and our employees in order to be transparent, accountable and build awareness and understanding of our organization.

Performance Measures	2016/17 Actual	2017/18 Forecast	2018/19 Target	2019/20 Target	2020/21 Target
3.2a Public Perceptions of BCLC's Transparency ¹	64%	60%	61%	62%	64%

¹ Data Source: Continuous online tracking study conducted by third-party market research professional. Study uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

Linking Performance Measures to Objectives:

3.2a To build the public's trust and support of our business, it is important that we are transparent so that our business and its benefits are understood by British Columbians. Public perception of BCLC's transparency helps us gauge our success in becoming increasingly open and accountable.

Discussion

We have adjusted our targets based on historical and forecasted information, upcoming activities and our openness and accountability strategy. We will continue to act with integrity, be proactive in communicating about our business and engage with municipal, business and community stakeholders and the public.

Goal 4: Profit – we will optimize net income through investing to sustain the long-term health of our business.

BCLC fosters a culture of cost-consciousness and is committed to operating efficiently and effectively to manage costs. As part of our mandate, we will optimize BCLC's financial performance and sustain net return to the Province in accordance with government policy, directives under the *Gaming Control Act* and Treasury Board direction. Our mandate and business models offer BCLC the opportunity to garner strong profit margins and thus growing the top line revenue is the key to making a significant positive impact to our net income.

Objective 4.1: Generate net income for the benefit of all British Columbians efficiently.

Key Strategies:

Define and implement the innovative experiences our players want.

We will leverage investments in the PlayNow.com infrastructure to provide the digital connection with our bricks-and-mortar-environment in order to improve the player experience. We continue to monitor consumer trends so that we can deliver relevant products and experiences that meet player expectations and provide value for money. With player understanding as a core capability and working with best-in-class partners, we will continue to invest in content innovation to deliver engaging gambling experiences to our players and grow net income in a socially responsible manner.

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Improve operational efficiency and effectiveness.

We will invest in systems and technology required to support the long-term health of the business.

Collaborate and leverage the capabilities of our vendors, service providers and retailers.

We will continue to work with our contracted casino and community gaming facility service providers and lottery retailers to distribute our games to customers with outstanding service. The distribution of our games in the province spans bricks-and-mortar locations as well as through the web on PlayNow.com. These services will continue to evolve to serve the dynamic nature of our customers.

We will also leverage the innovation around products and services from our many vendors to deliver our games in an effective and responsible manner in our regulated market.

Performance Measures	2016/17 Actual	2017/18 Forecast	2018/19 Target	2019/20 Target	2020/21 Target
4.1a Net Income (\$ millions) ¹	1,339.0	1,374.4	1,310.5	1,332.2	1,354.8
4.1b Comprehensive Cost Ratio (% of Net Win) ^{1, 2}	42.0%	42.2%	44.5%	44.5%	44.6%

¹ Data Source: BCLC's financial plan, see page 16. Actual results are calculated in accordance with International Financial Reporting Standards (IFRS).

² The Comprehensive Cost Ratio (CCR) is the sum of direct, gaming support, operating, amortization and other costs (excluding interest and taxes) divided by net win and expressed as a percentage.

Linking Performance Measures to Objectives:

- 4.1a Net income is the total amount of income generated by BCLC and delivered to the Province. This measure is a direct indicator of our success in meeting our mandate to generate net income for the benefit of all British Columbians.

Discussion

BCLC net income benefits all British Columbians by funding public health care, education, charitable community programs, and other essential services the Province and our Host Local Governments recognize.

Fiscal 2017/18 targets have been increased to reflect the continued return on fiscal 2016/17 innovation and strategic investments primarily in the bricks-and-mortar (casino and community gaming centres) and online channels (PlayNow.com) that have strengthened the slots category and to incorporate the exceptional fiscal 2016/17 results of Keno and Scratch & Win in the Lottery business unit.

The decrease in fiscal 2018/19 net income reflects the assumption that BCLC's casino business will experience an impact due to potential changes in anti-money laundering requirements, in combination with making necessary investments to ensure the long-term health of the overall business.

Increasing net income starting in fiscal 2019/20 is primarily driven by new initiatives such as launching a Lotto Max game enhancement and opening and relocating Casino properties. These new initiatives are dependent on external forces that are not fully within BCLC's control. For example, the Lotto Max game enhancement requires collaboration and approval from other provincial lottery and

gaming organizations, and the opening and relocation of Casino properties is dependent on receiving municipal approval.

Linking Performance Measures to Objectives:

4.1b The Comprehensive Cost Ratio (CCR) is a cost ratio used to gauge operational efficiency.

Discussion

During 2016/17, CCR was amended to exclude interest so that it better reflects operational efficiency from areas within BCLC's control. Fiscal 2016/17 actual results have been restated for comparability purposes.

Increasing future year CCR targets are primarily a reflection of BCLC transitioning to a new Operational Services Agreement (OSA) with a revised commission structure for its casino and community gaming service providers. The OSA will drive better strategic alignment, strengthen accountability and drive incremental market growth in the long-term. Retailer and service provider commissions comprise the majority of the comprehensive cost base. As a result, CCR is most significantly impacted by BCLC's product mix sales as BCLC has a diversified portfolio of products which generate a wide range of gross margins. In addition, BCLC is continuing to make appropriate investments to ensure the long-term health of the business such as replacing lottery legacy systems and promoting player health.

BCLC

Financial Plan

Summary Financial Outlook

Consolidated Corporate Operations

\$ Millions	2016/17 Actual	2017/18 Forecast	2018/19 Budget	2019/20 Budget	2020/21 Budget
Revenue	3,143.9	3,214.1	3,225.9	3,272.7	3,334.6
Prizes (Bingo and Lottery only)	741.3	733.7	748.1	754.5	768.5
Net Win	2,402.6	2,480.4	2,477.8	2,518.2	2,566.1
Direct Costs	749.8	775.6	802.6	813.9	827.6
Gaming Support Costs	38.6	41.8	43.7	44.8	46.0
Operating Costs	145.2	152.4	170.2	171.2	172.7
Amortization and Other	75.9	77.8	87.7	91.6	98.8
Total Costs	1,009.5	1,047.6	1,104.2	1,121.5	1,145.1
Net Income Before Taxes	1,393.1	1,432.8	1,373.6	1,396.7	1,421.0
Taxes	54.1	58.4	63.1	64.5	66.2
Net Income	1,339.0	1,374.4	1,310.5	1,332.2	1,354.8

Liabilities	496.3	517.2	536.6	563.3	568.5
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Accumulated Surplus / (Deficit)	(17.1)	(17.1)	(17.1)	(17.1)	(17.1)
Accumulated Other Comprehensive	(23.3)	(23.3)	(23.3)	(23.3)	(23.3)
Total Deficit	(40.4)	(40.4)	(40.4)	(40.4)	(40.4)

Capital Expenditures	86.2	90.0	105.0	105.0	90.0
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Key Forecast Assumptions, Risks and Sensitivities

Net income targets are updated through a reforecasting process that analyzes recent revenue trends for each product category to build a projection of baseline contribution margin (revenues less direct costs). Baseline costs for fiscal 2018/19 were estimated using a zero-based budgeting approach. Incremental revenues and costs from strategic initiatives are incorporated into baseline projections and result in the financial plan.

Revenue is projected to increase \$120.5 million or 1.2 per cent compounded annually over the three-year period (fiscal year 2017/18 - fiscal year 2020/2021). Prizes are estimated to increase by \$34.8 million or 1.6 per cent compounded annually over the three-year period, as a result of revenue

BCLC

growth. Net win, which is revenue after prizes paid, is projected to increase by \$85.7 million or 1.1 per cent compounded annually over the three-year period.

Direct costs include private sector service provider and retailer commissions, lottery ticket and bingo paper printing, supplies and leases. These are driven by revenue projections of each product category. Direct costs are forecasted to increase \$52.0 million or 2.2 per cent compounded annually over the three-year period. The increase in direct costs is primarily a function of increase in net win, and also reflects increases due to BCLC transitioning to a new commission structure in its casino and community gaming division. As a result, a portion of direct costs are sensitive to changes in the timing of when service providers transition.

Gaming support costs are expenses that support revenue generation including systems support, data transmission, equipment installation, product delivery, sports odds-setting and internet-based software licence and service fees. These costs are projected to increase by \$4.2 million or 3.2 per cent compounded annually over the three-year period. Costs in this area are forecasted to increase in line with industry trends as BCLC continues to make investments in technology to sustain and enhance core systems that support our player experiences. Also, systems support costs associated with maintaining our online and mobile-enabled gambling site, PlayNow.com, are expected to rise to keep pace with upgrades to our players' desktop operating systems, browsers, security systems and mobile devices.

Changes in technology delivery are driving a market shift from owned and constructed assets to cloud-based services (cloud). BCLC is reviewing the applicability of cloud to its business and assessing the associated risks and opportunities. As a result, the potential impact of adopting cloud is not reflected in the financial projections. Should BCLC choose to transition to cloud, the expected long-term impact is an increase in BCLC's operating spend, offset with a decrease in BCLC's capital spend. In the short-term as organizations transition to cloud, a range of financial impacts can occur from many factors, including volatility in costs due to variable usage, degree of automation and systems management, increased costs due to increased business demands/growth and cost overlap with existing technology that may not be fully depreciated.

Operating costs include marketing investment, staffing costs, research and development, professional fees, rent, equipment and goods, communications and financial costs. Operating costs are projected to increase by \$20.3 million or 4.3 per cent compounded annually over the three-year period to support net win. Included in this increase are the estimated operating costs required to replace lottery legacy systems and to promote player health. The lottery legacy system replacement project involves the replacement of equipment and software identified as high-risk as they are near end-of-life and the majority of lottery revenue relies on this critical equipment and software. BCLC is also investing to promote player health by consolidating responsibility of all operations of the GameSense Advisor (GSA) program within BCLC. Up until this year the program has been co-managed between BCLC and GPEB whereby GPEB was responsible for funding administration and BCLC was responsible for day-to-day management. The decision was made to transition responsibility for expense and management control of the existing GSA program from GPEB to BCLC. We intend to expand the GSA program to all community gaming centres to address the recommendation of the *Plan for Public Health and Gambling* which will essentially double the size of our GSA program over the next three years.

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BCLC's head office in Kamloops requires significant upgrades and maintenance. Avison Young (Commercial Real Estate Advisor) has been hired to assist in determining the next steps for the Kamloops head office property development including the evaluation of building needs and business requirements. As the project is currently in the requirements gathering and analysis phase, an estimate cannot be reasonably determined at this time and accordingly, costs have not been included in the projections.

Sensitivity Analysis

As indicated above, the business planning process involves a thorough analysis of revenue trends by product category to determine baseline organic growth assumptions. Incremental revenue is added from new and strategic initiatives. As a result, the three-year plan is sensitive to changes in sales mix along with risks associated with future initiatives, such as execution risk, market acceptance and success of new products and facilities.

Below is the table outlining the sensitivities at a net win level given the above factors.

	2018/19		2019/20		2020/21	
	High	Low	High	Low	High	Low
Net Win Target	2,478	2,478	2,518	2,518	2,566	2,566
Forecast Risks and Sensitivities						
1% change in Slot Growth Assumption	14	(14)	14	(14)	14	(14)
Potential Changes in Anti-Money Laundering Requirements	25	(28)	25	(28)	25	(28)
Volatility in Tables		(12)		(12)		(12)
Market adoption/success of new initiatives		(57)		(74)		(112)
Net Win Risk Adjusted	2,517	2,367	2,557	2,391	2,605	2,400

Management's Perspective on the Financial Outlook

Delivering on our net income commitments to Government continues to be challenging given market conditions and trends, especially in the already volatile high-limit table business. The overall gambling industry in B.C. is at a mature stage with stable net income and a modest growth outlook.

Our two major business units (lottery and casino) are mature and face market growth challenges. Revenues are flattening and margins are sensitive to shifts in product mix. Lottery revenues are heavily dependent on the national games' jackpot rolls, resulting in lottery revenue volatility. As well, revenues from these business units rely predominantly on a core, aging player base.

BCLC's gambling product portfolio depends heavily on the performance of our core six products (slots, tables, Lotto Max, Lotto 6/49, Keno, and Scratch & Win), which comprise more than 90 per cent of our total contribution margin (revenue less prizes and direct costs).

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The projections presented above position BCLC to make the necessary investments to ensure the long-term health of the business. We continue our focus on innovation to retain our existing players by supporting and enhancing existing products (e.g. replacing lottery legacy systems) and to broaden our player base and engage new players by developing new content and experiences. These opportunities require time and investment before we will realize net income growth but are essential especially in light of potential changes in anti-money laundering requirements in casinos which would be expected to impact the high-limit table business.

One of these opportunities is the implementation of a new Operational Services Agreement (OSA) in our casino and community gaming division to achieve better strategic alignment with our service providers, strengthen accountability and drive incremental market growth. Although these changes will result in increased direct costs for BCLC, the terms of the OSA contracts are an effective method to secure service provider investment commitments across the province and are expected to sustain and grow revenue in the long-term from private sector investment in an enhanced facility offering and better aligned service provider performance.

BCLC is committed to managing our business responsibly in this ever-evolving environment. Investment decisions which enable future business growth and competitiveness are balanced with cost management in order to deliver our net income commitments to Government. We are continually managing costs and looking for ways to operate our business more efficiently and effectively.

Major Capital Projects

Currently there are no major capital projects (over \$50 million) approved through our business planning process.

Kamloops Head Office Property Development

BCLC's head office in Kamloops requires significant upgrades and maintenance. Avison Young (Commercial Real Estate Advisor) has been hired to assist in determining the next steps for the Kamloops head office property development including the evaluation of building needs and business requirements.

BCLC selected four pre-qualified proponents to respond to a Request for Proposal (RFP) for design build proposals for a potential new Head Office building in Kamloops. Following the evaluation of the RFP, BCLC plans to develop a detailed concept plan that will lead to a recommendation to the Province for a long-term building solution in Kamloops. BCLC anticipates it will present a concept plan to the Province in the summer of 2018. Therefore, it is likely that this will require action and funding in fiscal year 2018/19. The amounts are to be determined, dependent on the approval of a concept plan and subsequent action. As a reasonable estimate cannot be determined at this time, costs have not been included in the projections.

Significant IT Projects

Lottery Terminal Replacement

This project involves the replacement of retail lottery equipment and supporting systems identified as high-risk. This equipment is near end-of-life and supports the majority of lottery revenue.

Management identified this project as a priority and this was further supported by Government in the 2014/15 Crown Review of BCLC which recommended replacement of key legacy systems. The capital estimate available at this time is approximately \$40 million over the next three fiscal years and the project is estimated to complete in fiscal 2020/21.

Appendix A: Hyperlinks to Additional Information

Corporate Governance

[Governance and Oversight](#)
[BCLC Senior Executive](#)

Organizational Overview

[Mission and Values](#)
[Who we are](#)
[What we do](#)
[Customer support](#)

Appendix B: Subsidiaries and Operating Segments

Active Subsidiaries

The consolidated financial statements of BCLC include a wholly-owned subsidiary, B.C. Lottotech International Inc. (“Lottotech”). The primary purpose of Lottotech is to purchase capital assets for BCLC. These assets are leased back to BCLC and the major expense is the amortization on the capital acquisitions as well as disposal costs on equipment. Increasing costs of equipment disposal are the primary drivers of the historical and projected net losses in Lottotech. As BCLC replaces lottery legacy equipment and other legacy investments, there will be associated disposal costs. The management and oversight of Lottotech is consolidated within BCLC operations and the Board reviews and approves capital budgets through the business planning process.

All BCLC capital expenditures (refer to Financial Plan) are planned to be purchased through Lottotech, with the only exception being employee costs related to developing assets or attributable to preparing the asset for its intended use.

Lottotech’s business activities are in alignment with BCLC’s mandate, strategic priorities and fiscal plan.

Summary Financial Outlook Table for Each Active Subsidiary

\$ Millions	2016/17 Actual	2017/18 Forecast	2018/19 Budget	2019/20 Budget	2020/21 Budget
Total Revenue	59.2	63.2	70.0	73.5	79.7
Total Expenses	59.0	63.0	69.8	73.3	79.5
Income from Operations	0.2	0.2	0.2	0.2	0.2
Other Income (Expenses)	(1.7)	(0.3)	(0.7)	(0.6)	(0.6)
Net Income (Loss)	(1.5)	(0.1)	(0.5)	(0.4)	(0.4)

Lottotech’s publicly available financial statements can be found in [BCLC’s 2016/17 Annual Service Plan Report](#).

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Business Units' Income Statement

\$ millions	Actual 2016/17	Forecast 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21
Lottery					
Revenue	1,127.9	1,092.1	1,107.0	1,116.2	1,140.8
Prizes	642.9	626.8	637.5	641.2	653.2
Net win	485.0	465.3	469.5	475.0	487.6
Less: direct expenses	83.1	82.6	84.8	85.1	87.2
	<u>401.9</u>	<u>382.7</u>	<u>384.7</u>	<u>389.9</u>	<u>400.4</u>
Operating expenses:					
General Operating	44.6	45.2	56.2	54.7	53.4
Gaming Support	13.6	14.7	14.9	15.1	15.3
Amortization	7.8	7.6	10.6	14.4	18.1
Other	0.3	2.0	1.6	1.7	1.7
	<u>66.3</u>	<u>69.5</u>	<u>83.3</u>	<u>85.9</u>	<u>88.5</u>
Net Income Before Taxes	335.6	313.2	301.4	304.0	311.9
Taxes	10.8	11.4	12.9	13.2	13.6
Net income	<u>324.8</u>	<u>301.8</u>	<u>288.5</u>	<u>290.8</u>	<u>298.3</u>
e-Gaming					
Revenue	157.6	180.7	198.0	209.6	217.8
Prizes (Lottery and Bingo only)	52.0	62.3	66.3	69.0	71.0
Net win	105.6	118.4	131.7	140.6	146.8
Less: direct expenses	18.4	22.5	28.5	30.3	31.6
	<u>87.2</u>	<u>95.9</u>	<u>103.2</u>	<u>110.3</u>	<u>115.2</u>
Operating expenses:					
General Operating	16.0	14.6	16.6	16.8	17.0
Gaming Support	7.7	7.7	9.9	10.0	10.1
Amortization	6.4	6.3	4.0	4.0	4.4
Other	(0.3)	0.4	0.7	0.7	0.8
	<u>29.8</u>	<u>29.0</u>	<u>31.2</u>	<u>31.5</u>	<u>32.3</u>
Net Income Before Taxes	57.4	66.9	72.0	78.8	82.9
Taxes	4.4	4.9	5.8	6.0	6.2
Net income	<u>53.0</u>	<u>62.0</u>	<u>66.2</u>	<u>72.8</u>	<u>76.7</u>
Casino & Community Gaming					
Revenue	1,858.4	1,941.3	1,920.9	1,946.9	1,976.0
Prizes (Bingo only)	46.4	44.6	44.3	44.3	44.3
Net win	1,812.0	1,896.7	1,876.6	1,902.6	1,931.7
Less: direct expenses	648.3	670.5	689.3	698.5	708.8
	<u>1,163.7</u>	<u>1,226.2</u>	<u>1,187.3</u>	<u>1,204.1</u>	<u>1,222.9</u>
Operating expenses:					
General Operating	84.6	92.6	97.4	99.7	102.3
Gaming Support	17.3	19.4	18.9	19.7	20.6
Amortization	50.7	56.1	63.0	63.0	65.9
Other	11.0	5.4	7.8	7.8	7.9
	<u>163.6</u>	<u>173.5</u>	<u>187.1</u>	<u>190.2</u>	<u>196.7</u>
Net Income Before Taxes	1,000.1	1,052.7	1,000.2	1,013.9	1,026.2
Taxes	38.9	42.1	44.4	45.3	46.4
Net income	<u>961.2</u>	<u>1,010.6</u>	<u>955.8</u>	<u>968.6</u>	<u>979.8</u>

BCLC

Operating Segments

Capital Expenditures for each Operating Segment

\$ Millions	2016/17 Actual	2017/18 Forecast	2018/19 Budget	2019/20 Budget	2020/21 Budget
Gambling Systems					
Lottery	11.5	12.0	43.5	35.0	20.0
eGaming	1.6	5.1	1.7	5.0	5.0
Casino & Community Gaming	64.0	63.7	44.8	53.5	53.5
Total Gambling Systems	77.1	80.8	90.0	93.5	78.5
Infrastructure & Corporate Systems					
Infrastructure & Corporate Systems	6.9	8.4	14.4	10.8	10.8
Corporate Facilities	2.2	0.8	0.6	0.7	0.7
Other Capital	9.1	9.2	15.0	11.5	11.5
Total Capital	86.2	90.0	105.0	105.0	90.0

Lottery

Lottery's key initiative is the replacement of legacy systems and equipment, which was recommended by Government in its 2014/15 Crown Review of BCLC, as the current infrastructure is near end-of-life. Other initiatives include the continued expansion of distribution into major grocery store chains through Lotto Express multilane technology.

eGaming

eGaming continues to expand PlayNow.com's casino gaming content and build applications to improve player experiences through mobile devices.

Casino and Community Gaming

Casino and community gaming's key initiatives are the rollout of the new OSA and to provide players with new and exciting games and entertainment options. This includes collaboration with private sector service providers to revitalize several existing casino properties throughout the province by renewing and refreshing amenities and the gambling mix to suit the market. An example of this initiative is the successful opening of the new integrated entertainment facility, Parq Vancouver.

Appendix T

BCLC Service Plan 2019/20-2021/22 (BCLC0016650).



2019/20 – 2021/22 SERVICE PLAN

February 2019



For more information on the British Columbia Lottery Corporation (BCLC) contact:

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Board Chair Accountability Statement



The 2019/20 – 2021/22 BCLC Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. The plan is consistent with government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported. The Board is responsible for the validity and reliability of the information included in the plan.

All significant assumptions, policy decisions, events and identified risks, as of January 25, 2019, have been considered in preparing the plan. The performance measures presented are consistent with the *Budget Transparency and Accountability Act*, BCLC's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of BCLC's operating environment, forecast conditions, risk assessment and past performance.

A handwritten signature in black ink, appearing to read 'Peter Kappel', with a stylized flourish at the end.

Peter Kappel
Board Chair

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Strategic Direction and Alignment with Government Priorities

Specific direction from Government to BCLC is provided in the [2019/20 Mandate Letter](#) directing BCLC to take specific actions, in accordance with Government policy and directives. These instructions and principles form part of our strategic context and, along with economic and market trends, inform the business choices we make and ensure public interest is being served.

Specifically, in the Mandate Letter, the Government of B.C. has outlined the following strategic actions directing BCLC to: implement Government's response to recommendations from the Peter German review of anti-money-laundering policies and practices in British Columbia casinos; complete implementation of the remaining commitments that BCLC is solely and jointly (with GPEB) responsible for in the Plan for Public Health and Gambling (February 2015); proactively share information with GPEB that assists the branch in meeting its responsibilities for the overall integrity of gaming and horse racing and provide advice on broad policy, standards and regulatory issues; and optimize BCLC's financial performance in accordance with government policy and directives under the *Gaming Control Act* and Treasury Board direction in order to achieve a net income in line with service plan projections.

BCLC will conduct business in a manner that meets public expectations for social responsibility, public safety and gambling integrity. As a Crown corporation, BCLC is required to make smart, responsible investments to grow our business, while maintaining our commitment to managing our operating costs in the best interest of the Province and the people of British Columbia.

BCLC is aligned with the Government's key priorities:

Government Priorities	BCLC Aligns with These Priorities By:
Delivering the services people count on	<ul style="list-style-type: none"> • Promoting responsible gambling programs that encourage positive gambling choices (Objective 1.1) • Becoming leaders in diversity and inclusion (Strategy under Objective 2.1) • Defining and integrating the innovative experiences our players want (Strategy under Objective 4.1)
A strong, sustainable economy	<ul style="list-style-type: none"> • Being a partner for socio-economic growth in communities (Strategy under Objective 3.1) • Optimizing net income by investing to sustain the long-term health of our business (Goal 4)

Operating Environment

Businesses are shifting from just delivering products to understanding the customer in order to deliver the end-to-end experiences they value. While BCLC is the only organization legally permitted to manage and conduct commercial gambling in British Columbia, we will avoid complacency given the

nature of today's marketplace with nearby casino competition from across the border as well as the borderless e-commerce channel.

Customer convenience

BCLC routinely monitors marketplace trends within our business, the gambling industry and other industries. Through ongoing monitoring and observations, BCLC has seen that consumer behaviour and expectations are changing. Convenience is increasingly a factor in customers' choices regarding when, how and with whom to engage when consuming products and services. Driven largely by advances in technology, consumers are demanding more from the experiences they have with the companies with which they engage.

Retailers are adapting to their customers' need for convenience by integrating their digital and brick-and-mortar offerings. Retailers are changing how and where they offer their products. While online and mobile are intrinsic to that change, it is the integration of mobile with brick-and-mortar that creates the convenience and seamless experiences consumers seek.

Convenience is also impacting how customers are consuming media. With the advent of online streaming products and large screen televisions, many traditional out-of-home experiences (sports, movies, gambling) can be enjoyed without having to leave home.

In order to compete with the convenience factor of in-home entertainment choices, businesses are designing a more diverse set of entertainment options, such as pop-up venues, themed bars and escape rooms. New partnerships are forming to deliver engaging experiences that integrate food & beverage.

Societal expectations

People are expecting more and more from the businesses with which they engage. Businesses are expected to be leaders in social change; supporting not only their employees but the communities in which they operate¹.

In today's hyperconnected world, customers and investors are scrutinizing organizations' impacts on society, whether it is how well a product meets people's needs, how manufacturing processes impact the environment or how employees feel about their jobs. Eighty six per cent of millennials think that business success should be measured on more than just financial performance.²

Business leaders are adjusting to these new expectations in part by publicly stating their company's values and demonstrating those values in their business practices and decisions.

As a Crown Corporation, it is important that BCLC continue to demonstrate our mission and values in our strategic plan and business decisions. For instance, one of our values is social responsibility. We demonstrate that by engaging in meaningful dialogue with stakeholders, including critics, responsible gambling advocates and health professionals, to make informed investments to positively influence player health and mitigate harm to people and communities.

¹ [The rise of the Social Enterprise: 2018 Deloitte Global Human Capital Trends](#)

² [Deloitte Millennial Survey 2017](#)

Data as a driver

Data and the insights businesses derive from data have fundamentally changed industries. These insights are used to power stronger customer relationships, support product development and manage operational environments.

Consumers expect businesses to protect their data and, at the same time, willingly exchange information in order to gain access to services, receive discounts and have personalized experiences with companies. In this big data environment, businesses must continue to invest in cybersecurity and keep at the forefront of privacy protection.

Pace of change

The pace of change is faster than ever. For example, it has been 11 years since the release of the first generation of iPhones and since then, smart phones have become ubiquitous, with three quarters of Canadians now owning a smart phone.³ These devices have fundamentally changed how people interact with each other and businesses. Further, consumers have grown accustomed to ongoing updates to their technology and are looking to businesses to continue to update their offerings at a similar pace.

Businesses must learn quickly and adjust to changes in their environment if they are to remain relevant. For BCLC, this translates to a need to keep up with the significant changes in how customers experience entertainment and how customers choose to interact with businesses.

Competition for talent

The Provincial Government is projecting that, beginning in 2019, there will be a province-wide labour shortage and, by 2022, there will be at least a 28,400-person workforce deficit.⁴ Statistics Canada is also reporting a projected decrease in the unemployment rate nationally as the labour force participation rate decreases due to the aging population.

The Conference Board of Canada's Employer Skills Survey⁵ highlighted that employers in B.C. are worried about an upcoming experience gap. Skilled and experienced workers are set to retire, and those entering the workforce are perceived as having qualification deficits. The Conference Board of Canada indicates that the most anticipated challenges for B.C. employers will be recruiting in the market for:

- skilled trades
- computer and information science
- engineering and electronics
- business and management

It is a job seeker's market and BCLC will focus on retention and knowledge transfer as key internal strategies.

³ [The Internet and Digital Technology](#)

⁴ [British Columbia 2022 Labour Market Outlook](#).

⁵ [Skills for Success: Developing Skills for a Prosperous B.C.](#)

Performance Plan

Goal 1: Player – we are creating an integrated player-focused entertainment company

Objective 1.1: Promote responsible gambling programs that encourage positive gambling choices

Key Strategies:

Influence player health

BCLC is committed to reducing the negative health impacts our business may have on people and communities. BCLC has a broad focus of influencing player health with various initiatives aimed at making gambling products, environments and delivery channels safer for our players. Across all our games we are focused on encouraging healthy gambling. Two components of this strategy include informed play – providing information that allows people to make informed choices, and positive play – helping customers to understand and adopt the attitudes and behaviors that keep gambling within safe bounds.

We are strengthening BCLC’s role in influencing player health by enhancing and expanding the GameSense Advisor Program across all community gaming centre and casino venues. We are also identifying and acting on opportunities to reduce harm by evaluating how gambling products are designed, delivered and promoted. We are creating a comprehensive, evidence-based program to increase safer play and reduce harms where: players are knowledgeable about healthy play, players gamble within safe limits, high risk players moderate their play and players with concerns receive help.

We are working with other gambling jurisdictions in Canada to develop approaches to communicating ‘odds’ and ‘return to player’ on electronic gaming machine screens to dispel myths about control and ability to win. Additionally, we have recently completed technical testing for PlayPlanner, a new, optional budgeting tool that allows players to set and manage daily maximums for how much time or money they want to spend playing on electronic gaming machines. BCLC will begin rolling out PlayPlanner in Spring 2019, in alignment with the implementation of the GameSense Advisor program at Community Gaming Centres, to better support player engagement and training.

We will implement customized responsible gambling messaging to our online customers on PlayNow.com and members of our BCLC Encore Rewards casino loyalty program. Once this is implemented we will conduct research to evaluate the impact of customized messaging on player behaviour.

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Performance Measures	2017/18 Actual	2018/19 Forecast	2019/20 Target	2020/21 Target	2021/22 Target
1.1a Positive Play Scale: Gambling Literacy ¹	50%	50%	52%	56%	58%
1.1b Positive Play Scale: Pre-commitment ¹	55%	55%	56%	58%	60%

¹Data Source: Continuous tracking survey conducted online by a third-party research professional. Study uses market research industry standard techniques to randomize the sample while retaining gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census. To qualify for these measures, a respondent will need to have played a BCLC game in the past month.

Linking Performance Measures to Objectives:

- 1.1a Gambling Literacy assesses the extent to which a player has ample information to make fully informed decisions.
- 1.1b Pre-commitment assesses the extent to which a player considers how much money and time they should spend gambling.

Discussion

Based on commitments made in the Plan for Public Health and Gambling and internal reviews, we have introduced two new measures to better align with our Player Health Strategy. These two measures take into account two components of our strategy: informed play which is reflected in the Positive Play Scale: Gambling Literacy, and Positive Play, reflected in the Positive Play Scale: Pre-commitment measure. We are projecting higher results in the upcoming years with our GameSense Advisor Program and information centre expansion across all venues, and the development of tools and communication promoting healthy play.

Objective 1.2: Improve the gambling entertainment experience everywhere players choose to engage with our products

Key Strategies:

Improve the gambling entertainment experience with new content and enhanced facilities

A major focal point of our strategy is improving the player experience. We are enhancing how players engage with us, our games and amenities at our facilities. BCLC will focus on gaining a more detailed understanding of customer preferences, entertainment needs and gambling trends to improve the player experience. We are exploring opportunities to better know our players by introducing digital lottery services and by improving our casino loyalty program. This understanding will help us make informed decisions about the best way to entertain our players, as their needs and expectations evolve.

Optimize our points of distribution and simplify the way our players access and experience our products

We will invest in replacing aging technology infrastructure that supports our lottery business to provide a solid foundation upon which to enhance our player experience, and continue to leverage

BCLC

previous investments in our digital and technology infrastructure. We will continue to ensure that our products are in the right locations and are delivering the experiences our customers expect in order to best serve our customers. In addition to BCLC being the only entity permitted to legally operate commercial gambling in B.C., our competitive advantage is that we manage products across a wide range of channels including retail and hospitality locations, casinos, community gaming centres, on the web, and on mobile devices to create a customer entertainment experience. We intend to simplify the way our players access and experience our products. Our objective is to enhance the gambling experience everywhere players choose to engage with our products.

Improve customer relationships

We will build on the Customer Relationship Management (CRM) foundation currently being implemented to optimize customer communications across email, on mobile devices and social media to engage in relevant, personalized conversations with our players. This will deliver customized and relevant BCLC promotions, content and service to players based on an improved understanding of interactions across all BCLC touchpoints. We will continue to enhance the services delivered through the Customer Support Centre and embrace social responsibility in how we engage customers by integrating a player health lens into our CRM approach.

Performance Measures	2017/18 Actual or Benchmark ^d	2018/19 Forecast	2019/20 Target	2020/21 Target	2021/22 Target
1.2a Player Experience Index ¹	71.55	71.60	73.00	75.00	78.00
1.2b Revenue per Capita ^{2,3}	BCLC: \$516 LQ: \$321 OLG: \$380	\$532	\$536	\$540	\$541

¹ Data Source: Quarterly tracking survey conducted online by a third-party research professional. Study uses market research industry standard techniques to randomize the sample while retaining gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

² Data Source: Revenue is from BCLC's financial plan. B.C. population projections are from Statistics Canada (Table 17-10-0058-01, formerly CANSIM 052-0006). Actual population estimates are from Statistics Canada (Catalogue no. 91-215-X). Revenue is presented net of prizes (see below footnote 3). Total BCLC revenue is divided by B.C.'s total population based on Statistics Canada population figures to obtain per capita metrics. Population statistics are estimated based on a calendar year and not available on BCLC's fiscal year. The targets are indicative of the overall trends despite the timing difference.

³ International Financial Reporting Standard (IFRS) 15 is effective for annual reporting periods beginning on or after January 1, 2018. BCLC will adopt this standard for its fiscal year ending March 31, 2019, on a full retrospective basis. The Corporation has identified that this standard will have a material impact on the presentation of its consolidated financial statements. Revenue is now presented net of prizes on the income statement. There is no impact on net income as a result of this presentation change. All impacts will be reflected in BCLC's 2018/19 Annual Service Plan Report.

^d Data Source: Benchmarks are calculated using Ontario Lottery and Gaming (OLG) and Loto-Québec's (LQ) fiscal 2017/18 financial statements provided in their published annual reports. BCLC figures represent 2017/18 actual results for comparability.

Linking Performance Measures to Objectives:

Player Experience Index and Revenue per Capita tell us how successful we are at delivering accessible entertainment experiences to the population of B.C.

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- 1.2a The Player Experience Index provides a single measure that incorporates various elements of the customer experience, such as customer service, convenience, relevance and fairness. This measure provides BCLC with an understanding of the extent to which BCLC is currently meeting the expectations of our consumers as it relates to both their product and purchase experience, while offering actionable insights related to the customer experience.
- 1.2b Revenue per Capita tells us how successful we are in growing revenue in relation to the provincial population.

Discussion

BCLC's Player Experience Index is driven by various factors across the casino, lottery and online gambling businesses. Given BCLC's dedication to enhancing the player experience, coupled with improved insights into the factors driving player experience, we expect the index to improve in the years to come. BCLC's commitment to better understanding customer preferences and expectations enables us to enhance our content and utilize our customer relationship management capabilities to deliver entertaining games and experiences in casino gaming facilities, through lottery retailers and PlayNow.com.

Revenue per Capita growth in fiscal 2018/19 reflects strong slot performance in online and in brick-and-mortar facilities, as well as higher than expected jackpot rolls experienced in Lotto Max. While brick-and-mortar facilities performed well overall, growth rates were negatively impacted due to several factors, including the impact of the labour disputes and a changing table game landscape.

Revenue per Capita is expected to increase further in fiscal year 2019/20, driven by new initiatives that are anticipated to be launched in the market and reflecting normalized revenue following the resolution of labour disputes. The impact of these factors is partially tempered by the expected normalization in jackpot rolls in Lotto Max from the previous year.

In previous years, BCLC used the Player Participation measure to indicate the number of adult British Columbians who purchased BCLC products in the past year. Increasing the percentage of adults in B.C. who play any BCLC game is not our objective moving forward. Beginning next year BCLC will introduce new measures that will reflect BCLC's new strategy, and objective to increase the frequency of play and increase the number of games played by our intended player base.

Goal 2: People – we have the right talent to deliver exceptional business results

BCLC takes a rigorous and standardized approach to performance management and employee compensation that stays within the guidelines set out by the Public Sector Employers' Council. BCLC's talent strategy provides a framework to guide the application of all aspects of our human resource practices. We are preparing for changing workforce demographics that will ensure BCLC has the right talent to deliver exceptional business results in an environment of changing demands and evolution of the business. The talent strategy provides the foundation to build organizational capacity and capability, incorporating a diverse and inclusive culture focused on employee engagement.

Objective 2.1: Build an engaged workforce and strong culture

Key Strategies:

We know, understand and engage employees

We are working to develop an even greater understanding of our workforce and gather their diverse perspectives in order to support the creation of an engaging employee experience. We need the diverse perspectives and contributions of all employees in order to be leaders in the marketplace. We are embracing the philosophy of agility and are committed to learning through continuous improvement. We are driven by the perspective that when we put our employees first they will, in turn, put our customers first. Putting customers first is key to business success.

We will be leaders in diversity and inclusion

BCLC is embedding diversity and inclusion practices into our culture. BCLC will focus on implementing inclusive leadership training and practices, removing unconscious bias in processes, systems and our procurement partnerships.

We are creating an integrated, value added total rewards program

For 12 consecutive years, BCLC has been named one of B.C.'s Top Employers. Competition for qualified talent is strong and therefore we continue to pursue excellence in the programs, services and experiences we offer to our workforce. In order to compete within the marketplace to attract and retain talent, BCLC will redesign and implement its recognition and wellness programs while maintaining consistency with the Public Sector Employers' Council guidelines. We will communicate the benefits of the employee value proposition for current and future employees.

Performance Measures	2017/18 Actual	2018/19 Forecast	2019/20 Target	2020/21 Target	2021/22 Target
2.1a Employee Engagement ¹	86%	86%	86%	86%	86%

¹ Data Source: Anonymous [online survey](#) among BCLC employees, conducted annually by a third-party market research professional using industry standard techniques. Employee Engagement is defined as the intellectual and emotional commitment employees have in an organization and reflects the dedication employees exert to contribute to the organization's success.

Linking Performance Measures to Objectives:

- 2.1a A passionate and engaged workforce is more productive and will help drive the success of our business.

Discussion

In 2017/18 we achieved a high employee engagement score of 86 per cent. While we recognize that maintaining the high results is a challenge, we are focused on keeping our employee engagement scores at this high level (and well above the Canadian average of 69 per cent⁶) based on our commitment to being an employer of choice and creating an engaging employment experience for all employees. BCLC's third-

⁶ [AON: Employee Engagement in Canada](#)

party market research professional, which conducts this survey, indicates that a change in this measure of less than three per cent is not statistically significant.

Goal 3: Public – our business and the benefits it creates are understood, trusted and supported by British Columbians

Objective 3.1: Build awareness of BCLC’s positive contributions to the community

Key Strategies:

We are a partner for socio-economic growth in communities

BCLC strives to make business decisions that reflect and include local perspectives and provide benefits to the community that are broader than the bottom line. Over the past few years, we have actively engaged with municipalities to share how Host Local Government revenue benefits communities and will continue to share this information throughout the province through BCLC’s [“Play it Forward”](#) community outreach and advertising program.

BCLC’s sponsorship program is focused on supporting the communities in which we operate.

BCLC has a strong history of volunteerism and many employees choose to donate their time and skills and take advantage of BCLC’s formal volunteer program.

Our games are fair, our facilities and platforms are safe and secure

Sustaining net income depends on BCLC’s ability to build the public’s understanding, trust and support of our business by being a good corporate citizen, demonstrating integrity in what we deliver and how we deliver it, and being transparent in how we manage and conduct our business. It is paramount the public understands our products are fair and our facilities are safe.

As a priority, BCLC strives to protect its casinos from being targeted by criminals through a comprehensive anti-money laundering program built to meet or exceed federal requirements under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and through formal cooperative efforts with casino service providers, police and regulators. On a continuing basis, BCLC works with regulators collaboratively to update and adapt its anti-money laundering program to ensure casinos in B.C. are protected from money laundering and terrorist threats, as well as meet or exceed all legal requirements. This is done with key guidance from the federal regulatory body responsible for anti-money laundering – The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) and the provincial gaming regulator, The Gaming Policy and Enforcement Branch (GPEB).

In July 2018, Government released Dr. Peter German’s independent review of B.C.’s anti-money laundering policies and practices in Lower Mainland casinos. Dr. German’s report, included 48 wide-ranging recommendations for the industry. We are actively working with government through the Anti-Money Laundering Deputy Minister Committee to support the government’s plan on responding to these recommendations.

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Performance Measures	2017/18 Actual	2018/19 Forecast	2019/20 Target	2020/21 Target	2021/22 Target
3.1a Public Recognition of Positive Contributions ¹	70%	70%	72%	74%	76%

¹ Data Source: Continuous tracking survey conducted online by a third-party market research professional. The study uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

Linking Performance Measures to Objectives:

- 3.1a BCLC's success depends on maintaining and growing community support to operate gambling on behalf of British Columbians. This measure helps us gauge our success in building the public's recognition of the positive contributions of our gambling business so that our business and its benefits are better understood, trusted and supported by British Columbians.

Discussion

Recent media coverage has impacted the public's perceptions of BCLC. In the coming years we will be seeking opportunities to provide more information to the public on how BCLC operates, and how the proceeds of gambling revenue to governments contribute positively to communities. This will mean we will have the ability to tell more stories of how communities and other recipients of gaming revenue have benefited.

Objective 3.2: BCLC is perceived as transparent

Key Strategies:

We are open and accountable

We are committed to sharing information with municipal, business and community stakeholders and the public to create awareness and understanding about BCLC and the gambling industry. We proactively disclose relevant information about BCLC to media, via bclc.com and the BCLC Social Responsibility Report. We will proactively communicate major corporate initiatives and activities to the public, the media and our employees in order to be transparent, accountable and build awareness and understanding of our organization. We will also proactively share information with GPEB that assists the branch in meeting its responsibilities for the overall integrity of gambling and horse racing and will provide advice on broad policy, standards and regulatory issues.

Performance Measures	2017/18 Actual	2018/19 Forecast	2019/20 Target	2020/21 Target	2021/22 Target
3.2a Public Perceptions of BCLC's Transparency ¹	60%	58%	60%	62%	65%

¹ Data Source: Continuous tracking survey conducted online by a third-party market research professional. The study uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

Linking Performance Measures to Objectives:

- 3.2a To build the public's trust and support of our business, it is important that we are transparent so that our business and its benefits are understood by British Columbians. Public perception of BCLC's transparency helps us gauge our success in becoming increasingly open and accountable.

Discussion

The ongoing media commentary regarding money laundering concerns in B.C. have had a negative impact on the public's perception of BCLC. However, in 2016/17 this measure was at 64 per cent, so we intend to return to that public perception level within the Service Plan period. We will continue to act with integrity, be proactive in communicating about our business and engage with municipal, business and community stakeholders, the media and the public.

Goal 4: Profit – we will optimize net income through investing to sustain the long-term health of our business

BCLC fosters a culture of cost-consciousness and is committed to operating efficiently and effectively. As part of our mandate, we will optimize BCLC's financial performance and sustain net return to the Province in accordance with government policy, directives under the *Gaming Control Act* and Treasury Board direction. Our mandate and business models offer BCLC the opportunity to garner strong profit margins, and thus, growing revenue is the key to making a significant positive impact to our net income.

Objective 4.1: Generate net income for the benefit of all British Columbians efficiently

Key Strategies:

Define and implement the innovative experiences our players want

We will leverage investments in the PlayNow.com infrastructure to provide the digital connection with our brick-and-mortar environments in order to improve the player experience. We will continue to monitor consumer trends so that we can deliver relevant products and experiences that meet player expectations and provide value for money. Additionally, we will continue to improve our approach to support responsible gambling to improve player health.

Improve operational efficiency and effectiveness

We will invest in systems and technology required to support the long-term health of the business.

Collaborate and leverage the capabilities of our vendors, service providers and retailers

We will continue to work with our contracted casino and community gaming facility service providers and lottery retailers to distribute our games to customers with outstanding service. The distribution of our games spans brick-and-mortar locations as well as mobile and web on PlayNow.com. These services will continue to evolve to serve the dynamic nature of our customers.

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We will also leverage the innovation around products and services from our many vendors to deliver our games in an effective and responsible manner in our regulated market.

Performance Measures	2017/18 Actual	2018/19 Forecast	2019/20 Target	2020/21 Target	2021/22 Target
4.1a Net Income (\$ millions) ¹	1,401	1,406	1,406	1,427	1,439
4.1b Comprehensive Cost Ratio (% of Revenue) ^{1,2}	41.7%	43.2%	44.1%	44.2%	44.4%

¹ Data Source: BCLC's financial plan, see page 18. Actual results are calculated in accordance with International Financial Reporting Standards (IFRS).

² The Comprehensive Cost Ratio (CCR) is the sum of direct, gaming support, operating, amortization and other costs (excluding interest and taxes) divided by revenue and expressed as a percentage.

Linking Performance Measures to Objectives:

- 4.1a Net income is the total amount of income generated by BCLC and delivered to the Province. This measure is a direct indicator of our success in meeting our mandate to generate net income for the benefit of all British Columbians.
- 4.1b The Comprehensive Cost Ratio (CCR) is a cost ratio used to gauge operational efficiency.

Discussion

BCLC net income benefits all British Columbians by funding public health care, education, charitable community programs, and other essential services the Province and our Host Local Governments provide.

Net income in the fiscal year 2018/19 forecast reflects a slight increase compared to the prior year, driven by an increase in revenue (see section 1.2b) and changes in cost structure to ensure the long-term health of the business (discussed in more detail in Key Forecast Assumptions, Risks and Sensitivities).

Fiscal year 2019/20 net income reflects normalized revenue operations and the launch of new initiatives. Revenue is expected to increase, primarily driven by new initiatives that are anticipated to be launched in the market and normalized revenue following the resolution of the labour disputes in certain casino facilities. This projected increase in net income is expected to be partially offset as Lotto Max and Lotto 6/49 jackpots are expected to return to historically normal levels after several years of an above average number of high jackpots. New initiatives such as launching Lotto Max game enhancements and opening a new casino property are dependent on external forces that are not fully within BCLC's control. For example, the Lotto Max game enhancements require collaboration and approval from other provincial lottery and gaming organizations, and the opening of casino properties is dependent on receiving municipal approval.

Investments to ensure the long-term health of the business will continue into fiscal year 2019/20 with increased focus on the lottery line of business.

The fiscal year 2018/19 CCR reflects BCLC's transition to a new Operational Services Agreement (OSA) with a revised commission structure for its casino and community gaming service providers. The OSA will drive better strategic alignment, strengthen accountability and drive incremental market

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growth in the long-term. Retailer and service provider commissions comprise the majority of the comprehensive cost base. As a result, CCR is most significantly impacted by BCLC's product mix sales as BCLC has a diversified portfolio of products which generate a wide range of gross margins. In addition, BCLC is continuing to make appropriate investments to ensure the long-term health of the business such as replacing lottery legacy systems and promoting player health.

Increasing CCR in fiscal year 2019/20 is primarily due to the implementation of a revised Lottery Retailer Agreement with an enhanced retail compensation structure for all of its lottery retailers. These changes are a means to increase compliance with age-restriction policies and to invest in our retail partners' success, setting the course to ensure retailer engagement and support during a pivotal period in which we will be making critical Lotto Transformation investments at retail.

Changes to Performance Measures

BCLC reviews its strategic direction regularly, and as it evolves, we review and adjust the associated performance measures so that the organization can measure its progress against its strategic goals.

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Financial Plan

Summary Financial Outlook

Consolidated Corporate Operations

\$ Millions	2017/18 Actual	2018/19 Forecast	2019/20 Budget	2020/21 Budget	2021/22 Budget
Revenue	2,503	2,587	2,637	2,684	2,719
Direct Costs	779	822	858	872	881
Gaming Support Costs	42	45	48	49	51
Operating Costs	149	170	177	180	182
Amortization and Other	75	81	83	89	97
Total Costs	1,045	1,118	1,166	1,190	1,211
Net Income Before Taxes	1,458	1,469	1,471	1,494	1,508
Taxes	57	63	65	67	69
Net Income	1,401	1,406	1,406	1,427	1,439
Liabilities	517	486	516	540	544
Accumulated Deficit	(17)	(17)	(17)	(17)	(17)
Accumulated Other Comprehensive Loss	(33)	(33)	(33)	(33)	(33)
Total Deficit	(50)	(50)	(50)	(50)	(50)
Capital Expenditures	82	80	105	105	90

Key Forecast Assumptions, Risks and Sensitivities

Net income targets are updated through a reforecasting process that analyzes recent revenue trends for each product category to build a projection of baseline contribution margin (revenues less direct costs). Baseline costs for fiscal year 2019/20 were estimated using a zero-based budgeting approach. Incremental revenues and costs from strategic initiatives are incorporated into baseline projections and result in the financial plan.

Revenue is projected to increase by \$132 million or 1.7 per cent compounded annually over the three-year period (fiscal year 2018/19 - fiscal year 2021/22).

Private sector service providers own and operate gambling facilities on behalf of BCLC and employ unionized staff. Union contract agreement expiry dates vary by facility, with contracts for four major sites expiring in fiscal year 2021/22. Future BCLC revenue targets assume contract negotiations

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between the service providers and unionized employees continue to be successful, resulting in no labour disruptions.

Direct costs include private sector service provider and retailer commissions, lottery ticket and bingo paper printing, supplies and leases. These are driven by revenue projections of each product category. Direct costs are forecasted to increase \$59 million or 2.3 per cent compounded annually over the three-year period. The increase in direct costs is primarily a function of increase in revenue, and also reflects increases due to the implementation of a revised Lottery Retailer Agreement with an enhanced retail compensation structure for lottery distributors.

Gaming support costs are expenses that support revenue generation including systems support, data transmission, equipment installation, product delivery, and internet-based software licence and service fees. These costs are projected to increase by \$6 million or 4.3 per cent compounded annually over the three-year period. Costs in this area are forecasted to increase in line with industry trends as BCLC continues to make investments in technology to sustain and enhance core systems that support our player experiences. Also, systems support costs associated with maintaining our online and mobile-enabled gambling site, PlayNow.com, are expected to rise to keep pace with upgrades to our players' desktop operating systems, browsers, security systems and mobile devices.

Changes in technology delivery are driving a market shift from owned and constructed assets to cloud-based services (cloud). BCLC is reviewing the applicability of cloud to its business and assessing the associated risks and opportunities. As a result, the potential impact of adopting cloud is not reflected in the financial projections. Should BCLC choose to transition to cloud, the expected long-term impact is an increase in BCLC's operating spend, offset with a decrease in BCLC's capital spend. In the short-term as organizations transition to cloud, a range of financial impacts can occur from many factors, including volatility in costs due to variable usage, degree of automation and systems management, increased costs due to increased business demands/growth and cost overlap with existing technology that may not be fully depreciated.

Operating costs include advertising and marketing, staffing costs, professional fees, rent, equipment and goods, communications and financial costs. Operating costs are projected to increase by \$12 million or 2.3 per cent compounded annually over the three-year period to support revenue generation. Included in this increase are the estimated operating costs required to replace lottery legacy systems and to promote player health. The lottery legacy system replacement project involves the replacement of equipment and software identified as high-risk as they are near end-of-life, and the majority of lottery revenue relies on this critical equipment and software.

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Sensitivity Analysis

As indicated above, the business planning process involves a thorough analysis of revenue trends by product category to determine baseline organic growth assumptions. Incremental revenue is added from new and strategic initiatives. As a result, the three-year plan is sensitive to changes in sales mix along with risks associated with future initiatives, such as execution risk, market acceptance and success of new products and facilities.

Below is the table outlining the sensitivities in revenue given the above factors.

	2019/20		2020/21		2021/22	
	High	Low	High	Low	High	Low
Revenue Target	2,637	2,637	2,684	2,684	2,719	2,719
Forecast Risks and Sensitivities						
1% change in Slot Growth Assumption	15	(15)	15	(15)	15	(15)
Volatility in Tables		(10)		(10)		(10)
Market adoption/success of new initiatives		(20)		(34)		(39)
Revenue Risk Adjusted	2,652	2,592	2,699	2,625	2,734	2,655

Management's Perspective on the Financial Outlook

Delivering on our net income commitments to Government continues to be challenging given market conditions and trends, especially in the already volatile table business. The overall gambling industry in B.C. is at a mature stage with stable net income and a modest growth outlook.

Our two major business units (lottery and casino) are mature and face market growth challenges. Revenues are flattening and margins are sensitive to shifts in product mix. Lottery revenues are heavily dependent on the national games' jackpot rolls, resulting in lottery revenue volatility. As well, revenues from these business units rely predominantly on a core, aging player base.

BCLC's gambling product portfolio depends heavily on the performance of our core six products (slots, tables, Lotto Max, Lotto 6/49, Keno and Scratch & Win), which comprise more than 90 per cent of our total contribution margin (revenue less direct costs).

The projections presented position BCLC to make the necessary investments to ensure the long-term health of the business. We continue our focus on innovation to retain our existing intended players, and provide opportunities to increase their frequency of play and the number of different games played, by supporting and enhancing existing products (e.g. replacing lottery legacy systems) and developing new content and experiences. These opportunities require time and investment before we will realize net income growth.

BCLC is committed to managing our business responsibly in this ever-evolving environment. Investment decisions which enable future business growth and competitiveness are balanced with cost management in order to deliver our net income commitments to Government. We are continually managing costs and looking for ways to operate our business more efficiently and effectively.

Major Capital Projects

Currently there are no major capital projects (over \$50 million) approved through our business planning process.

Significant IT Projects

Lottery Terminals and Systems Replacement

This project involves the replacement of equipment that has been identified as legacy, including retail lottery equipment and supporting systems. This equipment is nearing end-of-life and supports the majority of lottery revenue. The capital estimate available at this time is approximately \$40 million and the project is estimated to complete in fiscal year 2021/22.

Appendix A: Hyperlinks to Additional Information

Corporate Governance

[Governance and Oversight](#)
[BCLC Senior Executive](#)

Organizational Overview

[Mission and Values](#)
[Who we are](#)
[What we do](#)
[Customer support](#)

Appendix B: Subsidiaries and Operating Segments

Active Subsidiaries

The consolidated financial statements of BCLC include a wholly-owned subsidiary, B.C. Lottotech International Inc. (“Lottotech”). The primary purpose of Lottotech is to purchase capital assets for BCLC. These assets are leased back to BCLC and the major expense is the amortization on the capital acquisitions as well as disposal costs on equipment. Increasing costs of equipment disposal are the primary drivers of the historical and projected net losses in Lottotech. As BCLC replaces lottery legacy equipment and other legacy investments, there will be associated disposal costs. The management and oversight of Lottotech is consolidated within BCLC operations and the Board reviews and approves capital budgets through the business planning process.

All BCLC capital expenditures (refer to Financial Plan) are planned to be purchased through Lottotech, with the only exception being employee costs related to developing assets or attributable to preparing the asset for its intended use.

Lottotech’s business activities are in alignment with BCLC’s mandate, strategic priorities and fiscal plan.

Summary Financial Outlook Table for Each Active Subsidiary

\$ Millions	2017/18 Actual	2018/19 Forecast	2019/20 Budget	2020/21 Budget	2021/22 Budget
Total Revenue	63.2	64.7	69.1	74.0	81.2
Total Expenses	63.0	64.5	68.9	73.8	81.0
Income from Operations	0.2	0.2	0.2	0.2	0.2
Other Income (Expenses)	(1.0)	(2.5)	(0.4)	(0.4)	(0.4)
Net Income (Loss)	(0.8)	(2.3)	(0.2)	(0.2)	(0.2)

Lottotech’s publicly available financial statements can be found in [BCLC’s 2017/18 Annual Service Plan Report](#).

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Business Units' Income Statement

\$ millions	<u>Actual</u> 2017/18	<u>Forecast</u> 2018/19	<u>Budget</u> 2019/20	<u>Budget</u> 2020/21	<u>Budget</u> 2021/22
Lottery					
Revenue	477	518	495	508	512
Less: direct expenses	<u>84</u>	<u>91</u>	<u>101</u>	<u>104</u>	<u>105</u>
	<u>393</u>	<u>427</u>	<u>394</u>	<u>404</u>	<u>407</u>
Operating expenses:					
General Operating	45	53	58	58	55
Gaming Support	15	15	16	17	18
Amortization	8	9	9	8	16
Other	<u>1</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>3</u>
	<u>69</u>	<u>79</u>	<u>86</u>	<u>86</u>	<u>92</u>
Net Income Before Taxes	324	348	308	318	315
Taxes	<u>11</u>	<u>13</u>	<u>14</u>	<u>14</u>	<u>15</u>
Net income	<u><u>313</u></u>	<u><u>335</u></u>	<u><u>294</u></u>	<u><u>304</u></u>	<u><u>300</u></u>
e-Gaming					
Revenue	120	145	158	169	177
Less: direct expenses	<u>21</u>	<u>31</u>	<u>31</u>	<u>33</u>	<u>34</u>
	<u>99</u>	<u>114</u>	<u>127</u>	<u>136</u>	<u>143</u>
Operating expenses:					
General Operating	15	17	18	18	19
Gaming Support	7	9	10	10	10
Amortization	6	5	3	3	3
Other	<u>-</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
	<u>28</u>	<u>32</u>	<u>32</u>	<u>32</u>	<u>33</u>
Net Income Before Taxes	71	82	95	104	110
Taxes	<u>5</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>
Net income	<u><u>66</u></u>	<u><u>76</u></u>	<u><u>89</u></u>	<u><u>98</u></u>	<u><u>104</u></u>
Casino & Community Gaming					
Revenue	1,906	1,924	1,984	2,007	2,030
Less: direct expenses	<u>674</u>	<u>700</u>	<u>726</u>	<u>735</u>	<u>742</u>
	<u>1,232</u>	<u>1,224</u>	<u>1,258</u>	<u>1,272</u>	<u>1,288</u>
Operating expenses:					
General Operating	89	100	101	104	108
Gaming Support	20	21	22	22	23
Amortization	55	58	64	71	71
Other	<u>5</u>	<u>6</u>	<u>3</u>	<u>3</u>	<u>3</u>
	<u>169</u>	<u>185</u>	<u>190</u>	<u>200</u>	<u>205</u>
Net Income Before Taxes	1,063	1,039	1,068	1,072	1,083
Taxes	<u>41</u>	<u>44</u>	<u>45</u>	<u>47</u>	<u>48</u>
Net income	<u><u>1,022</u></u>	<u><u>995</u></u>	<u><u>1,023</u></u>	<u><u>1,025</u></u>	<u><u>1,035</u></u>

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Operating Segments

Capital Expenditures for each Operating Segment

\$ Millions	2017/18 Actual	2018/19 Forecast	2019/20 Budget	2020/21 Budget	2021/22 Budget
Gambling Systems					
Lottery	11	12	25	52	27
eGaming	4	3	2	2	2
Casino & Community Gaming	60	51	63	39	51
Total Gambling Systems	75	66	90	93	80
Infrastructure & Corporate Systems	6	13	14	11	9
Corporate Facilities	1	1	1	1	1
Other Capital	7	14	15	12	10
Total Capital	82	80	105	105	90

Lottery

Lottery's key initiative is the replacement of legacy systems and equipment, as the current infrastructure is near end-of-life.

eGaming

eGaming continues to expand player participation on PlayNow.com through exciting new casino and sports content and applications to improve player experiences on mobile devices.

Casino and Community Gaming

One of Casino and Community Gaming's key initiatives is to provide players with new and exciting games and entertainment options. This also includes collaboration with our private sector service providers to revitalize several existing casino properties throughout the province by renewing and refreshing amenities and the gambling mix to stay relevant and to encourage repeat visits. In addition, we are working towards rolling out PlayPlanner, a new, optional budgeting tool that lets players set time and money limits on slot machines to help them plan how much they want to play each day.

Appendix U

BCLC Service Plan 2020/21-2022/23 (BCLC0016651).



BC Lottery Corporation

**2020/21– 2022/23
SERVICE PLAN**

February 2020



For more information on the British Columbia Lottery Corporation (BCLC) contact:

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Board Chair Accountability Statement



The 2020/21 – 2022/23 BCLC Service Plan was prepared under the Board’s direction in accordance with the *Budget Transparency and Accountability Act*. The plan is consistent with government’s strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported. The Board is responsible for the validity and reliability of the information included in the plan.

All significant assumptions, policy decisions, events and identified risks, as of February 5, 2020, have been considered in preparing the plan. The performance measures presented are consistent with the *Budget Transparency and Accountability Act*, BCLC’s mandate and goals, and focus on aspects critical to the organization’s performance. The targets in this plan have been determined based on an assessment of BCLC’s operating environment, forecast conditions, risk assessment and past performance.

A handwritten signature in black ink, appearing to read 'Peter Kappel', with a stylized flourish at the end.

Peter Kappel
Board Chair

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Strategic Direction and Alignment with Government Priorities

The Government of British Columbia remains focused on its three strategic priorities: making life more affordable, delivering better services, and investing in a sustainable economy. Crowns are essential to achieving these priorities by providing quality, cost-effective services to British Columbia families and businesses.

Additionally, where appropriate, the operations of Crowns will contribute to:

- The objectives outlined in the government’s newly released A Framework for Improving British Columbians’ Standard of Living,
- Implementation of the *Declaration on the Rights of Indigenous Peoples Act* and the Truth and Reconciliation Commission Calls to Action, demonstrating support for true and lasting reconciliation, and
- Putting B.C. on the path to a cleaner, better future – with a low carbon economy that creates opportunities while protecting our clean air, land and water as described in the CleanBC plan.

By adopting the Gender-Based Analysis Plus (GBA+) lens to budgeting and policy development, Crowns will ensure that equity is reflected in their budgets, policies and programs.

As a Crown corporation, British Columbia Lottery Corporation (BCLC) is responsible for the conduct and management of commercial gambling on behalf of the Government of British Columbia, including lottery, casino, bingo and online gambling. The net income BCLC generates is delivered to the Province to fund health care, education and important services and programs across B.C.

BCLC is focused on delivering its strategic priorities, as established by Government and as outlined in the BCLC 2020/2021 [Mandate Letter](#). These instructions form part of BCLC’s strategic context, and along with economic and market trends, inform the business choices it makes and ensure the business interest is being served.

BCLC is aligned with the Government’s key priorities:

Government Priorities	BCLC Aligns with These Priorities By:
Delivering the services people count on	<ul style="list-style-type: none"> • No one is harmed from gambling offered by BCLC (Goal 1)
A strong, sustainable economy	<ul style="list-style-type: none"> • Our business does not create opportunities for criminal activity (Goal 2) • BCLC delivers our promised financial return to the Province of B.C. (Goal 4)

Operating Environment

BCLC offers gambling entertainment products across the Province through brick-and-mortar facilities and online, including mobile applications. BCLC relies on service providers and retailers to deliver its products in brick-and-mortar facilities while it delivers directly online and mobile offerings through

PlayNow.com.

BCLC's vision is "We deliver exceptional gambling entertainment". While BCLC is the only organization legally permitted to manage and conduct commercial gambling in British Columbia, it competes with casinos nearby across the border with the United States, borderless online sites and with many other entertainment options vying for consumers' discretionary dollars.

Player Experience

BCLC operates in a crowded entertainment market¹; competing for players' time and spend on entertainment options such as movies, concerts and in-home entertainment experiences. People are increasingly seeking immersive entertainment experiences and their expectations are set by their last, best experience.

BCLC customer research shows that customer perceptions of experience are based upon a mix of the product experience and the purchase experience. Research by BCLC has also highlighted that the purchase experience has a greater impact on overall customer satisfaction than the product itself.²

Mobile devices have fundamentally changed how people interact with each other and businesses and companies are converging the retail and digital experiences for their customers. They are moving away from simply offering a website which is disconnected from the rest of the business to integrating the experiences as customers move between distribution channels.

BCLC is expanding its focus beyond products and distribution to focus on player experience and seeking opportunities to offer omnichannel experiences and products (i.e. offering similar products and/or experiences across distribution channels). Player health is a key component of the player experience and BCLC will continue to integrate player health into decisions regarding both its products and how they are delivered.

Anti-Money Laundering (AML)

The Government of B.C. has completed three independent reviews into money laundering in the province's economy; including Dr. Peter German's independent review of B.C.'s anti-money laundering policies and practices in Lower Mainland casinos ([German Report](#)). BCLC has a steadfast commitment to combatting the risk of money laundering in its business and is working with government and regulators to respond to the recommendations in Dr. German's report. A number of recommendations have already been addressed. Notably, in 2018, BCLC implemented Dr. German's interim recommendation requiring bank-level proof for cash buy-ins of \$10,000 or more in a 24-hour period. This has resulted in changes in player behaviour including a reduction in unsourced cash and is one factor that has led to a decline in BCLC's table game business. BCLC continues to monitor this impact. BCLC continues to implement further audit reviews, staff education and changing business practices to address the risk of money laundering in its business.

¹ The Kantar Group. (2018). *Needstates Index (commissioned by BCLC)*.

² IPSOS. (2018). *Player Experience Index (commissioned by BCLC)*.

In May 2019, Government announced the Commission of Inquiry into Money Laundering in British Columbia. BCLC has been granted standing as a participant with relation to the gambling and horse racing sections and not the full scope of the inquiry. The hearings are scheduled to commence in February 2020 and conclude at the end of 2020. The inquiry encompasses a variety of other matters including the real estate market and other sectors of the economy. The Commission is expected to deliver its final report by May 2021.

Social Purpose Expectations

People are expecting more from businesses. They are expected to be leaders in social change; supporting not only their employees but the communities in which they operate.³

In today's hyperconnected world, customers are scrutinizing organizations' impact on society, whether it is how well a product meets peoples' needs, how manufacturing processes impact the environment or how employees feel about their jobs. Eighty six per cent of millennials think that business success should be measured on more than just financial performance.⁴

Business leaders are adjusting to these new expectations in part by publicly stating their company's values and demonstrating those values in their business practices and decisions. BCLC aspires to become a social purpose organization⁵. It has started this journey and while it explores this opportunity, it continues to strengthen its social responsibility practices.

Player Health Impacts

For most people, gambling is entertainment. However, any gambling product has the inherent potential to cause harm and there are players who experience gambling problems. Problems with gambling are often connected to other existing factors such as substance abuse and mental health conditions. In addition to impacting the person with the addiction, problem gambling impacts those around them and can also have far ranging social impacts.

While BCLC recognizes it cannot control individuals or directly address the fundamental personal and emotional problems that may underlie gambling disorders and gambling-related harms, with the right combination of communications, tools, product safety measures and interventions, the organization can make a significant positive impact on the health of its customers. BCLC is providing GameSense staff in all casinos to engage players and have a positive impact on their health.

Organizational Change

BCLC has recently introduced a new strategy that is articulated within this Service Plan. The new strategy is influencing how employees work together to achieve BCLC's goals. In addition, it's expected that a number of new executives will be onboarded to fill roles that are currently vacant.

³ [The rise of the Social Enterprise: 2018 Deloitte Global Human Capital Trends](#)

⁴ [Deloitte Millennial Survey 2017](#)

⁵ [Conference Board of Canada](#): Social purpose companies are profit-driven businesses whose core purpose is to contribute positively to society. They use their products, supply chains, people, capital, influence, relationships, real estate, and scale to accelerate positive impacts. As a positive force for change in everything they do, they become multipliers for responsible business practices and sustainable development in society.

BCLC is committed to ensuring that the executive complement across Vancouver and Kamloops remains consistent.

Performance Plan

In 2019, BCLC drafted a new corporate strategy to better position the organization to meet the changing needs of its players, ensure the long-term sustainability of the business and achieve the vision, “We deliver exceptional gambling entertainment”. BCLC’s mission is to operate gambling responsibly to benefit all British Columbians. In reviewing the organization’s strategic direction, it identified five goals which reflect the vision and mission and the results BCLC wants to achieve: no one is harmed from gambling offered by BCLC; our business does not create opportunities for criminal activity; BCLC is respected for how we operate; BCLC delivers our promised financial return to the Province of B.C.; and players are entertained.

The following section outlines these goals, the corresponding strategies and the performance measures used to track progress against BCLC’s strategic goals over time. As a result of the new strategy and goals, BCLC has introduced new performance measures. With the exception of net income, all performance measures reported on in past Service Plans have been retired.

Goal 1: No one is harmed from gambling offered by BCLC

BCLC understands that the pursuit of “exceptional entertainment” includes a commitment to supporting the wellbeing of all players and looking for opportunities to make products and environments safer. BCLC is committed to offering safe gambling and supporting the wellbeing of all players, including those who are at risk of developing a gambling problem.

Objective

1.1 Reduce the percentage of players who scored as high risk on the Problem Gambling Severity Index (PGSI).

Key Strategies:

- Develop improvements to the Voluntary Self-Exclusion (VSE) Program to eliminate instances whereby self-excluded players gain entry to a casino, community gaming centre or log onto PlayNow.com. In addition, provide additional supports for those who want to return to gambling.
- Determine approaches to identifying and responding to high at-risk play and provide tools for players to address this high at-risk behaviour.
- Reduce myths and misconceptions regarding gambling products and increase understanding of how games work and safe gambling practices.
- Continue to build the expertise and knowledge of expanded GameSense advisor team.

BCLC

Performance Measure	2018/19 Actuals	2019/20 Forecast	2020/21 Target	2021/22 Target	2022/23 Target
1.1 Percentage of BCLC players who scored as high risk on the PGSI Index	8%	8%	7%	6%	5%

Data Source: Continuous tracking survey conducted online by a third-party research professional. Study uses market research industry standard techniques to randomize the sample while retaining gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census. To qualify for these measures, a respondent will need to have played at least one BCLC game in the past year.

Linking Performance Measures to Objectives:

The Problem Gambling Severity Index (PGSI) is a self-reported, standardized measure of assessing at-risk gambling behaviours. It is a globally used tool based on research of common signs and consequences of problematic gambling. Players who score eight or higher are considered to be at high risk for problem gambling. Measuring PGSI allows BCLC to monitor the proportion of high risk players in its player base.

Discussion:

BCLC has introduced the new PGSI measure to better align with its corporate strategy that no one is harmed from its gambling products. BCLC has looked at PGSI scores by its products to identify potential high-risk play associated with each individual product and in the coming years, BCLC intends to initiate actions to educate high-risk players and encourage healthy gambling. In addition, improvements to the VSE program are planned to reduce gambling-related harm. Through these efforts, and a focus on encouraging healthy play and making its products, environments and services safer for players, BCLC intends to reduce the percentage of players with high-risk PGSI scores over the next three years.

Goal 2: Our business does not create opportunities for criminal activity

Any criminal activity related to gambling and BCLC's business is a concern for British Columbians and BCLC will take action to eliminate these risks.

Objectives

- 2.1a Reduce the number of incidents related to potential crime in and near BCLC's facilities (both brick-and-mortar and online) and/or related to a BCLC-managed gambling product.
- 2.1b Improve public perceptions about the safety and security of gambling in casinos in BC.

Key Strategies:

- BCLC continues to collaborate with Gaming Policy Enforcement Branch (GPEB) to establish an independent regulator, shift the casino industry to a standards based model, and amend the *Gaming Control Act*, which were recommendations from the German Report.

BCLC

- Further modernize and streamline AML processes and analysis of gambling activities, including online gambling, player accounts, source of funds reporting, and ongoing monitoring of certain customers and transactions.
- Seek and implement an enhanced and scalable AML software solution that has been operationalized and implemented in the casino environment. The solution will enable BCLC to meet its reporting and regulatory requirements for recently implemented and anticipated new AML controls, and to integrate and extend existing reporting capabilities, intelligence and analytics.

	2018/19 Actuals	2019/20 Forecast	2020/21 Target	2021/2022 Target	2022/23 Target
2.1 Number of incidents of reports of potential crime ¹	4,826	4,585	4,355	4,138	3,930
2.2 Perception of gambling in BC casinos being safe and secure ²	52%	50%	51%	52%	53%

¹Data Source: BCLC iTrak (an internal software platform used for daily log reporting and incident management) and Salesforce Database

²Data Source: Continuous tracking survey conducted online by a third-party market research professional. The study uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistic's Canada Census. Population base used – 2016 Census BC 19+.

Linking Performance Measures to Objectives:

Incidents of reports of potential crime

Under Section 86 of the *Gaming Control Act* and Section 34 of the *Gaming Regulations Act*, BCLC and its service providers are required to report to GPEB any conduct or activity that may be contrary to the *Criminal Code* if it occurs at or near a BCLC gaming facility (both bricks and mortar and online) or is in connection with a BCLC product. For the purposes of this measurement, BCLC has focused on certain relevant categories of potential crime. Examples of such incidents include allegations of: cheating at play, theft, assault and money laundering.

In 2018, for BCLC, there were 0.97 incidents of reports of potential crime per 1,000 population. For reference, the [Crime Statistics in British Columbia, 2018](#) report indicates that in 2018 the crime rate in B.C. was 74 offences per 1,000 population.

By monitoring the frequency of these incidents, BCLC can assess the prevalence and impact of potential criminal activity related to gambling in our business and introduce new security measures where necessary.

Perception of gambling in BC casinos being safe and secure

The above performance measure assesses the percentage of the BC adult population that agrees with the statement “Gambling in casinos in BC is safe and secure”. Having fewer incident reports of

potential crime may instill confidence in the public about the safety and security of our gambling facilities which will be directly reflected in this perception measure.

Discussion:

BCLC continues to work with law enforcement, regulators, service providers, retailers and other stakeholders to implement security controls aimed at deterring the occurrence of criminal activities in our business. These efforts include banning those individuals found to be engaged in undesirable behaviour from BC casinos and implementing controls and requirements for source of gambling funds. BCLC is committed to continue developing strategies in collaboration with GPEB and law enforcement to effectively identify and mitigate criminal activities in our business.

Goal 3: BCLC is respected for how we operate

Government has entrusted BCLC to operate gambling within the province. BCLC depends on building and maintaining community support to operate gambling on behalf of British Columbians.

Objective

3.1 Improve public perceptions of how BCLC conducts business based on the following four areas:

- Integrity: BCLC operates fairly and honestly
- Social Responsibility: BCLC is a good corporate citizen
- Well managed: BCLC is a well-managed corporation
- Trust: The public has trust and confidence in the games offered by BCLC

Key Strategies:

- Continue to conduct mystery shops to ensure retailers comply with age-verification policies and leverage the Lottery Retailer Agreement to support compliance.
- Introduce a Player Health Plan component to service provider business plans to act as a road map towards achieving each facility's responsible gambling objectives and to help increase safer play and reduce gambling related harms.
- Seek ways to improve products, environments and marketing in order to ensure safer and healthier gambling experiences for players.
- Continue to work with Government and GPEB to implement the German recommendations and continue to evolve BCLC's AML program in line with best practices and regulatory requirements.
- Assist GPEB and Government in meeting its responsibilities for the overall integrity of gambling and horse racing.
- Work with industry partners and support GPEB in the development of new regulatory gambling standards and the transition to a standards based model.
- Proactively communicate major corporate initiatives and activities to the public, the media and employees in order to be transparent, accountable and build awareness and understanding of BCLC's operations.

BCLC

- Share information with municipal, business and community stakeholders and the public to create awareness and understanding of BCLC and the gambling industry.
- Actively engage with communities, players and the public to share how Host Local Government revenue benefits communities and continue to share this information throughout the province through BCLC's Play it Forward community outreach and advertising.
- Continue BCLC's social responsibility and sustainability program and annual reporting on this initiative.
- Renew BCLC's Diversity & Inclusion strategy and seek opportunities to align with Government's commitment to diversity & inclusion and gender equity.

Performance Measure(s)	2018/19 Actuals	2019/20 Forecast	2020/21 Target	2021/22 Target	2022/23 Target
3.1a Integrity	61%	61%	63%	66%	68%
3.1b Social Responsibility	62%	62%	63%	64%	66%
3.1c Well managed	61%	61%	63%	65%	68%
3.1d Trust	63%	63%	64%	66%	67%

Data Source: Continuous tracking survey conducted online by a third-party market research professional. The study uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistic's Canada Census.

Linking Performance Measures to Objectives:

The above performance measures assess the percentage of the B.C. adult population that agrees with the above four statements in relation to BCLC's operations. BCLC has identified that in order for the public to respect how it operates, it would be integral for the public to believe that BCLC conducts business in a fair, honest, transparent and trustworthy manner, and that everything BCLC does is done with consideration of its impact on and for the people and communities of B.C.

Discussion:

In previous service plans, the measures used were Public Recognition of Positive Contributions and Public Perceptions of BCLC's Transparency. However, the measures were recognized as not appropriately reflecting the full scope of the goal "BCLC is respected for how we operate". As such, the scope of assessing public perceptions has been adjusted and expanded in relation to BCLC and its operations.

The ongoing media commentary regarding money laundering in B.C. has had a negative impact on the public perceptions of BCLC. However, BCLC is committed to continuously improving operations to meet and surpass the public's expectations of its business and will continue to explore ways to strengthen its social responsibility practices. BCLC will also provide more information to the public about how it operates and how the proceeds of gambling revenue to government contribute positively to the Province of B.C. Through these efforts, BCLC intends to maintain 2018/19 public perception levels and continuously improve over the next three years.

Goal 4: BCLC delivers our promised financial return to the Province of B.C.

BCLC's mandate is to generate net income for the benefit of all British Columbians.

Objective

4.1: Optimize net income through investing to sustain the long-term health of the business

Key Strategies:

- Identify and develop actions around business processes in order to improve operational efficiency and continue to foster a culture of cost consciousness.
- Continue to collaborate and leverage the capabilities of vendors, service providers and retailers to deliver games in an effective and responsible manner in the regulated market.
- Leverage investments in PlayNow.com infrastructure to provide the digital connection with brick-and-mortar environments in order to improve the player experience.

Performance Measures	2018/19 Actual	2019/20 Forecast	2020/21 Target	2021/22 Target	2022/23 Target
4.1 Net Income (\$ millions) ¹	1,415	1,376	1,374	1,376	1,413

¹ Data Source: BCLC's financial plan, see page 16. Actual results are calculated in accordance with International Financial Reporting Standards (IFRS).

Linking Performance Measures to Objectives:

Net income is the total amount of income generated by BCLC and delivered to the Province, net of payments to the Federal government. This measure is a direct indicator of BCLC's success in meeting its mandate to generate net income for the benefit of all British Columbians.

Discussion:

Net income, net of payments to the Federal government, is the amount of money generated by BCLC and delivered to the Province of B.C., which uses it to fund the BC First Nations Gaming Revenue Sharing Agreement, public health care, education, charitable community programs, and other essential services the Province and Host Local Governments provide.

Net income in the fiscal year 2019/20 forecast reflects a decrease compared to the prior year, primarily due to Lotto jackpot normalization and changes in BCLC's cost structure to ensure the long-term health of the business such as: implementation of a revised Lottery Retailer Agreement with an enhanced retail compensation structure for lottery distributors, costs required to replace lottery legacy systems and to promote player health.

Overall revenue increased with the launch of the Lotto Max game enhancements, normalized Casino revenue following the resolution of the labour disputes in certain casino facilities and continued strong growth of products available on the PlayNow.com website. This projected increase in revenue was partially offset as Lotto Max and Lotto 6/49 jackpots returned to historically normal levels as expected after above average number of high jackpots experienced in the prior year as well as the continued decline in table games revenue. The continued softness in table games revenue was observed since the implementation of the Source of Funds declaration in January 2018. The reduction

 BCLC

in table revenues is expected to be long term and is reflected in the targets established for 2020/21 through 2022/23.

Fiscal year 2020/21 net income reflects modest revenue growth, offset with higher amortization and operating costs to maintain base business. It also reflects substantial completion of the lottery legacy replacement project.

Fiscal year 2021/2022 will be focused on investment in new initiatives expected to launch in future years such as the opening of the new casino in Delta and the relocation of the community gaming centre in Mission. New initiatives such as opening a new casino property are dependent on external forces that are not fully within BCLC's control. For example, the opening of casino properties is dependent on receiving municipal approvals and construction of the facility itself.

In previous years, BCLC used the Comprehensive Cost Ratio (CCR) to gauge operational efficiency. BCLC has and continues to foster a culture of cost consciousness and operational efficiency. Given changes in technology delivery (from owned and constructed assets to cloud-based services) and increased investments to ensure the long-term health of the business such as replacing lottery legacy systems and promoting player health, the CCR relevance has diminished; however, the commitment to cost consciousness remains steadfast. Operating in a mature market requires maintenance and innovation which does not necessarily come with an immediate corresponding increase in revenue. Furthermore, the CCR is most significantly impacted by BCLC's product sales mix as BCLC has a diversified portfolio of products which generates a wide range of gross margins. Shifts in product mix are a reflection of player preference for products they play more so than a reflection of BCLC's operational efficiency.

Goal 5: Players are entertained

BCLC is shifting from products and distribution to focus on player experience and seeking opportunities to offer omnichannel experiences and products which deliver enhanced entertainment.

Objective

5.1: Increase the Player Entertainment Needs Index Score

Key Strategies:

- Replace aging technology infrastructure to enable the launch of new games and content into the marketplace.
- Continue to improve ability to deliver relevant play recommendations, promotions and other communications based on a players' interactions with BCLC's products.
- Investigate account-based gambling as a foundation for delivering enhanced experiences and service for players. Including how it may also serve as a tool for player health information and communication.
- Continue to introduce games and content which seek to extend the play experience for players (e.g. bonus play).

BCLC

- Deliver additional value through the introduction of features to the Encore Loyalty program such as the ability to redeem for food and beverage within casino and community gaming sites.

Performance Measure(s)	2017/18 Actuals	2018/19 Forecast	2019/20 Target	2020/21 Target	2021/22 Target
5.1 Player Entertainment Needs Index Score	58	59	60	61	62

Data Source: Survey conducted online by a third-party research professional. Study uses market research industry standard techniques to randomize the sample while retaining gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census. To qualify for these measures, a respondent will need to have played at least one BCLC game in the past year.

Linking Performance Measures to Objectives:

The Player Entertainment Needs Index score is a composite measure assessing how well all BCLC products and activities are satisfying players' functional, social and emotional needs in relation to entertainment. This relates to both the overall strength of the BCLC brands and how satisfied players are with BCLC products.

Discussion:

Over the last year, BCLC has launched new products, accelerated jackpots and updated facilities to provide its players with a more entertaining experience across all product lines. BCLC will continue to be committed to better understanding customer preferences, how products resonate with them and make adjustments to products and facilities to provide a more entertaining player experience across all channels and product offerings. Through these efforts, BCLC expects to steadily improve its Player Entertainment Needs Index score in the years to come.

BCLC

Financial Plan

Summary Financial Outlook

Consolidated Corporate Operations

\$ Millions	2018/19 Actual ¹	2019/20 Forecast	2020/21 Budget	2021/22 Budget	2022/23 Budget
Revenue	2,590	2,606	2,631	2,652	2,728
Direct Costs	814	844	851	858	885
Gaming Support Costs	43	50	51	53	54
Operating Costs	170	183	195	193	195
Amortization and Other	87	88	92	102	108
Total Costs	1,114	1,165	1,189	1,206	1,242
Net Income Before Taxes	1,476	1,441	1,442	1,446	1,486
Taxes	61	65	68	70	73
Net Income	1,415	1,376	1,374	1,376	1,413

Liabilities	446	524	537	540	525
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Accumulated Deficit	(26)	(26)	(26)	(26)	(26)
Accumulated Other Comprehensive Loss	(39)	(39)	(39)	(39)	(39)
Total Deficit	(65)	(65)	(65)	(65)	(65)

Capital Expenditures	75	105	105	110	90
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¹ Fiscal year 2018/19 financial data is from the Audited Financial Statements for the year ended March 31, 2019

Key Forecast Assumptions, Risks and Sensitivities

Net income targets are updated through a reforecasting process that analyzes recent revenue trends for each product category to build a projection of baseline contribution margin (revenues less direct costs). Baseline costs for fiscal year 2020/21 were estimated after a rigorous budgeting process. Incremental revenues and costs from strategic initiatives are incorporated into baseline projections and result in the financial plan.

BCLC's two major business units (lottery and casino) are mature and face market growth challenges. Revenue is projected to increase by \$122 million or 1.5 per cent compounded annually by fiscal year 2022/23 compared to fiscal year 2019/20.

BCLC

Private sector service providers own and operate gambling facilities on behalf of BCLC and employ unionized staff. Union contract agreement expiry dates vary by facility, with contracts for four major sites expiring in fiscal year 2021/22. BCLC revenue targets assume contract negotiations between the service providers and unionized employees are successful, resulting in no labour disruptions.

Direct costs include private sector service provider and retailer commissions, lottery ticket and bingo paper printing, supplies and leases. These are driven by revenue projections of each product category. Direct costs are forecasted to increase \$41 million or 1.6 per cent compounded annually over the three-year period. The increase in direct costs is primarily a function of an increase in revenue.

Gaming support costs are expenses that support revenue generation including systems support, data transmission, equipment installation, product delivery, and internet-based software licence and service fees. These costs are projected to increase by \$4 million or 2.6 per cent compounded annually over the three-year period. Costs in this area are forecasted to increase in line with industry trends as BCLC continues to make investments in technology to sustain and enhance core systems that support its player experiences. Also, systems support costs associated with maintaining BCLC's online and mobile-enabled gambling site, PlayNow.com, are expected to rise to keep pace with upgrades to BCLC's players' desktop operating systems, browsers, security systems and mobile devices.

Changes in technology delivery are driving a market shift from on-premise owned and constructed assets to cloud-based services (cloud). BCLC has incorporated some high level assumptions regarding the impact of adopting cloud into the financial projections; however, variability in estimates can occur from many factors, including volatility in costs due to variable usage, degree of automation and systems management, increased costs due to increased business demands/growth and cost overlap with existing technology that may not be fully depreciated.

Operating costs include advertising and marketing, staffing costs, professional fees, rent, equipment, communications and financial costs. Operating costs are projected to increase by \$12 million or 2.1 per cent compounded annually over the three-year period to support revenue generation and maintain base business operations. Included in this increase are the estimated operating costs required to replace lottery legacy systems and to promote player health. The lottery legacy system replacement project involves the replacement of equipment and software identified as high-risk as they are near end-of-life, and the majority of lottery revenue relies on this critical equipment and software. Pension costs have also increased as a result of the lower interest rates used to value the defined benefit pension plan obligation due to market conditions.

BCLC has continued to improve its AML controls as part of its ongoing effort to safeguard B.C. casinos from illegal activity. As part of this effort, BCLC is in the process of identifying a solution to increase the efficiencies and effectiveness of AML reporting. BCLC is also exploring options for account-based gambling solutions in order to substantially reduce the use of cash, further increase capacity for monitoring transactions and to increase non-anonymous play. At this time, an estimate

BCLC

cannot be reasonably determined for these solutions and the potential impact they may have on BCLC's operations and accordingly, is not included in these projections

Initiatives underway around player health, updating obsolete technology, AML and account-based gambling solutions require significant resources from a work effort, capital and operating perspective, but are essential to ensure the long term health of our players and the organization.

Sensitivity Analysis

As indicated above, the business planning process involves a thorough analysis of revenue trends by product category to determine baseline organic growth assumptions. Baseline organic growth assumptions are then applied to base operations. As BCLC's revenues are in excess of \$2.6 billion, small percentage changes in certain assumptions result in variances in the millions of dollars. As BCLC's revenue is generated from games of chance, outcomes to these games are all inherently unpredictable. Incremental revenue is added to baseline operations from new and strategic initiatives. As a result, the three-year plan is sensitive to small percentage assumption changes in revenues along with risks associated with future initiatives, such as execution risk, market acceptance and success of new products and facilities.

Below is the table outlining the sensitivities in revenue given the above factors.

	2020/21		2021/22		2022/23	
	High	Low	High	Low	High	Low
Revenue Target	2,631	2,631	2,652	2,652	2,728	2,728
Forecast Risks and Sensitivities						
2% change in Slot Growth Assumption	29	(29)	29	(29)	29	(29)
Volatility in Tables	12	(12)	12	(12)	12	(12)
Market adoption/success of new initiatives		(8)		(11)		(12)
Revenue Risk Adjusted	2,672	2,582	2,693	2,600	2,769	2,675

Management's Perspective on the Financial Outlook

Delivering on BCLC's net income commitments to Government continues to be challenging given market conditions and trends, especially in the volatile table business. The overall gambling industry in B.C. is at a mature stage with stable net income and a modest growth outlook.

BCLC's two major business units (lottery and casino) are mature and face market growth challenges. Revenue increases are flattening and margins are sensitive to shifts in product mix. Lottery revenues are heavily dependent on the national games' jackpot rolls, resulting in lottery revenue volatility. As well, revenues from these business units rely predominantly on a core, aging player base.

BCLC

An exception to the mature market trend is the eGaming business unit which delivers products on BCLC's online gambling platform, Playnow.com. Through the PlayNow mobile application and a wide range of innovative online product offerings, BCLC is successfully tapping into a younger demographic that is less engaged with the traditional delivery channels for gambling products. This business unit is expected to grow year over year by 11 per cent in fiscal year 2020/21.

BCLC's gambling product portfolio depends heavily on the performance of six core products (slots, tables, Lotto Max, Lotto 6/49, Keno and Scratch & Win), which comprise more than 90 per cent of revenue.

The projections presented position BCLC to make the necessary investments to ensure the long-term health of the business. BCLC continues to focus on innovation to retain existing intended players, and provide opportunities to increase their frequency of play and the number of different games played, by supporting and enhancing existing products (e.g. replacing lottery legacy systems) and developing new content and experiences.

BCLC is committed to managing its business responsibly in this ever-evolving environment. Investment decisions which enable future business growth and competitiveness are balanced with cost management in order to deliver net income commitments to Government. BCLC is continually managing costs and looking for ways to operate its business more efficiently and effectively.

Major Capital Projects

Currently there are no major capital projects (over \$50 million) approved through BCLC's business planning process.

Significant IT Projects

Lottery Terminals and Systems Replacement

This project involves the replacement of equipment that has been identified as legacy, including retail lottery equipment and supporting systems. This equipment is nearing end-of-life and supports the majority of lottery revenue. The capital estimate available at this time is approximately \$40 million and the project is estimated to complete in fiscal year 2021/22. Capital costs incurred to December 28, 2019 (last day of BCLC's fiscal period 9, fiscal year 2019/20) since this project started are approximately \$9 million.

Appendix A: Hyperlinks to Additional Information

Corporate Governance

[Governance and Oversight](#)

[BCLC Senior Executive](#)

Organizational Overview

[Mission and Values](#)

[Who we are](#)

[What we do](#)

[Customer support](#)

Appendix B: Subsidiaries and Operating Segments

Active Subsidiaries

The consolidated financial statements of BCLC include a wholly-owned subsidiary, B.C. Lottotech International Inc. (“Lottotech”). The primary purpose of Lottotech is to purchase capital assets for BCLC. These assets are leased to BCLC and the major expense is the amortization on the capital acquisitions as well as disposal costs on equipment. Increasing costs of equipment disposal are the primary drivers of the historical and projected net losses in Lottotech. As BCLC replaces lottery legacy equipment and other legacy investments, there will be associated disposal costs. The management and oversight of Lottotech is consolidated within BCLC operations and the Board reviews and approves capital budgets through the business planning process.

The majority of BCLC capital expenditures (refer to Financial Plan) are planned to be purchased through Lottotech.

Lottotech’s business activities are in alignment with BCLC’s mandate, strategic priorities and fiscal plan.

Summary Financial Outlook Table for Each Active Subsidiary

\$ Millions	2018/19 Actual	2019/20 Forecast	2020/21 Budget	2021/22 Budget	2022/23 Budget
Revenues	64.4	68.7	79.2	88.0	93.6
Expenses	64.3	68.5	79.0	87.8	93.4
Income from Operations	0.2	0.2	0.2	0.2	0.2
Other Income (Expenses)	(6.1)	(0.8)	(1.0)	(1.0)	(1.0)
Net Income (Loss)	(5.9)	(0.6)	(0.8)	(0.8)	(0.8)

Lottotech’s publicly available financial statements can be found in [BCLC’s 2018/19 Annual Service Plan Report](#).

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Business Units' Income Statement

\$ millions	<u>Actual</u> 2018/19	<u>Forecast</u> 2019/20	<u>Budget</u> 2020/21	<u>Budget</u> 2021/22	<u>Budget</u> 2022/23
Lottery					
Revenue	536	498	504	505	505
Less: direct expenses	<u>91</u>	<u>101</u>	<u>104</u>	<u>108</u>	<u>110</u>
	<u>445</u>	<u>397</u>	<u>400</u>	<u>397</u>	<u>395</u>
Operating expenses:					
General Operating	53	59	61	60	60
Gaming Support	15	16	16	16	17
Amortization	10	14	15	21	26
Other	<u>3</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>81</u>	<u>88</u>	<u>92</u>	<u>97</u>	<u>103</u>
Net Income Before Taxes	364	309	308	300	292
Taxes	<u>12</u>	<u>13</u>	<u>14</u>	<u>15</u>	<u>16</u>
Net income	<u>352</u>	<u>296</u>	<u>294</u>	<u>285</u>	<u>276</u>
e-Gaming					
Revenue	150	172	191	210	228
Less: direct expenses	<u>31</u>	<u>38</u>	<u>43</u>	<u>46</u>	<u>51</u>
	<u>119</u>	<u>134</u>	<u>148</u>	<u>164</u>	<u>177</u>
Operating expenses:					
General Operating	19	21	21	21	21
Gaming Support	8	9	9	9	9
Amortization	4	3	3	3	4
Other	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
	<u>32</u>	<u>34</u>	<u>34</u>	<u>34</u>	<u>35</u>
Net Income Before Taxes	87	100	114	130	142
Taxes	<u>6</u>	<u>7</u>	<u>8</u>	<u>8</u>	<u>9</u>
Net income	<u>81</u>	<u>93</u>	<u>106</u>	<u>122</u>	<u>133</u>
Casino & Community Gaming					
Revenue	1,904	1,936	1,936	1,937	1,995
Less: direct expenses	<u>692</u>	<u>705</u>	<u>704</u>	<u>704</u>	<u>724</u>
	<u>1,212</u>	<u>1,231</u>	<u>1,232</u>	<u>1,233</u>	<u>1,271</u>
Operating expenses:					
General Operating	98	103	113	112	114
Gaming Support	20	25	26	28	28
Amortization	56	59	70	74	74
Other	<u>13</u>	<u>12</u>	<u>3</u>	<u>3</u>	<u>3</u>
	<u>187</u>	<u>199</u>	<u>212</u>	<u>217</u>	<u>219</u>
Net Income Before Taxes	1,025	1,032	1,020	1,016	1,052
Taxes	<u>43</u>	<u>45</u>	<u>46</u>	<u>47</u>	<u>48</u>
Net income	<u>982</u>	<u>987</u>	<u>974</u>	<u>969</u>	<u>1,004</u>

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Operating Segments

Capital Expenditures for each Operating Segment

\$ Millions	2018/19 Actual	2019/20 Forecast	2020/21 Budget	2021/22 Budget	2022/23 Budget
Gambling Systems					
Lottery	10	23	40	21	21
eGaming	4	2	1	2	2
Casino & Community Gaming	50	60	40	69	49
Total Gambling Systems	64	85	81	92	72
Infrastructure & Corporate					
Systems	10	16	22	16	16
Corporate Facilities	1	4	2	2	2
Other Capital	11	20	24	18	18
Total Capital	75	105	105	110	90

Lottery

Lottery's key initiative is the replacement of legacy systems and equipment, as the current infrastructure is near end-of-life.

eGaming

eGaming continues to project double digital growth via delivery of new games and improvements to online and mobile experiences.

Casino and Community Gaming

One of Casino and Community Gaming's key initiatives is to provide players with new and exciting games and entertainment options. This also includes collaboration with private sector service providers to revitalize several existing casino properties to stay relevant and to encourage repeat visits. In fiscal year 2021/22, Chances Playtime Mission will relocate into a new facility while increasing its game count. A new facility, Cascades Casino Delta is also expected to open by fiscal year 2022/23. New entertaining gaming product will complement facility developments that include non-gaming amenities to broaden player appeal. In addition, Casino and Community Gaming will continue to expand the product portfolio of electronic table games to meet growing market demand.